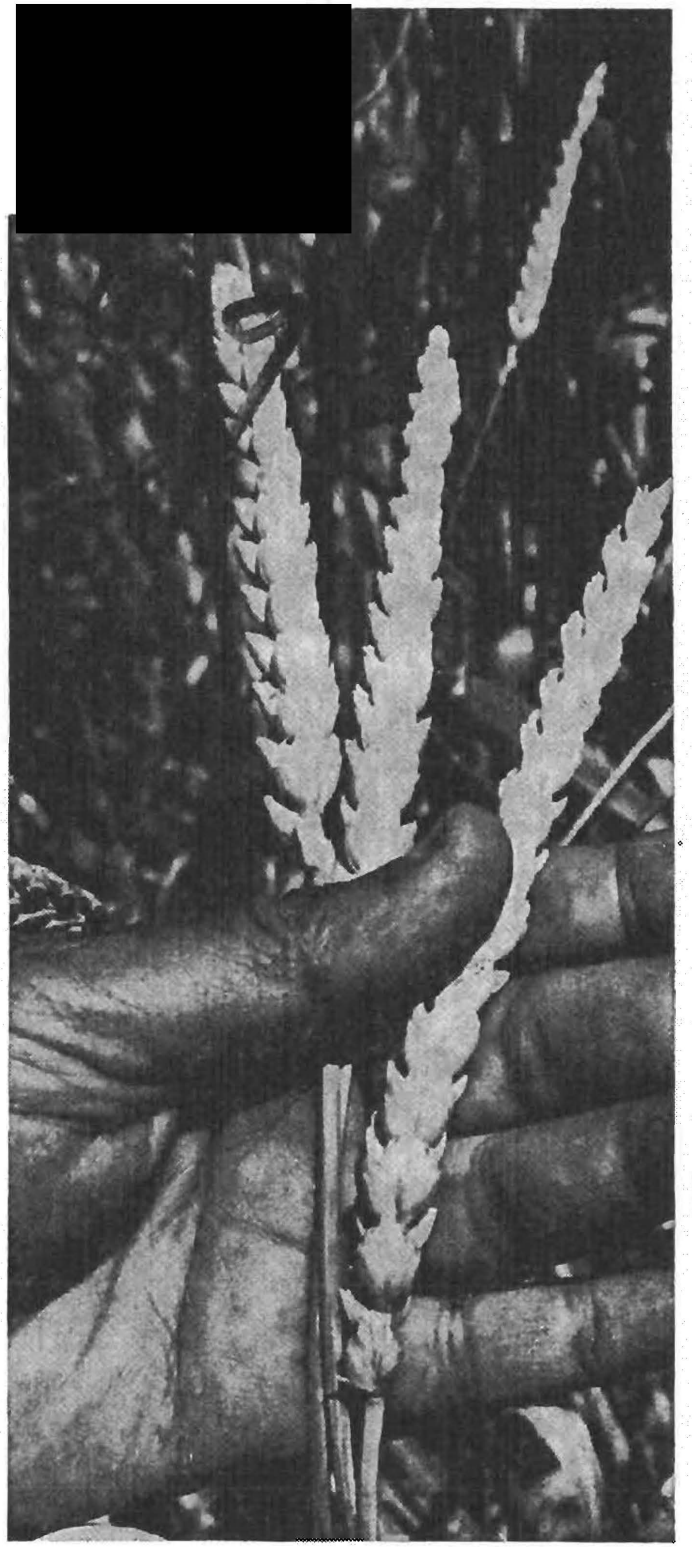

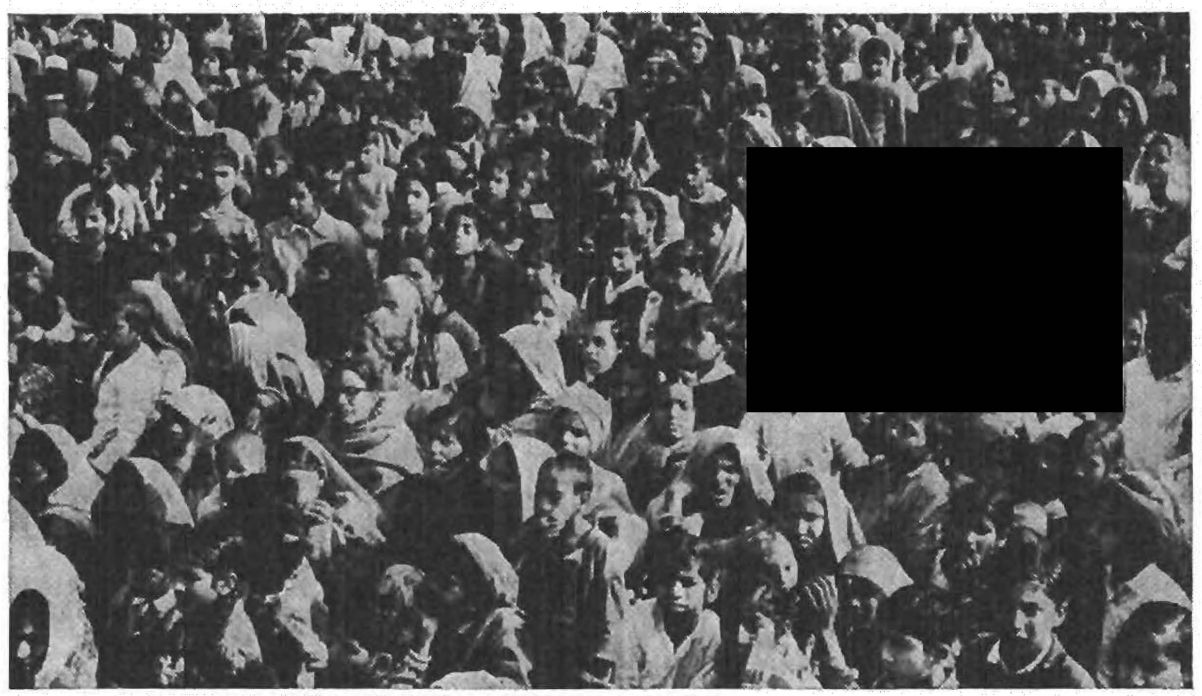

AGENCY FOR INTERNATIONAL DEVELOPMENT

Program Presentation to the Congress
Foreign Assistance Act of 1969
PROPOSED FY 1970 PROGRAM

BEST AVAILABLE

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PROPOSED PROGRAM
AND LEGISLATION
(A)

PROPOSED PROGRAM AND LEGISLATION

I. THE LEGISLATION

Last year the Congress directed the President to undertake a reappraisal of all U.S. foreign assistance programs, economic and military, to make interim recommendations by June 30, 1969 and to submit a final report by March 31, 1970.*

The interim recommendations are contained in the President's Foreign Aid Message of May 1969; in the provisions of the Foreign Assistance Act of 1969; and in this Program Presentation to the Congress:

The major conclusions and recommendations are these:

--Foreign assistance remains an essential function of U.S. foreign policy and must be continued, at an adequate level, for reasons of national self-interest and collective good conscience.

--Private enterprise and individual initiative must play an even greater role in development.

--Technical assistance must be more imaginatively used, more effectively managed and more generously funded.

--Multilateral assistance should be increased to share the assistance effort and bring the experience of many donors to bear on the problems of development.

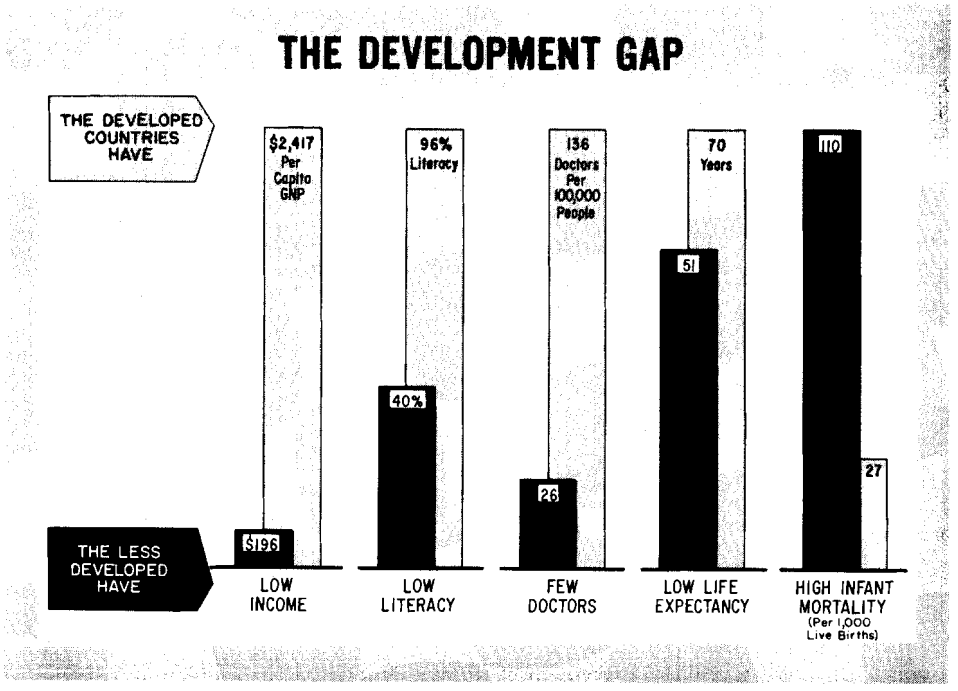
--Our highest priorities must continue to be increasing food production and reducing soaring population growth rates.

This year's foreign aid bill replaces substantial parts of the Foreign Assistance Act of 1961, which authorizes the A.I.D. program, to reflect new priorities and new directions--primarily the increased use of private enterprise in development and the greater focus on technical assistance.

--The bill creates a new Overseas Private Investment Corporation to take over most of A.I.D.'s present U.S. investment incentive programs and carry out other activities in cooperation with developing nations to increase the contribution of U.S. investment to development.

--The bill lays new stress on A.I.D.'s role as a stimulant to private enterprise abroad.

--The legislation emphasizes the important role of technical assistance in the development process by grouping in one



*Sections 501 and 502 of the Foreign Assistance Act of 1968, sponsored by Senator Jacob K. Javits, provide:

"DECLARATION OF POLICY

"Sec. 501. The Congress declares that, in view of changing world conditions and the continued need to make United States foreign assistance programs an effective implement of United States foreign policy, there should be a comprehensive review and reorganization of all United States foreign assistance programs, including economic development and technical assistance programs, military assistance and sales programs, and programs involving contributions and payments by the United States to international lending institutions and other international organizations concerned with the development of friendly foreign countries and areas.

"REAPPRAISAL BY THE PRESIDENT

"Sec. 502. (a) In furtherance of the policy of this part, the President is requested to make a thorough and comprehensive reappraisal of United States foreign assistance programs, as described in section 501, and to submit to the Congress, on or before March 31, 1970, his recommendations for achieving such reforms in and reorganization of future foreign assistance programs as he determines to be necessary and appropriate in the national interest in the light of such reappraisal. The President is requested to submit to the Congress, on or before July 1, 1969, an interim report presenting any preliminary recommendations formulated by him pursuant to this section.

(b) It is the sense of the Congress that the reappraisal provided for in subsection (a) should include, but not be limited to, an analysis and consideration of proposals concerning the establishment of a Government corporation or a federally chartered private corporation designed to mobilize and facilitate the use of United States private capital and skills in less developed friendly countries and areas, including whether such corporations should be authorized to--

(1) utilize Government guarantees and funds as well as private funds;

(2) seek, develop, promote, and underwrite new investment projects;

(3) assist in transferring skills and technology to less developed friendly countries and areas; and

(4) invest in the securities of development financing institutions and assist in the formation and expansion of local capital markets."

FY 1970 REQUEST AND PROPOSED PROGRAMS UNDER THE FOREIGN ASSISTANCE ACT
(In millions of dollars)

Assistance Category	FY 1970 Authorization Request	FY 1970 Appropriation Request	FY 1970 Proposed Program a/
ECONOMIC ASSISTANCE			
Development Loans	675.5	675.5	763.5
Alliance for Progress Development Loans	437.5	437.5	482.7
Technical Assistance	463.1	463.1	485.5
World-Wide	(224.5)	(224.5)	(241.9)
Alliance for Progress	(116.0)	(116.0)	(121.0)
Multilateral Organizations	(122.6)	(122.6)	(122.6)
Supporting Assistance b/	514.6	514.6	577.5
Contingency Fund	40.0	40.0	50.0
Indus Basin development, grants	7.5	7.5	7.5
Indus Basin development, loans	(0.8) c/	0.8	2.5
American Schools and Hospitals Abroad	12.9	12.9	12.9
Administrative Expenses, A.I.D.	54.3	54.3	57.3
Administrative and Other Expenses, State	(3.8) d/	3.8	3.8
TOTAL A.I.D. ASSISTANCE	2,205.4	2,210.0	2,443.2
OVERSEAS PRIVATE INVESTMENT CORPORATION	(75.0) e/	75.0	f/
GRANT MILITARY ASSISTANCE	375.0	375.0	434.0
TOTAL	2,580.4	2,660.0	2,877.2

a/ The FY 1970 proposed program is the total amount of funds that would be available to carry out programs under the Foreign Assistance Act. The proposed program consists of the new appropriations requested and additional funds available for use in FY 1970, such as repayments on prior loans, reimbursements, and uncommitted or deobligated funds from prior years.

b/ Includes contributions to certain Multilateral Organizations and Programs.

c/ No new authorization is needed since the Foreign Assistance Act of 1967 authorized the appropriation of $51.22 million for Indus Basin Loans. The amount shown is the appropriation request.

d/ The Foreign Assistance Act contains permanent authorization for appropriation of "such amounts as may be necessary". The amount shown is the appropriation request.

e/ The proposed authorization act provides for the appropriation of "such amounts as may be necessary". The amount shown is the appropriation request.

f/ The appropriation request is to provide reserves to back certain investment quaranty programs of the Corporation No obligations or expenditures are expected.

place the provisions relating to bilateral and multilateral technical assistance and providing a two-year funding authorization.

II. ORGANIZATION CHANGES

Changes in legislation are accompanied by changes in the organization of A.I.D.

--A new Technical Assistance Bureau, headed by an Assistant Administrator, is being created to consolidate and strengthen the central technical assistance staff to enable it to play a stronger role in developing and implementing technical assistance activities.

--An Auditor-General, reporting directly to the A.I.D. Administrator, will be appointed with supervision over existing audit and inspection elements of the Agency. He will be charged with making sure that management systems are operating to protect against abuses in the uses of A.I.D. funds.

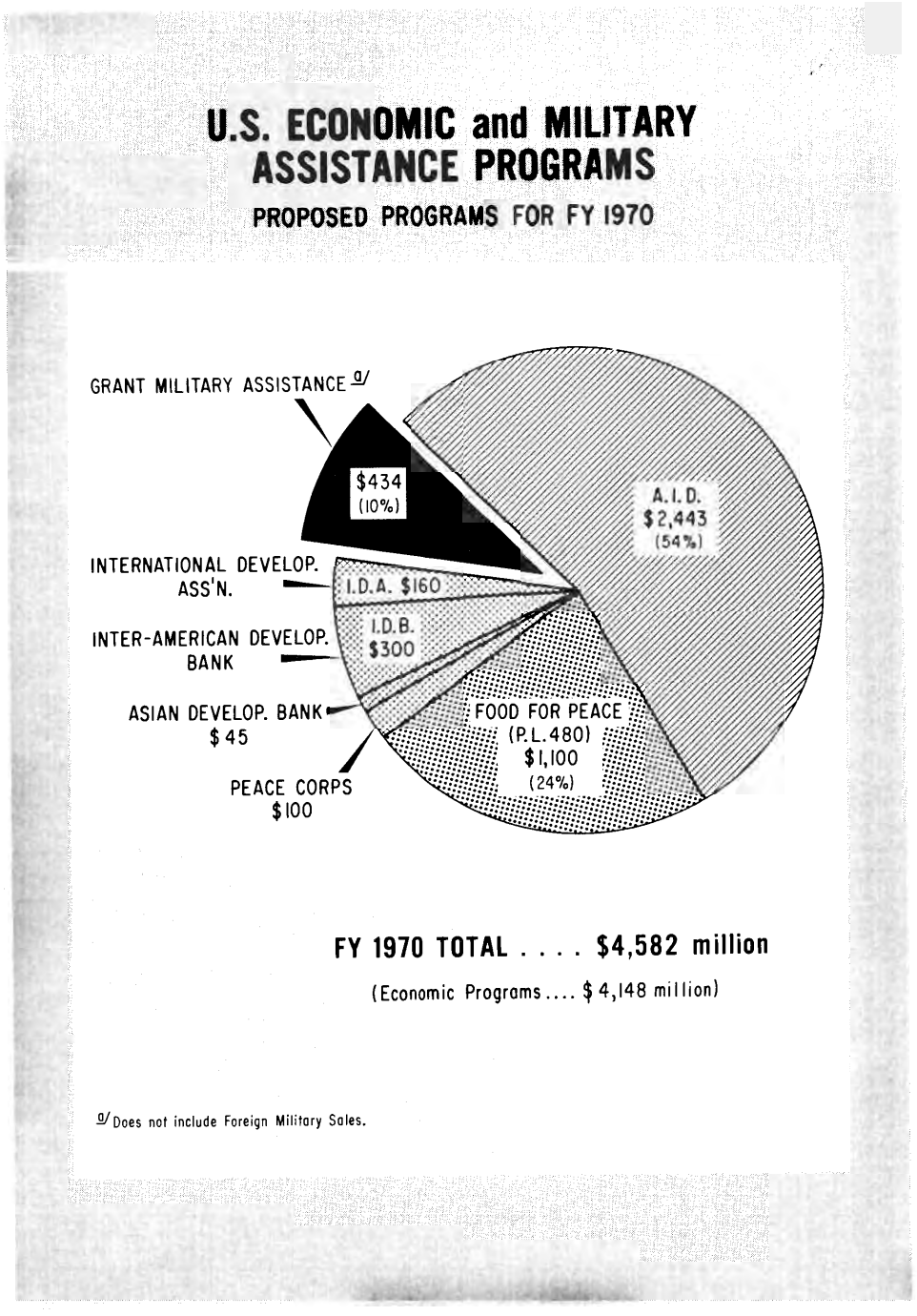
--With the creation of the Overseas Private Investment Corporation, A.I.D.'s Assistant Administrator for Private Resources and his staff will turn from direct management of A.I.D.'s investment incentive programs to a role of directing A.I.D.'s regular program toward stimulation of private enterprise in the less developed countries in a manner that complements the work of the Corporation.

III. LONGER-TERM STUDY

These proposed legislative and organizational changes, affecting almost exclusively the A.I.D. program, are just the first steps--but important steps--in redirecting our foreign aid programs and making them more effective.

The Executive Branch, under the President's direction, will continue an intensive review of all U.S. foreign aid activities with a view to making comprehensive proposals next year.

To help fashion these proposals, the President will appoint a Task Force on Foreign Economic and Military Assistance. This group will include representatives of business, banking, the academic community, church and social groups, industry, labor, agriculture and others.



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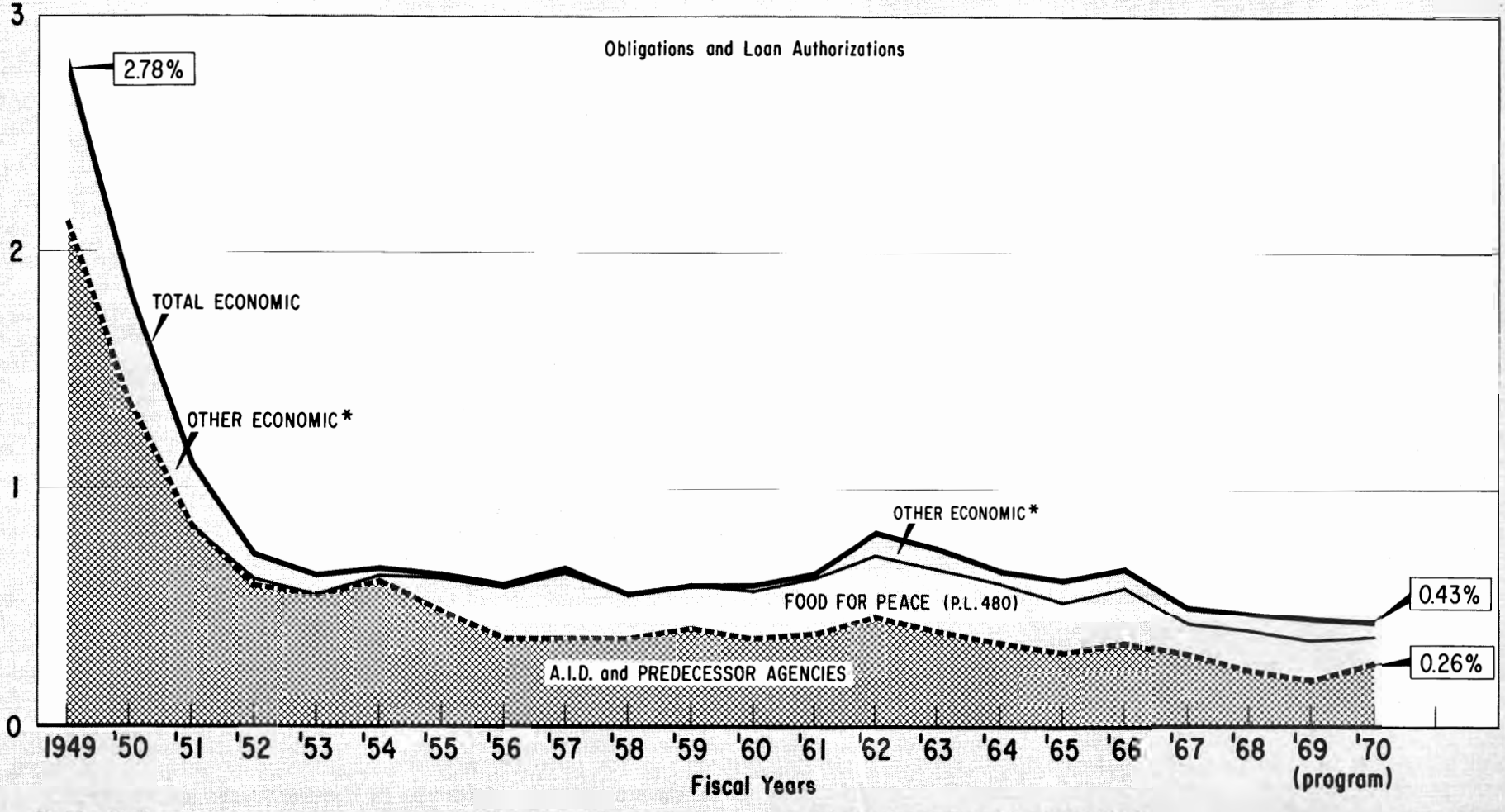
U.S. ECONOMIC ASSISTANCE as a PERCENT OF GNP



* Includes obligations of Peace Corps, Social Progress Trust Fund (SPTF), and Subscriptions/Contributions to International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), Inter-American Development Bank (IDB), and Asian Development Bank (ADB).

IV. THE PROPOSED PROGRAM

What is Foreign Aid? The economic assistance program carried out by the Agency for International Development is about half of the total U.S. foreign assistance program.

Other parts of foreign aid are the Food for Peace (P.L. 480) program, the Peace Corps, subscriptions and contributions to multilateral lending agencies, and military assistance.

Other overseas programs, such as Export-Import Bank loans and guaranties and the Foreign Military Sales program, are not foreign assistance in the sense of concessional aid at a cost to the Treasury. But these programs do permit other countries to buy American goods on credit not available commercially. They are, therefore, part of the total package of financial tools serving various U.S. domestic and foreign policy interests.

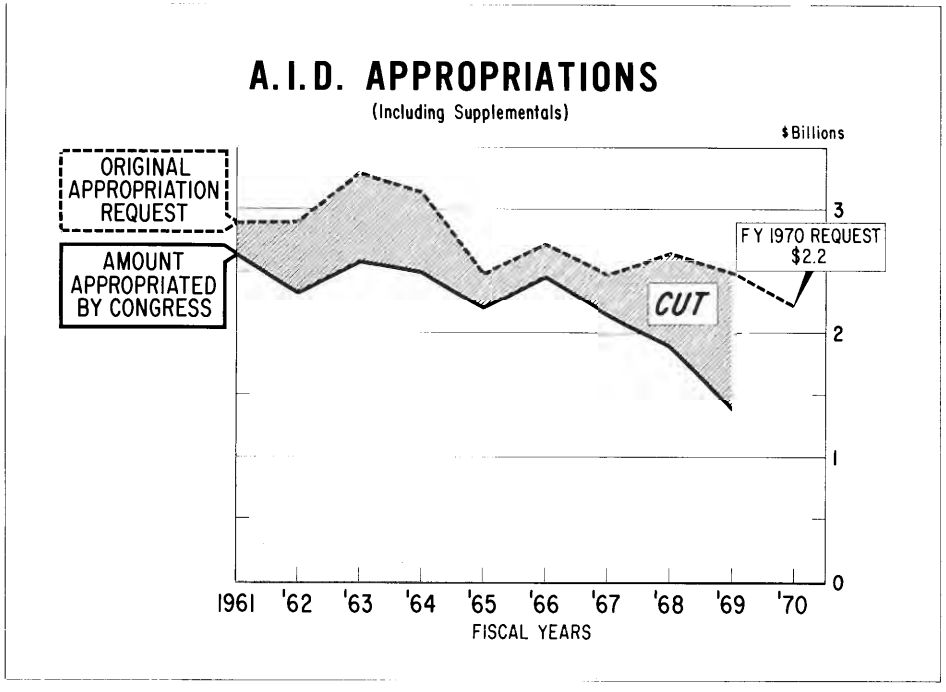
How much foreign aid do we provide? The total U.S. aid program proposed for Fiscal Year 1970 amounts to about $4 1/2 billion--2.3% of the Federal Budget, and less than 1/2% of our Gross National Product. Of this total, about half is in the A.I.D. program, one-fourth in P.L. 480 agricultural product grants and credits, one-tenth in military aid, and the balance in other programs. In 1949, during the Marshall Plan, economic aid was close to 3% of our GNP. During the Mutual Security Act period of 1953-1961, it averaged well over 1/2%, while during early years of the Foreign Assistance Act of 1961, it was closer to 3/4% of GNP.

The United States now provides about half of free world development assistance in absolute terms--but the share of other free world countries is growing. In fact, many other countries devote a larger share of their GNP to aid than the United States, and many provide assistance on easier terms than we do.

The A.I.D. Appropriation Request

The appropriation requested for FY 1970 under the Foreign Assistance Act is in three parts:

	($ Millions)
--For the A.I.D. program	2,210
--For Overseas Private Investment Corporation (OPIC) Guaranty reserve	75
--For grant Military Assistance	375



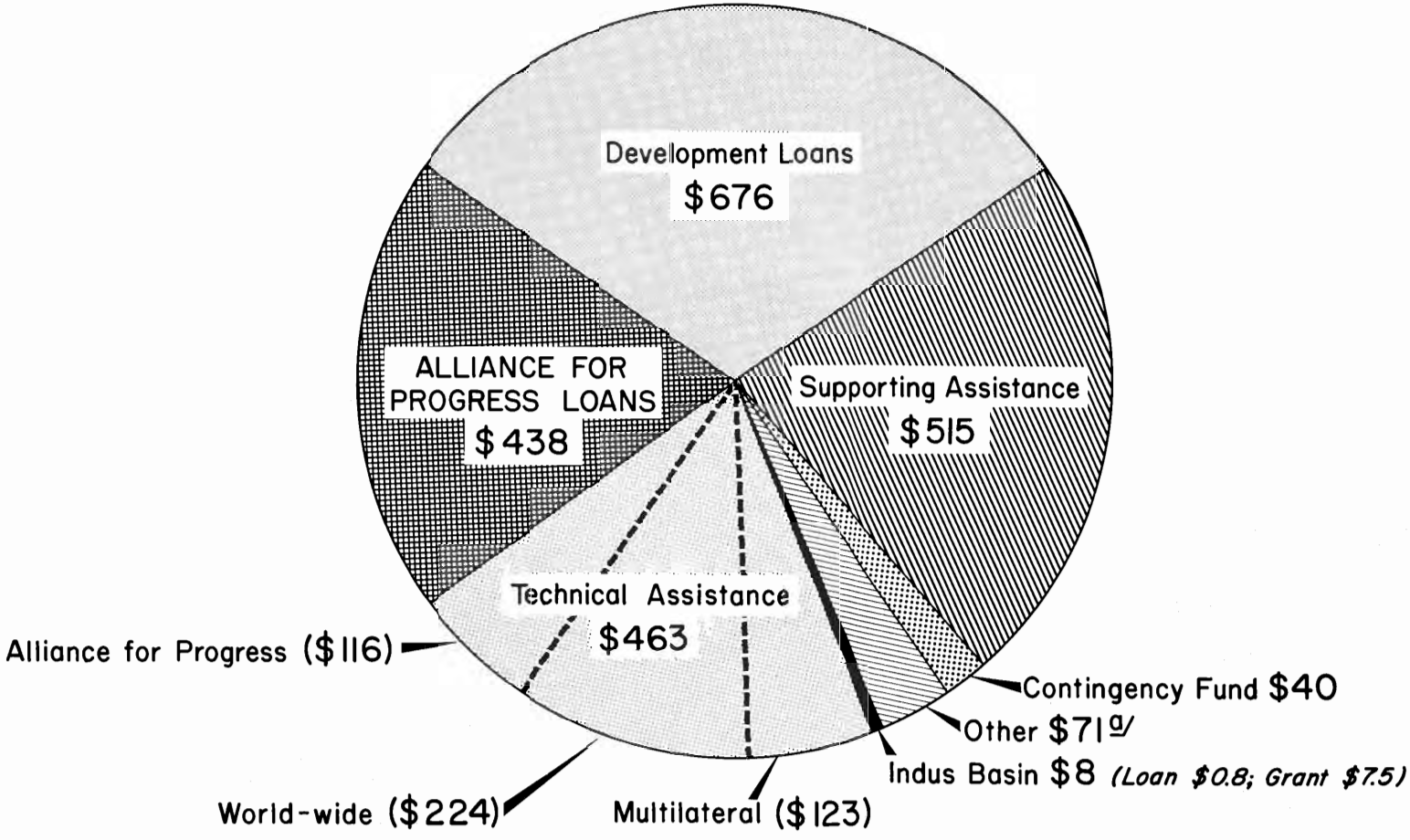
The total of $2.66 billion is the lowest appropriation ever requested. Yet, the $2.21 billion appropriation requested for the A.I.D. program for FY 1970 is some $800 million above the amount appropriated for FY 1969--when the A.I.D. request was cut almost in half. But it is $138 million less than requested by the previous Administration and is the lowest request for economic assistance in the last 10 years. Together with other available funds, such as repayments on past loans, the request will finance an A.I.D. program of $2.4 billion.

The A.I.D. appropriation request falls into several categories.

	($ millions)
Technical Assistance	463
Worldwide	(225)
Alliance for Progress	(116)
Multilateral	(123)
Development Loans	676
Alliance for Progress Development Loans	438
Supporting Assistance	515
Administration	58
Other	62
Total	2,210

AGENCY FOR INTERNATIONAL DEVELOPMENT

FY 1970 APPROPRIATION REQUEST



TOTAL---$2,210 million*

a/ Includes American Schools and Hospitals Abroad $12.9 million; A.I.D. Administrative Expenses $54.3 million; and State Administrative Expenses $3.8 million.

*Does not include appropriation request of $75 million for Overseas Private Investment Corporation (OPIC) Investment Guaranty Reserves.

R

Technical Assistance. Technical Assistance applies American technical and professional expertise to the problems of the developing countries. It includes bringing promising individuals from developing countries for training in the United States or third countries and building lasting human institutions in the developing nations to create and accelerate the momentum of development.

Begun under the Point IV program in 1950 Technical Assistance continues today to be a critical requirement without which a less developed country cannot make its own physical resources productive or use resources provided from abroad effectively. Modern technology and scientific knowledge are required to solve the many problems of development. Unless a farmer is taught the ways of modern farming or a government official the principles of agricultural policy making, the new high-yield seeds or fertilizer or modern equipment will do little to help to feed the people of his country. Unless an entrepreneur operates in an environment of effective financial and training institutions, his industrial plant is not likely to produce the capital and consumer goods needed for development.

Training and research in agriculture and family planning are among the most important activities financed by Technical Assistance. But Technical Assistance must be provided to remedy other problems that can stifle development--inadequate educational opportunities, debilitating diseases, poor administration of government ministries and private industries, and low levels of popular participation in development.

A.I.D. draws heavily on U.S. universities, private organizations and other government agencies such as the Departments of Interior, Agriculture, Treasury, HEW, Commerce and Transportation to carry out technical assistance activities in the less developed countries and provide other support in the United States. In fact, less than half of the A.I.D.-financed advisors working abroad are direct employees of A.I.D. Thus, it is possible for A.I.D. to tap the best American talent available for the period needed for a particular project without a large establishment.

Plans to strengthen Technical Assistance activities are now being formulated. A Technical Assistance Bureau is being set up in A.I.D. to expand and improve Technical Assistance activities. A two-year authorization for Technical Assistance--$463 million for FY 1970 and $530 million for FY 1971--is being requested to enable A.I.D. to carry out these plans effectively.

Multilateral Technical Assistance is carried out by a number of programs administered by the United Nations and related agencies. The bulk of the U.S. voluntary contributions to these activities is for the United Nations Development Program--$100 million proposed for FY 1970--to which other countries contribute over 60% of the funds.

Development Loans and Alliance for Progress Development Loans. Development Loans provide less developed countries with Capital resources needed for growth. They finance the commodities and technical services necessary for construction of factories, dams and education and health facilities and the import from the United States of raw materials and capital goods needed to fuel industrial and agricultural development. In addition, they are the primary means that A.I.D. has available to stimulate borrowing countries to make the self-help reforms needed for their own development.

Development Loan funds must be used for the purchase of goods or services in the United States. In addition to benefitting U.S. producers, tying assistance insures that Development Loan funds do not have a direct adverse effect on the U.S. balance of payments.

Development Loans are of three types--project loans, production loans (also called "program loans") and sector loans.

Project loans finance a specific undertaking such as a fertilizer plant, a power dam or a road. They help to build the capital base needed for a vital economy.

Production loans finance the import of U.S. fertilizer, capital goods, raw materials and spare parts needed for industrial and agricultural development. They are made in connection with self-help conditions that affect the overall economy, such as fiscal, monetary and import reforms.

Sector loans are a new type of Development Loan assistance designed to spur the development of a particular sector in a country, such as agriculture or education. Like production loans, these loans finance a list of essential imports. They differ in that they are tied to self-help actions by the recipient country in the particular sector.

All three types of loans are usually coupled with Technical Assistance in the A.I.D. program.

Development Loan principal and interest are repayable with interest in U.S. dollars. The minimum interest rates charged to the borrowing country on Development Loans are lower than commercial interest rates. If they were not, the loans would not be aid at all. Formerly 3/4% for the life of the loan, interest is now 2% during the grace period and 3% thereafter. If the borrowing country relends to local entrepreneurs, however, it is usually at commercial rates.

The burden of debt of the less developed countries, caused in part by past loans with relatively high interest rates and short maturities, has grown rapidly over the past several years. Debt service, including service on export credits, amounted to $4.1 billion in 1967, nearly half of the total new aid they received that year from all donors.

The FY 1970 appropriation request includes $676 million for worldwide Development Loans and $438 million for Alliance for Progress Development Loans.

Indus Basin Development Fund. The Indus Basin Development Fund administered by the World Bank finances the construction of two dams, canals and barrages to provide an equitable division of the waters of the rivers of the Indus Basin between India and Pakistan. The project has helped to remove a serious source of friction between the two countries and is providing water for irrigation to over 50 million people in the area.

The Indus Basin Settlement Agreements of 1960 and 1964 established the Indus Basin Development Fund to which the United States and eight other donors (Australia, Canada, Germany, India, New Zealand, United Kingdom, Pakistan and the World Bank) contribute. The total commitment to the Fund amounts to $1.5 billion of which the U.S. share is 44%.

On the basis of World Bank estimates, the United States plans to contribute for FY 1970 $7.5 million in grants and $2.5 million in loans ($1.7 million to be carried over from FY 1969 and $0.8 million requested in FY 1970 approprations).

Supporting Assistance. The bulk of the A.I.D program--Technical Assistance, the two categories of Development Loans, and Indus Basin loans and grants--is development assistance.

But A.I.D. also provides assistance to help a few countries maintain economic or political stability. As recently as FY 1962 Supporting Assistance was furnished to 41 countries, in many cases to help them sustain extraordinary security burdens. Most of these countries are now economically and politically able to make good use of development assistance, and some are no longer in need of any kind of aid.

For FY 1970, therefore, we propose to furnish Supporting Assistance to only seven countries--almost all of it for Vietnam, Laos and Thailand. The balance is required for Korea and Nigeria, and small amounts for the Dominican Republic, the malaria eradication program in Haiti, and regional activities in Africa and East Asia. In addition, $19.6 million will support UN peacekeeping and refugee programs in Cyprus and the Middle East.

Since FY 1961 Supporting Assistance to countries other than Vietnam fell from $653 million to the $118 million proposed for FY 1970.

Other Funding Categories

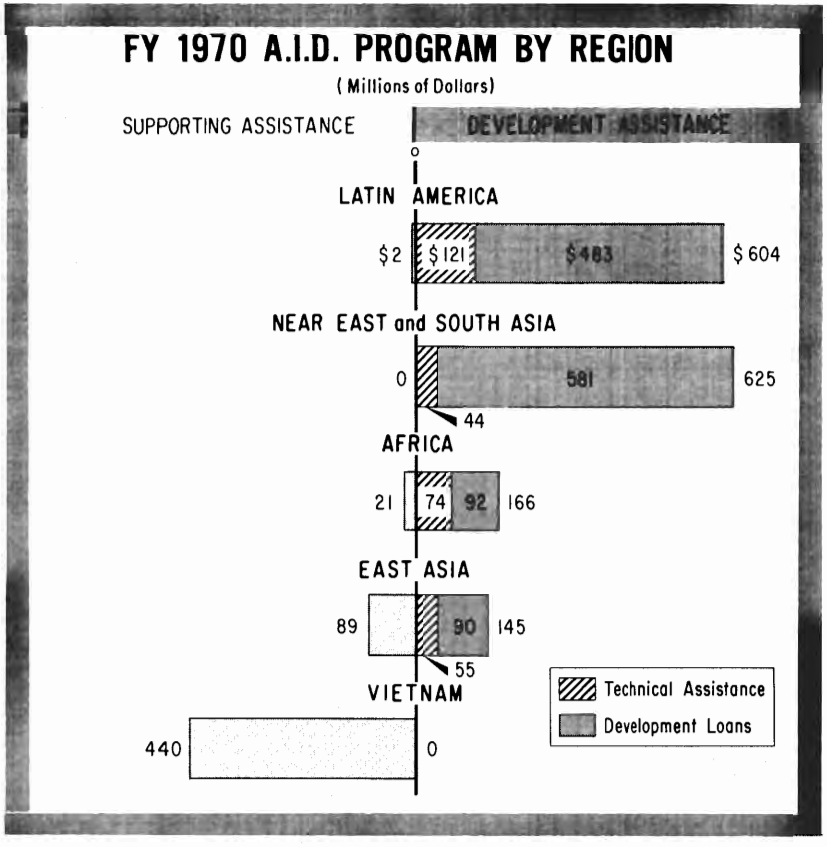
The balance of the A.I.D. appropriation request is for the Contingency Fund, American Schools and Hospitals Abroad, and Administrative Expenses.

The Contingency Fund, for which $40 million is requested, is used for assistance needs which are unforeseen or cannot be accurately defined at the time the proposed program is prepared and submitted to the Congress.

It is often used for urgent relief from disasters, such as earthquakes and floods, as well as for situations of major security interest to the United States.

The program for American Schools and Hospitals Abroad helps finance construction and operating costs for a small number of schools and hospitals abroad which were founded or sponsored by Americans. Among these are the American University of Beirut, Robert College in Turkey, and Project HOPE. $13 million is requested for FY 1970.

The $54 million requested for Administrative Expenses is required for the salaries and related expenses of running the A.I.D. program. An additional $3.8 million will be used for expenses of the State Department in carrying out certain activities related to foreign assistance.



Program by Region

Most of A.I.D.'s funds are used directly for the five regions in which A.I.D. has programs.

Latin America. The FY 1970 program proposed for Latin America amounts to $605 million--$483 million in Alliance for Progress Development Loans, $121 million in Alliance Technical Assistance and $1.8 million in Supporting Assistance.

$494 million of the funds, or 81.5%, are proposed for Brazil, Chile, Colombia, Central America and inter-American and regional activities.

Near East and South Asia. The proposed FY 1970 program for the Near East and South Asia is $625 million. This includes $581 million in Development Loans and $44 million in Technical Assistance.

Three major countries--India, Pakistan and Turkey--will receive 97% of these funds.

Africa. The proposed program for Africa for FY 1970 is $186 million, consisting of $92 million in Development Loans, $74 million in Technical Assistance and $21 million in Supporting Assistance.

Regular bilateral activities are proposed for FY 1970 for continuing programs in only ten African countries and for planned phase-out activities in an additional two countries. Twenty-three others will be eligible only for regional and multi-donor aid (for which $70 million or 38% of the program is proposed) and for self-help funds, ranging normally from $50,000 to $100,000 a piece, for small one-time contributions to local projects.

East Asia. $234 million is proposed for East Asia for FY 1970--$90 million in Development Loans, $55 million in Technical Assistance and $89 million in Supporting Assistance.

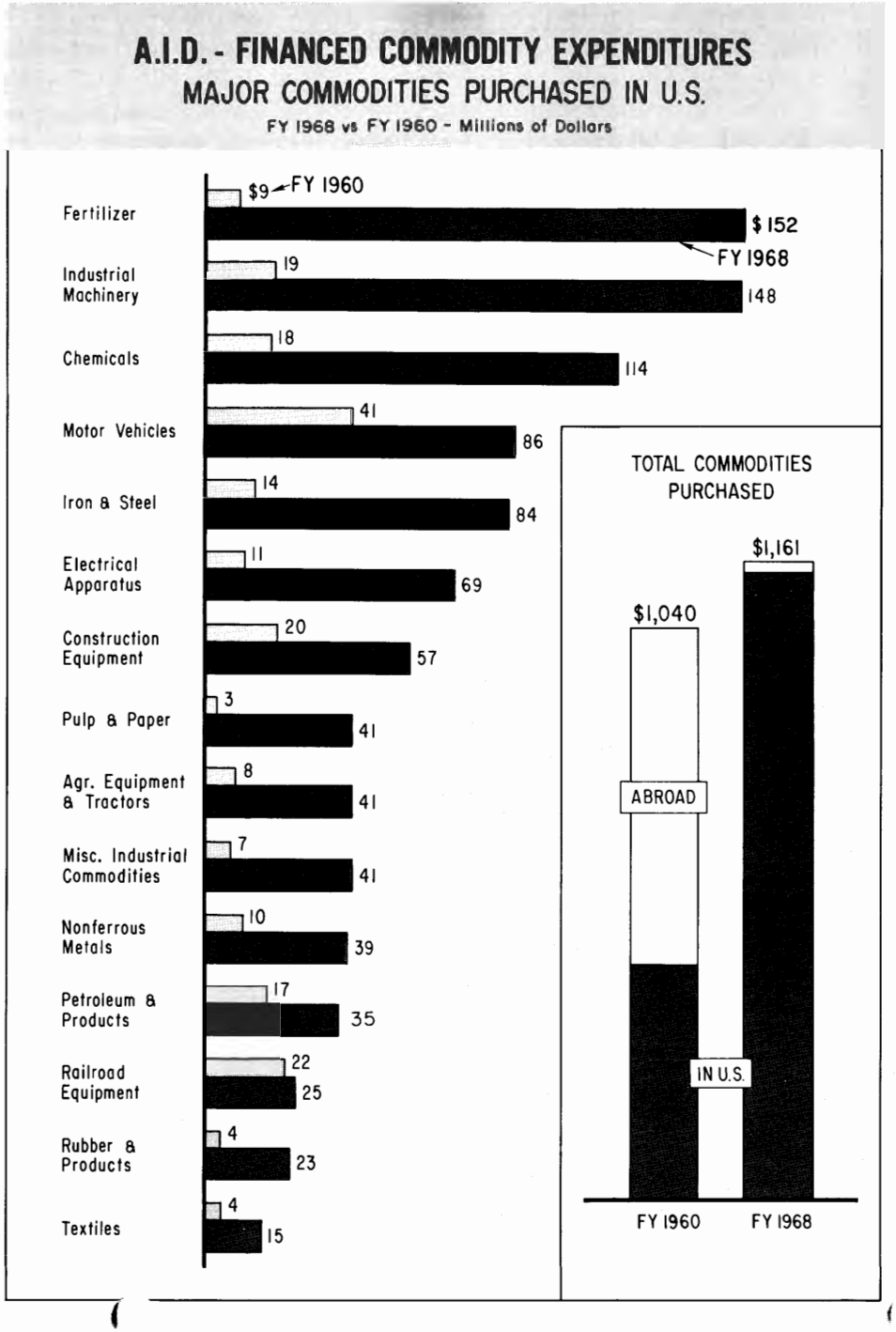
The Development Loans are for Indonesia and Korea. The bulk of the Supporting Assistance is for Laos and Thailand, with the balance needed for grants for the Southeast Asia regional program and the final year of the planned phase-out of Supporting Assistance for Korea.

Vietnam. The $440 million proposed for Vietnam for FY 1970 comes entirely from Supporting Assistance. It is used for program needs and a small amount, as in past years, to cover administrative expenses of the expanded Vietnam program.

In addition, some A.I.D. funds are used for activities not directly connected with a particular country or region. These include contributions to worldwide multilateral organizations, administrative expenses and program activities such as research and support for private U.S. organizations involved in overseas development or relief work.

V. THE A.I.D. PROGRAM AND THE U.S. ECONOMY

Today's A.I.D. program does not send money abroad--it sends U.S. goods and services. The result of this tied procurement policy is that almost all A.I.D.'s dollars remain in this country to purchase American goods or to pay U.S. companies, universities and other private groups for American technical and professional services to carry out projects overseas.

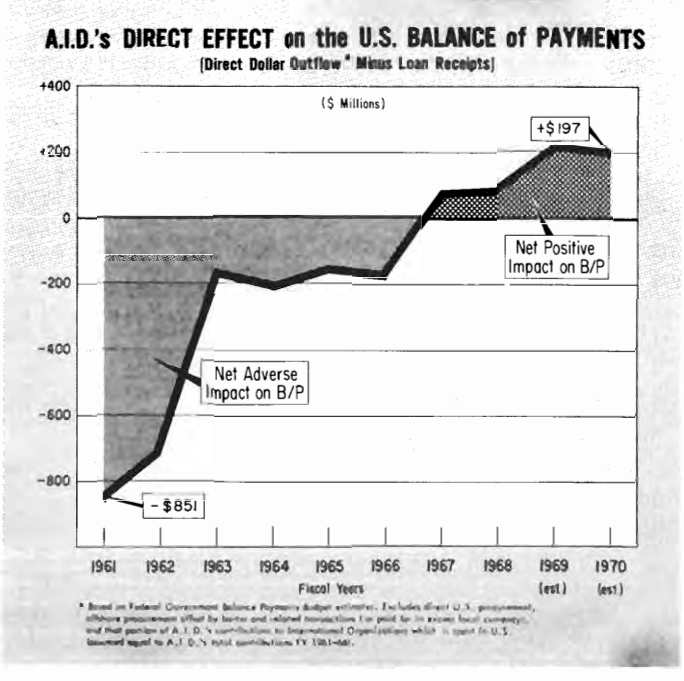


--Commodity procurement. In FY 1960 A.I.D. predecessor agencies (ICA and DLF) bought $423 million worth of U.S. goods--only 41% of their total financing of commodities. In FY 1968 A.I.D. funds bought $1,141 million worth from all 50 states, or over 98% of A.I.D.-financed commodity procurement.

--Technical services contracts. As of December 31, 1968, A.I.D. had 1,059 active technical service contracts with private institutions, companies and individuals valued at $629 million to carry out projects in 66 countries.

--University contracts. Of these, 114 American colleges and universities held 293 contracts worth $211 million for projects in 40 countries.

As important as the benefits provided directly to U.S. firms by A.I.D.-financed activities is the fact that the A.I.D. program now has a positive direct impact on the U.S. balance of payments. In FY 1961 the program was responsible for a net outflow of $851 million. In FY 1970 we estimate that the program will result in a net inflow of $197 million. The amount of this net inflow will continue to rise, principally because of growing receipts of interest and principal repayments on past loans.



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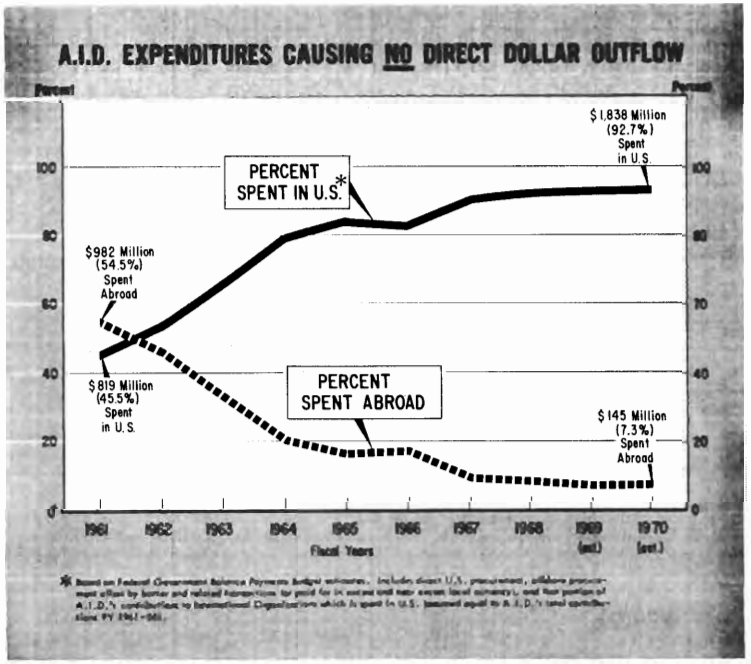


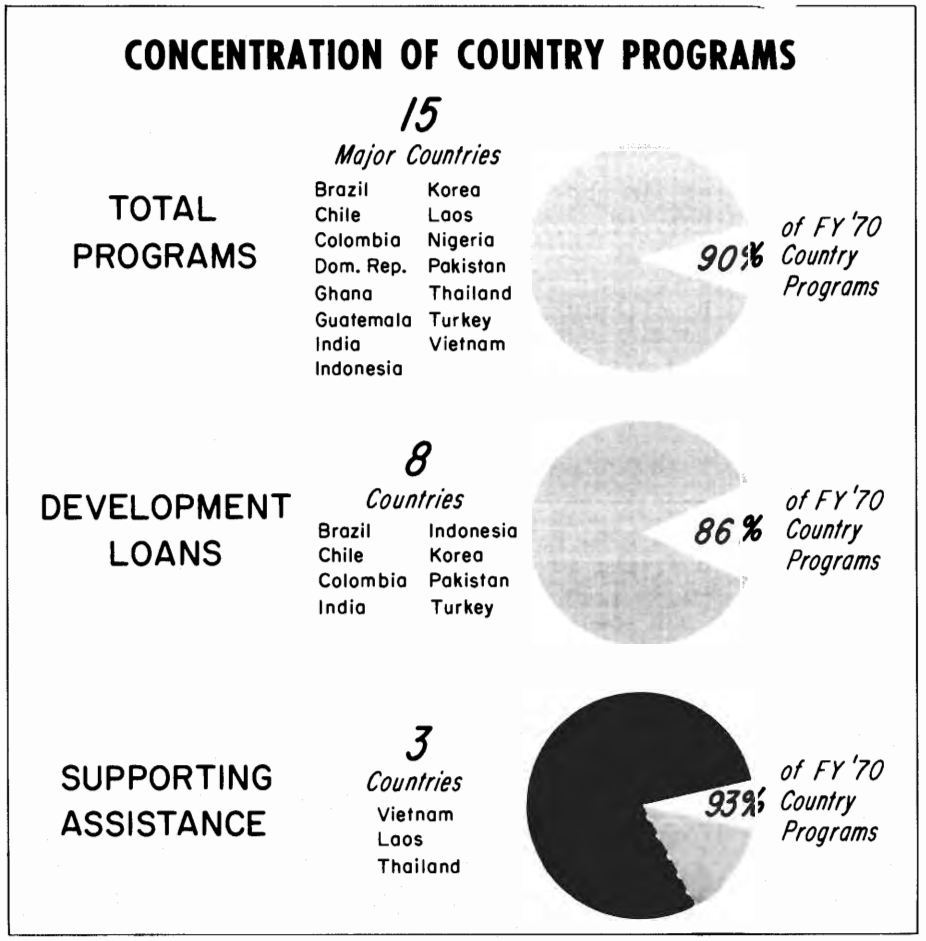
VI. PROGRAM CONCENTRATION IN A LIMITED NUMBER OF COUNTRIES

The A.I.D. program is highly concentrated in a small number of key countries.

In FY 1970 90% of country programs* is proposed for only 15 countries. Eight of these countries--Brazil, Chile, Colombia, India, Indonesia, Korea, Pakistan and Turkey--are scheduled to get 86% of Development Loan funds in FY 1970. Supporting Assistance is even more concentrated, with 93% of country aid to go to three countries--Vietnam, Laos and Thailand. Some of these major countries, such as Turkey and Korea, will reach self-sustaining growth in the next few years.

Other countries such as Israel, Taiwan, Iran and Mexico, no longer require A.I.D. assistance.

* Country programs exclude regional activities as well as inter-regional activities such as contributions to multilateral programs, administrative expenses, program support costs and the central research program.



The total number of countries receiving some form of assistance from A.I.D., no matter how limited, will drop from 76 in FY 1967 to 68 in FY 1970. But 23 of the 68 remaining countries--about one-third of the total--will not have regular A.I.D. programs in FY 1970. They are all African countries which, apart from regional programs, will be eligible only for self-help funds ranging normally from $50,000 to $100,000 apiece.

As a result of this phase-out of regular programs in the smaller African countries, the number of countries in which A.I.D. has regular bilateral programs will drop from 74 in FY 1967 to 45 proposed for FY 1970.

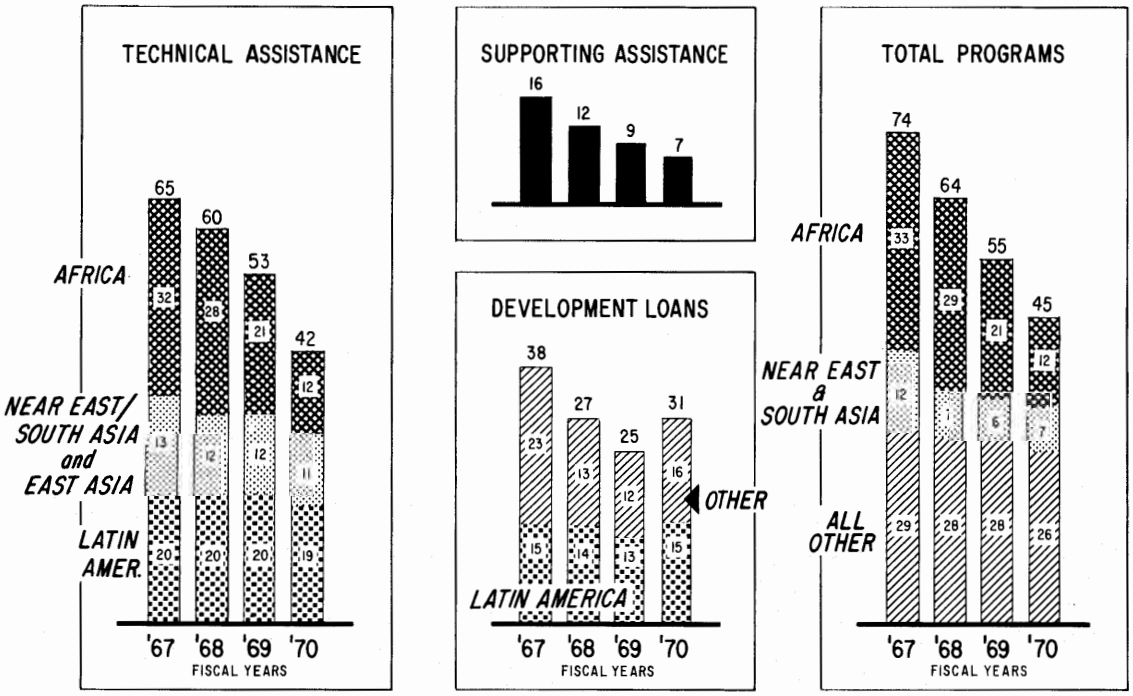
Regular Technical Assistance programs will have dropped during the same period from 65 to 42 (45 to 23 outside Latin America).

PROPOSED PROGRAM AND LEGISLATION

Development Loan programs will have gone from 38 in FY 1967 to 31 in FY 1970 (23 to 16 outside Latin America).

Over the same period Supporting Assistance programs will have dropped from 16 to 7.

NUMBER OF COUNTRY PROGRAMS*



*Number of total programs includes all countries receiving any amount of A.I.D. assistance except those receiving only Self-Help Funds ranging normally from $50,000 to $100,000 of Technical Assistance per country per fiscal year (2 African countries in FY 1967, 5 in FY 1968, 13 in FY 1969 and 23 in FY 1970).

Number of countries receiving a particular category of assistance specified above includes countries receiving Contingency Funds in accordance with the provisions applicable to that category, but excludes countries receiving only (1) amendments of prior-year loans without change of scope, (2) funds programmed for necessary expenses of winding up terminated programs under Section 617 of the Foreign Assistance Act, or (3) Self-Help Funds as described above (3 countries in FY 1967).

Supporting Assistance and Alliance for Progress Development Loans used in FY 1968 and FY 1969 as Technical Assistance grants for population programs under Title X of the Foreign Assistance Act are counted as Technical Assistance.

VII. SELF-HELP

A country's own determination to make progress is the most important single element in its development. Without it, aid from others is wasted. With it, outside aid can provide the critical extra margin of resources needed to accelerate growth:

--first, by concentrating development aid in countries which have shown by past actions that they are making the sacrifices necessary for development to succeed and are making good use of aid from others as well as their own resources;

--second, by making aid conditional on specific steps a country must take, from contributing to the proect being financed to allocating its total resources more efficiently.

Development Loans, primarily non-project loans, are the main instruments A.I.D. has to encourage self-help policies and activities. The furnishing of these loans--both production loans (also called "program loans") and sector loans--is conditioned on self-help measures which may profoundly affect the whole economy or a significant sector of it.

For example, in order to receive our aid, countries have been required to liberalize import restrictions, increase tax collections, allocate more of their budget to agriculture or education, take specified steps to reduce inflation, or undertake other actions designed to help them make faster development progress.

VIII. FOOD AND POPULATION

The development of high-yield seeds and other advances in agricultural technology as well as the improvement and the increased acceptance of family planning methods make the solution of the world food problem within reach--if vigorous and sustained efforts are made to overcome it.

There is recent evidence that the problem of basic food shortages can be solved within the next two decades if there is broadly based growth in the economies of the developing nations. Agricultural production in the developing countries has increased substantially in recent years. In 1961, with a population of 1.4 billion, the developing nations of the free world produced 268 million tons of grain. In 1968, with a population more than 20% larger (1.7 billion), the same countries harvested over 24% more grain--335 million tons. Of the 45 countries scheduled to receive regular bilateral A.I.D. assistance in FY 1970, 22 have started official national family planning programs.

BEST AVAILABLE

PROPOSED . .OGRAM AND LEGISLATION

Of the proposed FY 1970 A.I.D. program, about 26% is to be spent for agricultural and food production programs. $280 million--the largest single amount--will finance exports of U.S. fertilizer.

Funds used for population activities have grown from about $5 million in FY 1966 and FY 1967 to $35 million in FY 1968 and about $50 million for FY 1969. For FY 1970, A.I.D. will seek opportunities to continue expanding this assistance and increase the use of U.S.-owned local currencies in population and related health programs.

IX. PRIVATE ENTERPRISE AND DEVELOPMENT

Private resources and individual energies must be applied to the task of development. Progress has been greatest in countries which have allowed private enterprise to flourish and have enabled the individual to participate actively in the development process.

The proposals submitted to the Congress this year reflect this basic fact in two major ways--(1) by pointing the A.I.D. program more directly toward stimulation of private initiative in the less developed countries and (2) by creating a new Overseas Private Investment Corporation to increase the amount of U.S. private investment available for development.

(1) The A.I.D. program can help strengthen local private initiative in a number of ways. For example--

--Development Loans are used to encourage sound government policies which liberalize import and other restrictions hampering private economic growth and create a favorable climate for private investment.

--Development Loans also finance the importation of U.S. goods needed by private businessmen and farmers; help build the power plants, roads, dams and other basic facilities required to support expanding private activity; and provide resources for intermediate credit institutions which are an important source of capital to businessmen, farmers and homeowners in recipient countries.

--Technical Assistance helps strengthen individual skills and knowledge and equips the individual to participate more effectively in the development process; it also helps private enterprise more directly through projects in, for example, management training, small industries development, tourism and development of local credit institutions.

--In addition Technical Assistance supports private U.S. groups such as the International Executive Service Corps (IESC) and a number of U.S. cooperatives and other associations which provide technical, advisory and other services to private businesses and organizations in developing countries.

(2) The objective of the Overseas Private Investment Corporation will be to encourage direct investment of private American capital and technical know-how in the less developed countries.

The Corporation will be a separate federal agency set up to manage a number of investment incentive programs now administered by A.I.D. and carry out other special activities designed to help U.S. investment contribute to development.

The Corporation will have four main programs:

--Pre-investment assistance and promotion, which will provide information on possible investments and underwrite part of the cost of investigating potential projects.

--Investment insurance, which will cover U.S. investors against loss from the specific political risks of inconvertibility; expropriation; and war, revolution and insurrection.

--Investment financing, which will include (a) guarantying loans and other investment against such losses as the Board may determine, (b) making dollar loans for high priority projects, and (c) making local currency "Cooley" loans.

--Special activities such as financial support for privately managed technical assistance activities, on behalf of A.I.D., other U.S. Government agencies, or international development institutions.

X. MULTILATERAL ASSISTANCE

A substantial portion of U.S. economic assistance is furnished in a multilateral framework.

PROPOSED PROGRAM AND LEGISLATION

The United States participates in a variety of multilateral coordinating and consultative groups and also contributes directly to multilateral banks and international organizations such as the UN Development Program (UNDP).

The Development Assistance Committee (DAC), of which the United States is an active member, is the main mechanism for general coordination of all free world aid. Consortia, consultative groups and other aid groups led by the World Bank or other multilateral agencies are the coordinating mechanisms for external aid to most major development aid recipient countries.

The United States contributes directly,under separate legislation, to multilateral banks such as International Development Association, Inter-American Development Bank and Asian Development Bank. These banks provide capital assistance to developing countries.

In FY 1970, $152 million of the A.I.D. funds requested are for voluntary contributions to UN and other multilateral programs. The bulk of this amount is for technical assistance activities of the UNDP and other UN agencies.

XI. THE A.I.D. PIPELINE

A.I.D., like other government agencies and private businesses, has a pipeline of funds set aside for a specific purpose, but not yet spent. A.I.D.'s pipeline at the end of FY 1969 will total an estimated $3.6 billion.

The length of time money remains in a pipeline depends on the type of project and the length of time it takes to complete the activity that the earmarked funds are to finance. A Development Loan project such as a fertilizer plant takes several years. A university contract team working on a Technical Assistance project is funded for at least twelve months at a time, with payments made when bills are submitted by the university.

Prudent use of funds is assured by continuing review of unused balances for projects in the pipeline. All slow-moving projects are examined to see whether original project objectives can still be met. When they are not, funds are deobligated after discussion with the recipient government.

When any project is finished and all bills are paid, any small remaining balance is made available for use for similar purposes. Except for these small balances, funds cannot be taken from unfulfilled commitments and used for other purposes without breaking legal obligations to American contractors and industries and disrupting the process of economic development. Equally important, if funds are prematurely withdrawn, projects remain unfinished, wasting the initial investment.

Each year about four-fifths of A.I.D.'s expenditures are from prior-year commitments, that is from the pipeline.

The proposed A.I.D. program for FY 1970 is $2.4 billion. A.I.D. expenditures are estimated at about $1.9 billion during that fiscal year. $1.5 billion of those expenditures will result from prior-year commitments; only $400 million of the FY 1970 program is expected to be expended during that fiscal year. The balance of the FY 1970 funds will be expended in the following fiscal years--as the goods and services needed to undertake projects started during FY 1970 are paid for.

FOOD AND
POPULATION
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FOOD PRODUCTION AND POPULATION GROWTH

There is historic good news from the less developed world: gains in grain production in the developing nations are outrunning the rate of population growth. Furthermore, in an increasing number of developing nations, the threat of runaway population growth--only recently the subject of whispered confidences--is generating official family planning and other population action programs. In the face of these twin developments, the recent predictions of widespread famine by 1980 are giving way to cautious optimism.

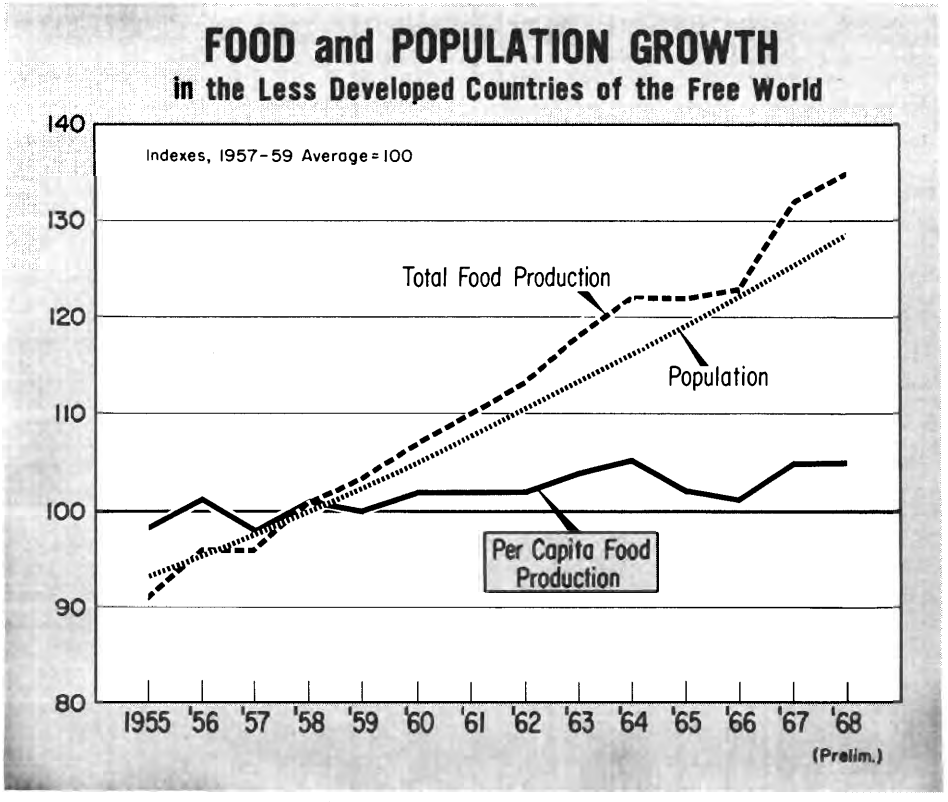
In South and East Asia and parts of the Near East, yields of new varieties of wheat, rice and other grains are doubling and tripling traditional output. In India and Pakistan between 1961 and 1968, the combined population grew by 18.7%--while the two countries' production of wheat and rice rose by 21.3%. In 1961, with a population of 1.4 billion, all the developing nations of the free world together produced 268 million tons of grain. In 1968, with a population more than 20% larger (1.7 billion), the same countries harvested over 24% more grain--335 million tons.

FOOD PRODUCTION AND U.S. ASSISTANCE

Today, accelerated progress is possible on the farm lands of the developing world. But whether the poor countries make this progress will depend upon a number of factors--a prime one being the continued availability of adequate levels of U.S. aid, particularly Development Loans. Good weather helped--but by no means explained--the gains in food production of the last few years. A case in point is India which expects this year's food grain harvest to be close to last year's record, even though this year their weather has not nearly matched last year's outstanding monsoon.

The larger harvests in the poor countries are the fruit of innovations in economic policies, as well as in science and technology. The United States has played a major role in introducing and encouraging both types of innovation--by furnishing critical extra resources and skills, and by playing a leading role in influencing development policies.

New Policies And Outside Aid. The influence of outside aid in modifying the economic policies of some of the hardest-pressed of the developing countries is at the same time one of the least understood and most important features of the foreign assistance program. The big policy switch in the developing world has been to agriculture. Governments have applied massive doses of their nations' resources, along with administrative energy, political credit and outside aid, to the expansion and modernization of food production. Only a few years ago, agriculture was the political



stepchild in most of the poor countries' policy councils. Today, agriculture has top priority in many of the developing countries --among them, India, Pakistan, Turkey, parts of North Africa, Korea and the Philippines.

A.I.D. Development Loans have been particularly influential in bringing about this switch. Not only have Development Loan negotiations helped persuade the poor countries to emphasize and expand their agriculture programs; Development Loans have made it possible for poor nations to give the necessary priority to food production by underwriting the cost of the ingredients required for agricultural modernization.

Typically, Development Loans finance imports of American commodities--

--furnishing goods needed specifically for agriculture (e.g., fertilizer) or for general economic modernization (e.g., spare parts);

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--supplementing the developing country's meager foreign exchange reserves, thus permitting it to relax import controls and price ceilings and other constraints on economic expansion;
--facilitating greater general reliance on the initiatives of the market to supply agriculture and industry, and on price incentives to stimulate farm production.

Increasingly, policy modifications with these and other benefits have become an accepted part of the negotiation of A.I.D. Development Loans as well as P.L. 480 agreements.

--In Chile the Government will increase public investment in agriculture, lower the distribution costs of fertilizer and expand the official farm credit system.
--The Indian Government has been carrying through a program to purchase all foodgrains at no less than a previously announced procurement price, even if the production targets of the procurement plan are exceeded.
--Korea is developing both medium and long-term farm credit, improving the marketing of food, and devising new policies for land and water use.

Modernizing Agriculture. More than anything, the much publicized "miracle seeds," as they are known, opened the way to the new, more abundant agriculture. These are the new varieties of food grains, particularly wheat and rice, which, with higher yields, shorter growing seasons and multiple cropping, are able to outproduce traditional strains of seeds by two and three times. But the term "miracle seed" is a misnomer. The new varieties do not spring miraculously from an inhospitable earth. They are the sensitive demanding products of a new agricultural technology.

They require higher investments of water, chemicals, fertilizer, soil management, and skill than their less productive predecessors.

Underpinning the new agriculture are new relationships and institutions, many strengthened or fashioned with American help. In countries like India, Pakistan, Turkey, Korea and the Philippines, where demand for chemical fertilizer is escalating, new industries to produce and distribute it have come into being. The costly ingredients on which the high yields of the new seeds depend are increasing the demand for farm credit in the developing nations; lending institutions are needed to meet this demand. Cultivation of the new varieties is relatively sophisticated work--farmers need to train up for it; extension workers trained at new institutes help to meet the need. Ministries of agriculture charged with coordinating and speeding up the growth of the new agriculture are being streamlined. The needs and impact of the new agriculture are complex and must be dealt with.

The Foreign Assistance Program

Outside aid strengthens and supports all these changes. More than one-quarter of the proposed A.I.D. program for FY 1970 will go directly for agriculture and food production programs. Shipments of American fertilizer will once again account for more A.I.D. financing than any other single commodity. A.I.D. Technical Assistance focuses on the farm and on the institutions that make it productive. The A.I.D. program also benefits agriculture indirectly. Food output cannot expand in an otherwise stagnant economy; more agricultural production requires economic growth across the board--to provide services to farmers and markets for larger harvests. This is why American aid goes into capital and technical programs which promote the growth of the general economy as well as the agricultural sector.

The ingredients A.I.D. uses to extend direct support for the modernization of agriculture include:

"Miracle seeds." A.I.D. financing has supported introduction of the new varieties throughout the developing world. The "Mexican" wheat varieties are now in use in India, Pakistan, Turkey, Tunisia, Morocco, Jordan, Afghanistan, Nepal, Brazil and Argentina. IR-8 and other even more advanced varieties of rice are being grown in Vietnam, Laos, Thailand, India, Pakistan, Indonesia, Korea, Malaysia and Ceylon.

The new varieties require continuing adaptation as, for example, seeds become vulnerable to pests and pests grow immune to chemicals. A.I.D. supports the work of adaptation through agreements with the International Rice Research Institute and the International Corn and Wheat Improvement Center. Similar arrangements are now being made with other international research institutions.

Fertilizer. A dollar's worth of fertilizer will grow more than $4 worth of food--and make the difference between starvation and a barely adequate diet for one person for one year. The U.S. fertilizer being exported to India through A.I.D. Development Loans this year is capable of producing enough food to improve the diet of 100 million people. World-wide, A.I.D.'s annual procurement of fertilizer (including barter and special letter of credit arrangements) has risen from $75 million in FY 1965 to $197 million in FY 1968. FY 1969 Development Loans emphasizing fertilizer are scheduled for Indonesia, India and Pakistan. Vietnam will get fertilizer funded by Supporting Assistance grants.

A recently completed A.I.D. study indicates that fertilizer consumption in the developing nations must increase at an average annual rate of 16% if their domestic food requirements are to be

even approximated. Thus, financing of U.S. fertilizer exports is expected to continue at a high level, even though some of the developing countries are expanding their capacity to manufacture chemical fertilizer themselves.

Credit. Adequate credit for individual farmers is one of the most important requirements for the modernization of agriculture. Over the years, U.S.-owned local currency valued at approximately $250 million has gone into expansion of agricultural credit facilities in developing countries. The bulk of the capital funds have been made available in Latin America. However, most of the food deficit nations have received technical assistance in credit management.

In Uganda, technical assistance has helped expand local lending from $325,000 in 1963 to $850,000 in 1968. In Brazil last year, over a billion dollars equivalent in local agricultural loans were made. Local currencies generated by selling surplus U.S. agricultural commodities augment the supply of agricultural credit. In the Philippines, $1.25 million was used to set up a guaranty system to enable rural banks throughout the country to make unsecured production loans to farmers. In Pakistan, the equivalent of $14.7 million in local currency will support a fertilizer and low-lift pump credit program. In India, a proposed grant of $140 million in P.L. 480 excess local currencies will help to establish a rural electric corporation; the corporation will lend money to rural electric cooperatives and state electric boards for the electrification of irrigation pumps and other rural projects.

Pesticides. A.I.D. expenditures from loans for pesticides and other farm chemicals have nearly tripled in three years--from $4 million in FY 1965 to $11 million in FY 1968. Following the recommendations of a U.S. study team, Pakistan transferred pest control services from the Government to private enterprise, which is expected to improve the dependability of the supply.

Irrigation. Small irrigation works of immediate benefit to the individual farmer are now being emphasized. In Tunisia, a U.S.-financed well drilling project was so successful that the government switched its priority from dam building to the development of additional groundwater. In Korea, irrigation systems are being expanded; the workers are being paid in part with Title II commodities under P.L. 480. In Morocco's Moulouya Valley, some 60,000 acres are being intensively irrigated with U.S. help. In West Pakistan, with A.I.D.'s help, over 3,700 government-owned tubewells are being installed to improve the irrigation of nearly 2,700,000 cultivable acres.

Marketing and storage. Processing, storage and transportation facilities must be adequate to get food from the farmers to consumers. In the Philippines, A.I.D. has financed surveys which are helping to correct deficiencies in grain storage, handling and marketing. In Brazil, which has a new market news service, marketing and other cooperatives are being established at the rate of 100 per year. In Guyana, a $12.9 million loan will help construct facilities to receive, dry store and process the rice crop.

Education. U.S. economic assistance to less developed countries has stressed technical agricultural education from the first. Since 1954, almost 16,000 technicians from less developed countries have been trained in the United States. Equally significant is the effort to build up agricultural education overseas. In addition to training faculties, U.S. universities help with research required to adapt high-yielding seeds to local conditions.

Indonesia's two foremost agricultural education institutes--assisted by a group of American midwestern universities--are working to upgrade the teaching of agriculture at provincial institutions throughout the country. In Colombia, the University of Nebraska and the International Development Foundation, together with the Colombian Agricultural Institute and the National University Schools of Agriculture, are developing a nationwide system of agricultural education, research and extension. In Tunisia, the A.I.D.-assisted Chott Maria vocational agricultural school is one of the most modern in the country.

Agriculture And U.S. Private Enterprise

A.I.D.'s effort to promote the modernization of agriculture relies heavily on American commercial firms and cooperatives. A.I.D. grants, investment surveys and guaranty programs are all designed to encourage the agri-business and food industries to participate in development. One recent extended risk guaranty (providing insurance against business loss) covers part of a $70 million joint venture in which U.S. Steel and a group of Indian firms will build a fertilizer plant with a larger nitrogen capacity than any existing Indian plant.

Some of the best-known names in U.S. agri-business are participating in the development effort. King Ranch is investing in cattle production in Morocco; W.R. Grace & Company in a mixed fertilizer plant in Togo; Cargill, Inc. in seed production in Brazil; Cutler Hammer International in tool-making in Venezuela.

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American cooperatives working with A.I.D. funds provide technical assistance in such areas as farm credit and rural electrification. The Cooperative League of the U.S.A. and the International Cooperative Development Association, together with a group of American banks and insurance companies, are helping Indian cooperatives build and operate a major fertilizer plant in the State of Gujarat.

FY 1970 Program

Of the total proposed FY 1970 A.I.D. program, 26% is for agriculture and food production. Approximately $500 million will go to capital and commodity assistance, of which $280 million--the largest single amount--will finance exports of U.S. fertilizer.

In Latin America, a total of $15.2 million in Technical Assistance and $121.7 million in Development Loan funds are planned for agriculture. Approximately $80 million in local currency--generated by P.L. 480 sales--is also expected to be available for agricultural development. Agricultural sector loans are planned for Brazil, Chile, Colombia, Costa Rica, El Salvador, Guatemala, Bolivia and the Dominican Republic.

In East Asia, a total of $86 million is planned for agriculture--$51 million of it in Development Loans for Indonesia and Korea.

The agricultural program for Vietnam is estimated at $75 million, including a major component for import of fertilizer.

In the Near East and South Asia, agriculture will require about $246 million in Development Loan funds and $9.7 million in Technical Assistance. The total required in Africa is $44 million--almost $28 million in Development Loans.

In India--where the 1967/1968 food grain crop of nearly 100 million tons topped the previous record by 11 million tons and where the national goal of food-grain self sufficiency is likely to be achieved in a few years--A.I.D. plans to make about $200 million available for agricultural commodities and supplies. Fertilizer will account for the bulk of this amount.

Technical Assistance to India totalling $2.1 million in FY 1970 will enable advisory teams from six U.S. land grant colleges to continue to improve the management, curriculum and teaching personnel of eight selected Indian agricultural universities. A.I.D. will also furnish India close to $2.5 million in Technical Assistance to find which combinations of seed-types, chemicals and irrigation work best under Indian conditions; to test and adapt domestic and imported strains of rice and other crops; and to develop pest and disease protection for the new strains.

Pakistan as a whole expects to boost grain production from 21 million to 24 million tons by next year--and, for all practical purposes, to achieve self-sufficiency in food grains. West Pakistan, in 1968, increased its wheat production by 50% over the previous year, and now meets its own food grain needs. A.I.D. is planning to finance more than $35 million in U.S. fertilizer for Pakistan in FY 1970,and $2 million will finance low-lift pumps to help increase the supply of irrigated land. Nearly $1 million in Technical Assistance will provide U.S. advisory services for Pakistan's agriculture, including research into the milling, processing, storage and marketing of grains.

In Brazil, where corn production in 1968 reached an all-time high, a $35 million FY 1970 agricultural sector loan is planned to support a comprehensive land reform in three pilot areas in the Northeast, East and South. The project includes title clearance, land purchase, operating credit and a complete range of technical assistance to the farmers involved. $3.8 million in Technical Assistance is proposed to continue projects in Brazilian agricultural planning and research and in agricultural education.

In Laos, A.I.D. will continue to assist the Government in developing more effective credit for small farmers and assuring them of markets for their increased production. A total of $580,000 in Supporting Assistance is earmarked for the purchase of fertilizers and insecticides. Some $3.8 million in Technical Assistance will go to improve production of rice, vegetables, fish and livestock, and to cover the costs of feasibility surveys and construction of irrigation systems.

FOOD PRODUCTION AND POPULATION GROWTH

POPULATION

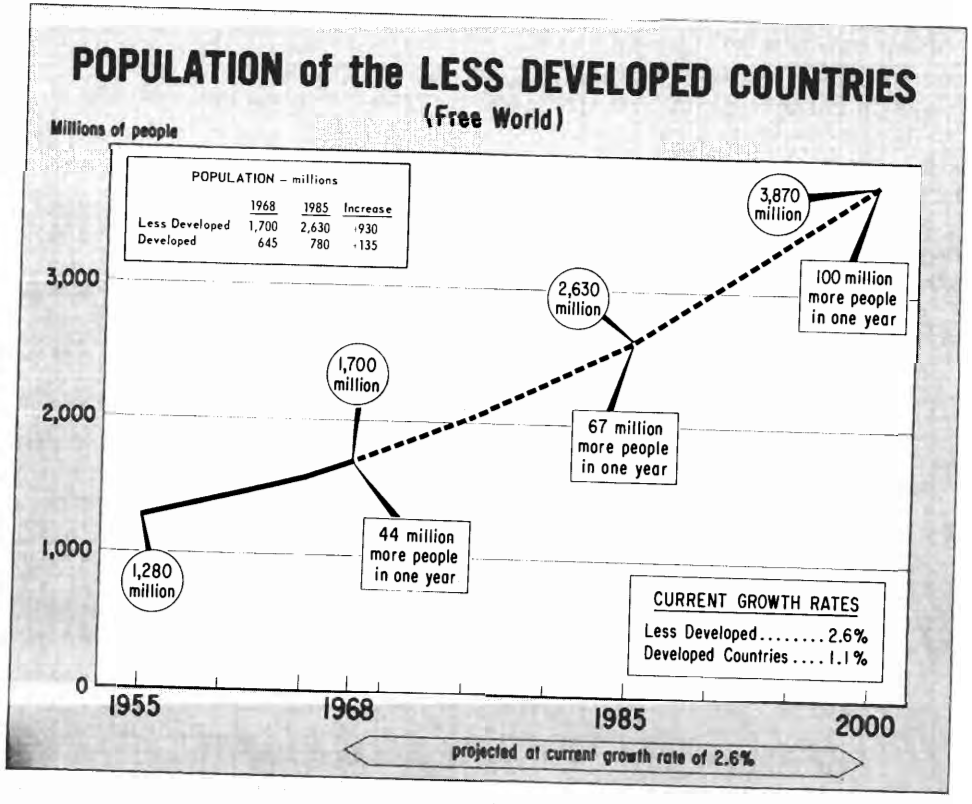
The pressure of mouths to feed in the less developed countries has been mounting yearly, with more infants being born, more children surviving to adulthood and more adults living longer. As the proportion of young people in the population rises, so does the number of young couples founding families. When the excess of live births over deaths reaches 2%, a country's population doubles in 35 years. And in the less developed world, net population increases of 2.5% are fairly common; even 3% is not uncommon.

High rates of population growth are closely associated with lagging development. Typically, population pressures are greatest in areas that can least afford them--in rural areas where farmers are barely able to produce enough to feed themselves and their families, and in the slums surrounding major cities. The flight from the farm intensifies the problems created by excessive population growth: urban school, health and social service budgets are all overburdened, and illiteracy, unemployment and malnutrition increase while productivity falls.

No single measure can lower the high brith rates of the developing world. But a combination of developments can turn the tide. General economic growth and social progress is one such development. Rising per capita output, along with greater assurance for parents that their children will survive and that they will be less dependent upon their children in their old age, gives parents the confidence they need in order to bear fewer children. Development of the agricultural sector--where the majority of the population in the developing world still lives--is particularly important. Finally, rational and humane population policies can promote voluntary steps to limit family size.

A.I.D. gives first priority to assistance to population and family planning programs, along with aid to food production. Compulsion has no place in A.I.D.'s approach to this problem. The United States provides family planning and population assistance only on request, and only to programs in which individual people are free to participate or not. At the same time, the United States does encourage the governments of all countries with population problems to regard population growth as one of the most important factors in their nations' development.

Obligations for population activities have grown from $35 million in FY 1968 to about $50 million estimated for FY 1969. For FY 1970, A.I.D. will seek feasible opportunities to expand this



assistance further and increase the use for population programs of foreign currencies owned or controlled by the United States.

The severity and nature of the population problem--and the opportunities for progress--vary drastically from country to country. Some countries--Taiwan is an example--have already recorded significant success with family planning. Others agree in principle on the need to take action, but are baffled by the practical difficulties of getting started. Still others tend to neglect population problems because of religious scruples or out of national pride.

A.I.D. assistance must be carefully designed to suit the problems and attitudes in each country. Often the best way to start aid in this area is to assist in assessing a country's population problem with demographic surveys and statisticalanalyses of its population growth. In other cases, modest programs supported by private groups, and concentrating initially on maternal and child health care, are all that is possible.

FOOD PRODUCTION AND POPULATION GROWTH

Progress And Programs

In a number of Latin America nations, the governments recognize the seriousness of their population problems, but find themselves hamstrung by widely-held reservations about government action in this field. Nevertheless, even in Latin America, the realization is slowly gaining that high birth rates cannot indefinitely be allowed, and some progress is being made.

In North Africa, both Morocco and Tunisia have grown deeply concerned with their high population growth (3.2% and 2.6% respectively), and they are now actively taking corrective steps. On the sub-continent, India and Pakistan have mounted extensive programs in the face of enormous practical problems. In East Asia, considerable progress is being made. In most of sub-saharan Africa, where population pressure is less acute, nations are only now beginning to assess their population problems, although Kenya has had an active program since 1967, and Ghana has just approved a national population policy calling for a lower rate of population growth.

Except in a few countries--Korea is one--progress in population and family planning work has not yet reached the point where it has positively affected overall national development.

In Korea concern over population growth started earlier and was pressed more vigorously than elsewhere in the developing world. A national family planning program began in 1962. The 10-year goal--to reduce the rate of population growth from 2.9% to 1.9%--will be reached, although not by the target date of 1971. Not only has Korea's rate of population growth already dropped to 2.4%, but an absolute reduction in births has reduced the proportion of the population in the lowest age group (0 to 4), so that this age group is now substantially smaller than the next highest (the 5 to 9 group).

Currently, some late-starting countries are also making progress. Of the 45 countries for which A.I.D. regular programs are proposed in FY 1970, 13 have begun population surveys, pilot demonstration clinics or similar experimental programs, and 22 have given some impetus to official national family planning action programs. Even in countries where religious or national objections inhibit government efforts, there are now fewer obstacles to non-governmental family planning programs. Indeed, official encouragement of private programs is not uncommon.

The goal of Pakistan is to reduce the birth rate by 20% by 1970 and to protect one-fourth of all 20 million couples of child-bearing age with one or another type of family planning. As of this year, 3 million couples, or about 60% of the target group, are estimated to be practicing family planning.

The United States has loaned Pakistan $500,000 for vehicles for family planning; granted $3.5 million for technical services, participant training and supplies; and made available $168,000 equivalent in Cooley Loan funds for the construction of a pharmaceutical plant to manufacture oral contraceptives. In addition, the United States has contributed $14 million equivalent in rupees for operating costs of the Government's program.

In India, the Government's budgetary allocations to family planning in the last 4 years have increased from $1.8 million in rupees to the equivalent of $49 million in FY 1969. A further 15% increase is planned for next year. Some 50,000 health workers have received training in family planning methods. Over 5 million people have undergone voluntary sterilizations and there have been 2.6 million IUD insertions to date.

A.I.D. supports family planning training centers and demographic training and research in India, and provides funds for the purchase of contraceptives and the dissemination of information both to the public and to professional groups. For FY 1970, a total of $4.2 million is required to support India's family planning program. Of this amount, $1.1 million will assure a continuing supply of contraceptives until India's own manufacturing plants can meet the demand. $1.3 million will be used to strengthen family planning activities in selected areas in the country, and for intensified public information and education programs.

In Indonesia, the targets of the National Family Planning Institute, which call for reduction of the birth rate from 45 to 34 per thousand and the net annual population increase to 1.9%, have been incorporated into the 1969-1973 five-year Development Plan. Indonesia foresees the use of some form of family planning method by 1.6 million women in this period. Targets for 1970 include the extension of family planning services to 650 additional clinics and in-service training for 2,500 medical and para-medical personnel. Private organizations are actively engaged in this effort.

To support the family planning goals of Indonesia's Development Plan in FY 1970, A.I.D. plans to finance the foreign exchange

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costs of contraceptives, medical equipment and supplies, participant training in the United States and third countries and advisory services. $1.5 million is programmed for FY 1970.

The Government of Morocco has retained the Population Council as an advisor to its program to reduce the birth-rate from 50 to 45 per thousand. Family planning is now an integral part of Morocco's five year development plan. A.I.D. will contribute full-time technical services to the Census Bureau and in the adult education field as well as short-term consultation on medical and organizational problems. In addition, A.I.D. will provide grants for supplies, participant training, equipment and other expenses, funded partly from P.L. 480-generated local currency.

In Tunisia, the target is to reduce population growth from 2.6% to 2.3% by 1975. The family planning program is part of a broad-gauged campaign to better the lot of women. In addition to abolishing polygamy and raising the legal marriage age to 17 (20 for men), the Tunisians propose free distribution of contraceptives and legalization of abortions for women with more than five living children, as well as sterilization for those with more than four. Tunisia is also using U.S. assistance to establish dispensaries and health and maternal child welfare centers which provide family planning services on request.

A.I.D.'s proposed assistance to Tunisia's family planning program in FY 1970 is estimated at $300,000 (for contraceptives, transportation equipment and advisory services) and the equivalent of $250,000 in local currency (for maternal and child health centers).

Private and International Organizations Support

The United States actively encourages the United Nations to exercise leadership in the area of population and family planning. In FY 1969, $2.5 million is being donated to strengthen the UN's efforts.

The United States also contributes to established private American and international organizations which operate and support non-governmental family planning programs. In FY 1969 about 20% of A.I.D.'s population and family planning funds went to expand the programs of such organizations--the International Planned Parenthood Federation (IPPF), the Pathfinder Fund, and the Population Council.

IPPF is an international organization with headquarters in London and affiliates in 53 countries. It sponsors both clinical programs and efforts to mobilize public and governmental opinion to support the wider use of family planning services. In one country, the government has unofficially favored family planning, but has had to remain officially neutral; the local IPPF affiliate is educating the public to prepare it for the program the government hopes to undertake. In another country, the local IPPF affiliate works closely with the university medical school, runs clinic, and pays the medical fees of those who seek family planning help. A.I.D.'s obligations for IPPF programs in FY 1969 amounted to $4 million.

The Pathfinder Fund, one of the oldest family planning organizations in the world, maintains effective relations with large numbers of individual physicians. It does much of its work in countries which lack organized family planning programs. Pathfinder has helped local African clinics send practitioners to out-of-the-way villages where they offer family planning services as part of larger health packages. The Fund's prompt help to 220 Indian private hospitals, given through the Christian Medical Association, brought a commendation from the Indian Ministry of Health. Obligations in FY 1968 amounted to $1.3 million--approximately half for contraceptives.

The Population Council takes a more comprehensive approach to population and family problems than any other private organization. It is active in social and medical research, trains practitioners and demographers, runs educational programs and sponsors a project which makes family planning advice available in maternity hospitals. One hospital succeeded in enrolling 6,000 mothers in a year, another 21,000 in a somewhat longer time.

A.I.D. helps to underwrite the cost of this postpartum project, as it is known. In FY 1969 A.I.D. began contract grant support of the Population Council's research on new and more effective contraceptives. Obligations to the Council in FY 1968 were $1.8 million. A significant increase, including additional support for research, is planned.

FOOD AND POPULATION RESEARCH AND INSTITUTIONAL GRANTS

The ultimate goals of the modernization of agriculture go beyond the relief of hunger. There are millions who, while they may not know daily hunger, nevertheless suffer from malnutrition. The new

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agriculture promises better diets. As more grain becomes available, livestock and dairy industries can be established and the manufacture of blended high-protein foods can be encouraged.

A.I.D. uses research and institutional grants to help develop the scientific and technological personnel and facilities needed to cope with the food and nutrition problems we expect to face three to five years hence. Of 55 active research projects, 20 deal with agriculture, seven with nutrition, and four with population and family planning.

A.I.D.-financed research at the Universities of Nebraska, Purdue and Kansas State represents the largest single body of work being done to raise the protein content of such major grains as corn, wheat and sorghum, and of pulses such as peas and beans. North Carolina State University and the Tennessee Valley Authority are working on the receptivity of tropical soils to fertilizer. A group of six universities is focusing on the overall problems of Indian agriculture. In Thailand, Harvard University is conducting experiments in the lysine fortification of staple foods.

A.I.D. also actively supports research in the population and family planning field. The Pathfinder Fund, the Population Council and the Worcester Foundation all are using A.I.D. funds in efforts to develop a safe, acceptable, inexpensive and easily administered contraceptive. The Johns Hopkins University, the Pathfinder Fund, Harvard University, Wake Forest University and the Rand Corporation are studying attitudes toward contraception as well as fertility patterns and the use of family planning services.

To improve the talent and facilities in this area, A.I.D. last year made institutional grants to the University of North Carolina, the Johns Hopkins University and Michigan State. These Institutions will strengthen their capacities in research and training and are expected to become major forces in population work. $10 million each is being requested respectively for Research and Institutional Grants in FY 1970.

TECHNICAL
ASSISTANCE
(C)

TECHNICAL ASSISTANCE

In the classic image of technical assistance, a farm extension advisor from the United States urges an Asian peasant to plant his rice in rows; a public health worker teaches a grateful Indian woman in a Latin American village how to keep her children clean and free of disease. This picture--never entirely accurate--is increasingly an oversimplification.

Technical assistance, as it is practiced now, includes the research sponsored by private American foundations that produced the new and amazingly productive varieties of wheat and rice. It includes help in designing comprehensive programs to spread the new techniques rapidly to the small farmer as well as the large, and to bring together the necessary fertilizer, seed, know-how and incentive. Advice on agricultural marketing systems and help in building colleges to train skilled agricultural technicians are badly needed as the production of grains goes sharply up. Perhaps most important of all, technical assistance must now develop in many countries the ability to do research to keep ahead of plant disease and other problems that might otherwise bring the green revolution to a sudden halt. There must also be a continuing search for techniques that will trigger new advances in food production in areas where the new seeds will not work.

The program is broad and complex, and demands ever increasing skill and sophistication, not only in technological content,but also in personal and cultural relationships. The leaders of the developing countries are increasingly skilled and knowledgeable; many have had advanced training under private or official aid programs and now have professional qualifications rivaling those of their potential advisors.

A revitalized A.I.D. emphasis on Technical Assistance, suited to the decade of the 1970's, must stress innovation. The key must be to find the points of potential change, raise the quality of the technical services which we can offer, and use Technical Assistance to magnify the effectiveness of both external capital assistance and local development resources.

Moreover, new and imaginative ways must be found to address the problems of the people of the developing countries, through their governments, and through institutions and programs that touch them directly. To be effective in this purpose, A.I.D. must make even greater, more imaginative use of the varied American resources, government and private, which can be made available for this purpose.

FY 1970 PROGRAM

Appropriation of $463 million is requested for Technical Assistance. With recoveries and transfers, this will finance a total program in FY 1970 of over $500 million, divided into three main parts, as shown in Table I on page C-2. These are the bilateral and regional programs managed by A.I.D.'s geographic bureaus, interregional activities, and contributions by the United States to multilateral organizations.

Bilateral and Regional Programs in Technical Assistance for FY 1970 totals $273 million in 42 countries (23 outside Latin America). This compares with 65 countries in FY 1967 (45 outside Latin America). The policy of concentrating aid to Africa on ten "development emphasis" countries and on regional programs is the main reason for the reduction. (Other African countries are now generally limited to a special authority which enables American Embassies and A.I.D. representatives to support small-scale, high impact self-help projects.)

The nine largest Technical Assistance programs, each over $6 million, are in India, Brazil, Laos, Nigeria, Thailand, Pakistan, Afghanistan, the Philippines and Indonesia. These nine countries account for just over half of total bilateral Technical Assistance in FY 1970. In all but one of the nine (the Philippines) Technical Assistance is integrated with Development Lending or (in three cases) Supporting Assistance.

Regional Technical Assistance will require nearly $97 million in FY 1970, principally in Africa, East Asia and Latin America. In Africa regional and multilateral projects comprise 45% of the Technical Assistance program. The West Africa Rice Development Center is a good example of such projects. The Center is being organized with the active participation of UNDP, FAO, the Ford and Rockefeller Foundations and others. It will take a new coordinated approach to a vital food shortage combining research, seed multiplication and dissemination of new materials and techniques.

A quarter of the projects for East Asia will be regional--among them Mekong River development; regional educational institutions specializing in English, math, and science and technology (in Singapore, Malaysia and Thailand); a Vegetable Development Center in Taiwan; and the International Rice Research Institute in the Philippines.

Technical Assistance in Latin America is expected to increase by some $16 million in FY 1970, primarily under regional programs

and grants to Inter-American organizations, which make up 43% of the requested program. Part of the increase is for the science and technology projects of the OAS. New regional social and civic development activities include proposals to assist institutes for legal education and services, municipal administration, and dissemination of modern educational methods.

Inter-Regional Technical Assistance covers a wide range of activities that benefit more than one country and which are therefore best funded and monitored centrally. In FY 1970, about $19 million is planned for population and family planning activities, including $7 million for research on family planning methods, administration and attitudes. Grants will be made to several private family planning organizations which are better able to cooperate with local private groups in countries where governments have not yet started programs. Population activities will rise by about $3 million in FY 1970. Increases are also proposed for research contracts with American universities and for institutional grants to help universities and similar institutions develop their capacity to provide skills needed in the development assistance program.

Multilateral Technical Assistance, a new appropriation category, provides contributions to international organizations for technical assistance work. This category contains the largest single increase in the Technical Assistance program--almost $30 million in the U.S. voluntary contribution to the United Nations Development Program. This brings the total U.S. contribution to $100 million in FY 1970, which amounts to slightly under 40% of the total contributions from all UN members projected for the year. In contrast to A.I.D., the UNDP program has grown continuously in the number of countries served, the number of projects, and the magnitude of funding. The estimated budget for CY 1969 is $200 million. This will finance approximately 2,500 projects in 103 countries and regions and support an estimated 7,975 technicians. Multilateral Technical Assistance also includes a contribution to UNICEF, which administers health, nutrition and education projects in some 95 countries.

A number of other grant programs, shown as a memorandum item in Table I, are Technical Assistance in nature, even though--because they mix development and security purposes--they are funded from Supporting Assistance. In FY 1970, some $42 million will be in this category, mainly in Laos, Thailand and Vietnam.

In recent years, particularly in Latin America, loan programs have

TABLE I
TECHNICAL ASSISTANCE PROGRAM

	Actual FY 1968	Estimated FY 1969	Proposed FY 1970
	($Thousands)		
Funding			
Technical Assistance			
World-Wide	207,316	189,312	241,880
Alliance for Progress	88,706	86,855	121,000
Multilateral Organizations	94,350	89,000	122,620
Other Appropriations 1/	38,348	61,641	16,630
Total	428,720	426,808	502,130
Programs			
Bilateral and Regional 2/			
Africa	68,046	62,900	73,500
East Asia	47,896	56,100	54,625
Latin America	86,458	85,377	100,900
Near East and South Asia	43,823	40,446	43,745
(Subtotal)	(246,223)	(244,823)	(272,770)
Interregional	88,147	90,985	106,740
Multilateral	94,350	91,000	122,620
Total	428,720	426,808	502,130
(Other Technical Assistance Activities)			
(Loans) 3/	(33,554)	(13,500)	(46,090)
(Grants) 4/	(60,840)	(55,712)	(42,423)
(Total)	(94,394)	(69,212)	(88,513)

1/ Includes population grant projects (in FY 1968 and FY 1969) and interregional projects financed from other appropriations than Technical Assistance and Contingency Funds.

2/ Includes Technical Assistance (formerly TC/ATC) programs and population grant projects.

3/ Loan Financed Technical Assistance Activities.

4/ Supporting Assistance projects, mainly in Laos, Thailand, and Vietnam, that are comparable in content to Technical Assistance financed activities.

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included growing amounts of technical assistance. The FY 1970 program includes $46 million of loan financed Technical Assistance, shown as a memorandum item in Table I. In FY 1968 Brazil borrowed $5.8 million to enable specialists from the U.S. Census Bureau to help with preparations for the 1970 census and with improvements in statistical analysis and data processing, and to train Brazilian census officials in the United States. An agricultural sector loan to Colombia in FY 1969 provided services from the University of Nebraska to improve agricultural education at three Colombian institutions. A proposed $4.3 million Development Loan to Pakistan in FY 1970 will finance U.S. tools and equipment and about $2 million in Technical Assistance to expand nine technical training centers.

A.I.D.'s total Technical Assistance program in FY 1970, including over $88 million of Supporting Assistance and Development Loans, amounts to $590 million, almost a quarter of the entire proposed program of economic aid.

WHAT TECHNICAL ASSISTANCE CAN DO

External assistance must do more than simply supplement the resources which poor countries themselves can contribute to development. Aid must strengthen local capacity to cope with the problems of modernization and progress, which will continue long after outside sources of funds stop.

In extending capital loans, A.I.D. not only fills foreign exchange gaps but seeks to use aid negotiations to strengthen host government self-help policies. In providing Technical Assistance, A.I.D. not only supplies scarce technical skills but seeks to catalyze changes in host societies which modernization demands. Technical Assistance can be the key ingredient in determining whether the whole range of external support which A.I.D. and other donors provide really takes hold.

Broadly speaking, Technical Assistance has three main functions:

--adaptation and transmission of knowledge;
--human resource development;
--institution building.

Knowledge could conceivably be transmitted relatively unaltered from an advanced country to a developing one. But experience clearly shows that knowledge should not be exported and applied abroad without adapting it to meet the local situation. Books and instructional materials could simply be sent overseas, but they are much more useful if specially designed for foreign audiences. After observation, education or technical training in the United States, individuals or groups from the cooperating country can take new knowledge and skills back with them, but they accomplish more if they do so selectively. A.I.D. specialists and educators are effective to the extent they adapt what they teach to the circumstances in the developing nations.

The Summer Science Institutes in India, where American science teachers train Indian secondary school and college science instructors, provide an illustration. Most of the American advisers are in India for highly concentrated summer sessions for brief periods. A permanent 12-man staff from the National Science Foundation briefs the visiting American instructors on the science needs of the Indian school system, monitors the impact of the Institutes, and continually modifies both the curriculum and the methods to strengthen their relevance to Indian needs.

Human resource development is investment in the people of a developing country. It includes formal education, training in skills from crop spraying to accounting, and accumulation of all kinds of experience in modern activities. Technical Assistance is most effective if it enhances the capacity not only of people who receive direct training, but also of others to whom they pass on their new ability.

A teacher education project in East Africa offers a good example. Approximately 100 Americans hold two-year appointments on the faculties of teacher training institutions in Kenya, Tanzania, Uganda and Zambia and fill faculty posts which would otherwise be vacant. They help train teachers for the primary and secondary schools of East Africa. Thousands of additional African students will eventually experience the indirect benefit of the original Americans' work.

Institution building is the most lasting and far-reaching function of Technical Assistance. American advisers, overseas training for foreign nationals, organizational insight, imagination, and time can help developing countries establish new institutions or improve existing ones. If successful, the institutions develop momentum, and a capacity to evolve and renew themselves. They become able to respond to new problems. But institution building is not accomplished quickly.

In 1955, Ohio State University first began to work on the development of agricultural research and education at the College of Agriculture in the Punjab Province of northwestern India. Gradually the College grew into the Punjab Agricultural University, founded officially in 1962. Over the years, 80 Ohio State faculty

members spent from a few days to six years in India. Some 98 faculty members and others from the Punjab Agricultural University studied in the United States. When the new wheat seeds came to India from Mexico and the United States in 1963 and 1964, the University was ready with its integrated teaching, research and extension program. It played the basic and vital role in introducing the new varieties, suitably adapted to the region, to an area that now produces about a third of the total wheat grown in India, and where average yields in some districts are now among the highest in the world.

PRIORITIES IN TECHNICAL ASSISTANCE

The highest priority in Technical Assistance is assigned to food and population.

New approaches to the problems of agricultural development are constantly being worked out and put into action. New projects planned for FY 1970 will introduce the area development "package" approach in three areas typical of the agricultural system in Ethiopia: one farmed by marginal producers of sorghums, another by family commercial farmers of barley and wheat, and a third in cattle. The "packages" will concentrate services and skills on credit and marketing, and provide appropriate fertilizers and farm implements, as the essential elements to achieve significant increases in productivity. The approach lends itself to a more effective combination of technical and capital assistance and greater involvement of Ethiopians in the development process.

Unlike agriculture, where Technical Assistance is closely integrated with capital provided for fertilizer, transportation and irrigation, the population field does not generate large capital needs. Almost all of the $50 million requested for population programs in FY 1970 is in Technical Assistance. It will finance research, institutional support, and program development assistance to increase the local leadership, organizational capacity and popular understanding that are essential if population growth is to be slowed.

There are a number of other areas of particular importance to the success of the development program where Technical Assistance has a major role. One of these is enhancing the role of local private enterprise in the developing countries. A grant under the interregional program to the International Executive Service Corps (IESC), combined with income received by the IESC from private foundations and businesses, will make it possible to send abroad next year almost 500 experienced American businessmen as volunteers to local firms throughout the developing world. This project accomplishes a direct infusion of American business know-how and attitudes into the foreign enterprise. One of the major limitations on growth of private enterprise in Africa is the shortage of skilled workers. The highly successful techniques of the Opportunities Industrialization Centers have been applied in the United States to train unskilled urban workers, through cooperation between government, private enterprise and labor. Under a new FY 1970 project the same approach will be adapted to provide skills to Africans so as to aid in industrial development.

Technical Assistance also plays an important role in promoting widespread participation and sharing of the benefits of development. A community action program in which the Peace Corps helps is training campesino leaders in several parts of Ecuador. Simultaneously, rice and coffee cooperatives are being organized, with the help of the Cooperative League of the United States of America (CLUSA), under an A.I.D. contract. The cooperatives are focused not only on immediate production and marketing problems, but on longer range issues of land tenure, access to processing facilities and export opportunities. Credit union and other A.I.D.-assisted activities are similarly tied to specific efforts at increasing rural participation. In these programs, Ecuadorian leaders play the most important roles, including the development and administration of A.I.D.-assisted programs.

Because education aims at the enhancement of human skills through institutions, it is a particularly suitable field for Technical Assistance, as well as an essential element of any development program.

El Salvador is an example of an innovative application of technology designed to increase the quality, relevance, and coverage of nationwide education at the pre-high school level.

Over five years beginning in 1968, U.S. grant assistance of $1 million and loan assistance of $9.9 million will have helped to provide one year of retraining for all teachers of the junior high school level, new curriculum content in every subject, newly trained school administrators, educational television transmitting and receiving equipment, and expanded educational plant and facilities. This will improve the quality of the El Salvador educational system and will permit expansion of enrollment from 35,000 to 65,000 students. Because of the experimental nature of the project and the potential applicability of its results to other countries, A.I.D. has contracted with the Academy for Educational Development to evaluate the project.

For many countries, essential steps toward ending the need for

development assistance are increasing tax revenues to finance development expenditures and improving the management of government resources. More effective taxation is often one of the self-help conditions of A.I.D. program lending. Improving tax collection systems thus becomes a priority objective for Technical Assistance in support of financial aid. In Chile, for example, a project supported by A.I.D. and the OAS has helped create a modern organizational structure within the Internal Tax Service.

In Turkey, in FY 1970, we plan to start a project with the Ministry of Finance to introduce government-wide program and performance budgeting as an aid to policy decision-making and administration. If successful, this will significantly improve Turkish capability to manage both domestic and foreign aid resources for development purposes.

AGENTS OF CHANGE

U.S. Technical Assistance employs the services of direct-hire A.I.D. technicians, teams from other U.S. agencies, colleges, universities and private contractors, voluntary agencies, local employees and teachers or trainers of foreign participants in the United States and third countries. All play a role in the transfer and adaptation of technology and skills.

Indirect Technical Assistance. The normal activities of an A.I.D. Mission--negotiating programs, discussing development policy and setting examples of effective administration and management--have a significant Technical Assistance impact. The systematic work of the mission in programming and financial management, the example of the program economist producing statistical analyses of the host country's economic situation, the capital development officer applying cost-effectiveness criteria to loans, the procurement officer's handling of specifications and scheduling--all these efforts exercise a useful influence on host country counterparts.

Direct Employment for Technical Assistance. A.I.D. has increasingly turned away from manning Technical Assistance projects with direct-hire staff for two reasons:

--It is difficult to offer career opportunities to first-class professional specialists; two and four year overseas tours may jeopardize academic tenure and employment benefits and cut into general career continuity.
--By and large, Technical Assistance can be more effective when it is conducted by private firms, independent institutions and government agencies other than those directly concerned with foreign affairs. Diversity of background and point of view are precisely what is required to accomplish the Technical Assistance job.

As of December 1968, A.I.D. had 4,781 American professional staff engaged in bilateral Technical Assistance projects. Of these, 2,244 were employees of A.I.D. contractors, 794 were employees of other U.S. Government departments and 1,743 were A.I.D. direct-hire technicians. But two-thirds of the latter were engaged in security-oriented programs in Vietnam, Thailand, and Laos. In other areas, A.I.D. directly employed only 604 project technicians in Technical Assistance projects.

Other Federal agencies are a great reservoir of talent. People in these agencies have worked to solve major development problems in our own country in such fields as agricultural productivity, health, water resources, road development and tax collection. Using Participating Agency Service Agreements, A.I.D. draws on their talent in assignments overseas. Of about 900 technicians from non-military U.S. agencies other than A.I.D. who now serve overseas, almost 800 are directly engaged in Technical Assistance. Many others go abroad to provide short-term services.

At the end of CY 1968, A.I.D. had in force 1,059 contracts with 626 different individuals, private firms, non-profit service groups, and universities, to provide a wide variety of Technical Assistance services in 65 countries overseas and in the United States.

The Credit Union National Association (CUNA International) is working under a contract in Ecuador and elsewhere assisting agricultural cooperatives and credit unions. The National Academy of Sciences works with counterpart bodies in other countries; in Brazil it helps Brazilian scientists organize study groups concerned with agricultural and industrial research. The Educational Development Center of Newton, Massachusetts is helping with the development of the Indian Institute of Science and Technology at Kanpur.

Universities have been among A.I.D.'s most important sources of Technical Assistance. The University of Minnesota works on agricultural development with the University of Tunis. The University of North Carolina is helping the University of San Carlos in Guatemala establish a program to provide graduate training in sanitary engineering to serve all of Central America. The University

of California is conducting a survey in Vietnam, looking to the improvement of public health and preventive medicine programs. As of December 1968, 114 U.S. universities held 293 contracts valued at $211 million, which is 41% of the total value of all current Technical Assistance contracts. Some 60 universities are directly engaged in providing Technical Assistance in 33 countries.

Together with the National Association of State Universities and Land Grant Colleges, A.I.D. is examining the possibility of substituting grant agreements for the contract relationships with which Technical Assistance has generally been funded in the past. One aim of the new arrangement would be to bring the participating American institution in at an earlier stage to join in diagnosis of the problems and to help plan the project. A second aim would be to delegate greater responsibility to the university for managing and controlling the project. The new arrangements,which will be tested on a pilot basis before being generally applied, will be designed to make participation in A.I.D. activities as attractive as possible to the best university people.

A.I.D. grants enable responsible American non-profit agencies engaged in international work to go beyond what they would be able to undertake with their own resources alone. Technical Assistance carried out in this fashion reduces the need for administrative services by A.I.D. and encourages maximum initiative by the grantee. The grant to the International Executive Service Corps mentioned above is of this type. Additional support to the IESC is provided by 145 American corporations and foundations.

Population program grants permit organizations such as the Population Council, the International Planned Parenthood Federation, and the Pathfinder Fund to expand their family planning and other population services in many countries. In FY 1968 $6.3 million was granted to these three organizations. The total for FY 1969 is estimated at $5.5 million.

The training of foreign nationals in the United States and third countries makes them effective agents of change. In the last 15 years, more than 115,000 "participants" have received technical training under the U.S. economic assistance program. In FY 1968 the total was over 8,500; about the same number are expected in FY 1969. With both skills and enthusiasm enhanced, they return to their own countries to contribute to modernization--a rural development planner to Thailand, an electrical engineer to Brazil, a budget officer to Ethiopia, a family planning specialist to Pakistan.

New Systems for Programming, Evaluating and Managing Technical Assistance. Technical Assistance projects must meet a number of standards such as technical soundness and cost effectiveness, of course, but they must also help create institutional capacity, generate local self-help and promote popular participation and maximum distribution of benefits. To meet these standards and improve the general quality of Technical Assistance, A.I.D. has created several new programming, analysis and evaluation systems.

The Programming System for Non-capital Project Assistance is used in connection with all bilateral Technical Assistance projects, as well as all regional, interregional and P.L. 480 food donation projects. This system integrates the planning, review and approval, implementation and evaluation of each project.

A second new management tool, the Project Analysis Information System (PAIS), is now being developed. PAIS is a comprehensive information system designed to capture, store, analyze and retrieve financial, technical and administrative data on all development assistance projects. PAIS will make it possible to analyze data for purposes of management control, financial analysis, programming and resource allocation, and research.

A third new system for program evaluation provides for a comprehensive annual evaluation review by each Mission and for an annual review of selected major activities at the Administrator's level. Under this system, each major Mission and Regional Bureau has named a full-time Evaluation Officer. A.I.D. is beginning to apply other new management control techniques to development projects. For example, the Program Evaluation and Review Technique (PERT) has been used on a trial basis for the planning and management of the Accelerated Rice Production Program in Vietnam.

Improving Knowledge and Capacity to Perform Technical Assistance. Economic and Technical Assistance for development is a complex process requiring a large and continually evolving body of information. The less developed countries differ greatly from developed countries--not only socially and economically and in their institutions and understanding of technology, but also in their geography, climate and ecology. Because of these differences, research is required to adapt the advanced technology of the developed countries to the peculiar conditions of the developing nations.

A.I.D. has financed a total of 107 research projects since 1962. As of June 30, 1968, 56 projects were in an active status and 51 had been completed. The 56 active projects were being conducted

with the help of 25 American universities and 19 American research institutions, as well as the U.S. Departments of Agriculture, Interior, and Health, Education and Welfare. Of the active projects, 36 concern agriculture, health and nutrition and are designed to lead to direct solutions of such problems as food production, low-cost protein supply and malaria eradication.

On longer-term projects, A.I.D. periodically reviews progress against original plans and reexamines the significance of the project as a whole before providing additional funds.

For FY 1970, A.I.D. proposes obligations of $10 million for general research and an additional $7 million for population research.

Many of the problems that arise in overseas development are unique to particular development situations or regions, making it necessary to develop special expertise and combinations of skills which have never before existed. In 1966, the Congress added Section 211(d) to the Foreign Assistance Act, authorizing A.I.D. to make grants to American institutions to enlarge their capacity to support economic and social development overseas. For example, six American universities working on Indian agricultural development received grants to expand the permanent capacity of their on-campus programs. Such institutional grants have been used to expand the capacity for research, training and consultation work in the population field, and to focus increased attention on the problems of stimulating popular participation in development. In FY 1970, A.I.D. plans to use $10 million for further grants to enable American institutions to improve their ability to provide more effective support on additional specific development problems.

ORGANIZING A.I.D. TO DO A BETTER JOB OF TECHNICAL ASSISTANCE

A.I.D. will revise the structure of its Washington Technical Assistance organization to strengthen further its professional competence and increase the Agency's emphasis on technical and professional considerations in programming and operations. This will be accomplished by merging the technical staff functions of the Office of the War on Hunger with others required for Technical Assistance in a new Technical Assistance Bureau under an Assistant Administrator. Technical Assistance is inter-disciplinary, and consolidation of the Agency's technical staffs into a single management unit will increase their effectiveness. Additional positions will be provided to bring additional high caliber specialists into the new Bureau. The new Bureau will concentrate on mobilizing the best available American talent to address the most pressing problems of development, and on raising the quality of professional services financed by A.I.D.

A.I.D. is also introducing procedures to involve the new Bureau directly in the key decisions of the regional Bureaus. This will be done without any fundamental weakening of the lines of authority. The regional Bureaus will continue in their central role in programming and implementation, and as the channel between the Administrator and Mission Directors in the field.

The structural changes being made will be backed up by greater policy and administrative emphasis on Technical Assistance. Social and technical factors will be carefully weighed on the basis of the best available professional advice. The Assistant Administrator for Technical Assistance will provide a point of contact with outside sources of know-how and advice. The Administrator will involve himself increasingly in review and approval of major Technical Assistance projects. New methods will be developed to obtain the advice of qualified individuals and organizations outside the Agency.

Need for Continuity

The proposed Foreign Assistance Act of 1969 would provide authorization for Technical Assistance programs for a period of two years. Technical Assistance is a prime instrument of international development on which A.I.D. plans to place major and continuing emphasis. Authorization for more than a year will confirm this intention not only to the international community, but to the numerous non-governmental American organizations and institutions which carry out the bulk of the Technical Assistance program.

The nature of the job supports the logic of such minimum continuity. Institution building continues to have a prominent place in our program--and the fashioning and strengthening of institutions takes time. It is an area in which short-sightedness is particularly costly. A two-year authorization at this time will help establish the atmosphere of program continuity and stability which will be necessary if many of the steps to upgrade Technical Assistance performance are to succeed.

PRIVATE
ENTERPRISE

PRIVATE ENTERPRISE

The history of development has shown private enterprise to be a powerful stimulus to economic growth. The most successful developing nations of the last twenty years are those that have adopted incentive economies. A.I.D. activities have helped the developing nations, both directly and indirectly, to use private enterprise more effectively in their development efforts.

The program for FY 1970 proposes two major new thrusts:

--A commitment to use aid more actively to strengthen private initiative in aid-receiving nations.

--Creation of an Overseas Private Investment Corporation to improve incentives for U.S. private investment in developing countries.

I. PRIVATE INITIATIVE AND THE A.I.D. PROGRAM

A.I.D.'s top priority goes to that largest of all private sectors--agriculture. As the agricultural revolution spreads, millions of farmers become more deeply involved in the commercial system. They buy fertilizer and plant the new seeds for the first time, sell their produce for cash and buy cloth, tools, pumps, bicycles, radios, and more fertilizer next year with their cash surplus. As participation in the market system expands, the individual acquires additional political and economic strength.

A.I.D. Development Loans support and encourage governments to allow greater market freedom for agricultural goods, thus improving the incentives for private production. In India, for example, Development Loans have supported the government program to widen the food marketing zones, construct additional storage facilities and institute adequate support prices. The Government was also encouraged to permit private manufacturers to market their fertilizer without restriction.

A.I.D. will give increased attention to private enterprise in the whole agri-business complex, from production of inputs like fertilizer to improved distribution and processing of agricultural products.

A.I.D. must also help business, small and large, to investigate and take part in the rapidly expanding opportunities in manufacturing, mining, finance, transport and commerce. These areas already generate most of the tax revenue in the less developed countries and must increasingly generate employment for the growing numbers of urban residents.

The principal ways in which A.I.D. will strengthen private initiative in aid-receiving countries are:

--using Development Loan negotiations to support host government efforts to pursue free market policies;

--making production loans (also called "program loans") to finance essential imports of U.S. materials needed by private users;

--financing projects and sector programs which provide the infrastructure private enterprise needs to expand;

--providing Technical Assistance for teaching skills needed on the farm and in the factory;

--assisting private U.S. organizations to help their counterparts in aid-receiving countries.

In addition, the new Overseas Private Investment Corporation will strengthen incentives for U.S. firms to invest capital and know-how in developing countries. The international competitive standards which U.S. firms introduce contribute to an improved local private enterprise climate.

Free Market Policies

To bring the energies of private enterprise to bear on development objectives it is often necessary to dismantle or relax extensive systems of controls in less developed countries. Exchange rates must reflect market conditions; import controls must be lifted and tariffs rationalized. Sheltered and non-competitive businesses need to reduce costs, improve quality, increase their marketing outlets and strengthen management to compete domestically. Export promotion policies may be needed to encourage these same producers to enter the competitive international market. Tax reforms may be needed to encourage more productive investment and thus provide increased revenues. Sensible government policies may be needed to encourage new foreign investment and the competitive spur it introduces.

A.I.D. will continue to use Development Loan negotiations to achieve development policies based on free markets. Production loans to finance general imports are particularly well-suited to supporting such policy changes. The availability of substantial foreign exchange resources strengthens the possibility of making improvements in the free market system. The loans directly finance

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some of the costs of liberalization, such as increased import of industrial machinery and raw materials. And because the loans are focused on the imports needed for the country's development program as a whole, their most effective use depends on such broad improvements in the country's market policies.

In several countries, governments have already been able to reset their exchange rates, ease import controls and substantially reduce inflation, with the support of production loans. For example, Korea's remarkable economic growth is due in considerable measure to foreign exhcange reforms and to effective stabilization policies, both supported by U.S. aid.

Financing Needed Imports

Over 80% of imports under A.I.D. production loans go directly to private firms. Other imports, notably fertilizer, may be initially imported by public agencies for later distribution by private users. In addition, Development Loan terms may specify that certain imports must be directed to the private sector.

Production loans finance needed imports of fertilizer, raw materials, machinery, equipment and other production inputs from the United States. With these imports, local entrepreneurs can make fuller use of existing industrial and agricultural production capacity. The impact per dollar of aid in this form can be quite high. For example, it has been estimated that for each dollar's worth of fertilizer provided to India, agricultural production increases by some $4 worth.

Economic and Social Infrastructure

Project and sector Development Loans can help build the dams, roads, power plants and other economic infrastructure essential to support expanding private enterprise operations. The heaviest concentrations of A.I.D.'s project loans since 1962 have been in water and power ($1,114 million, 30% of total project lending) and transportation ($821 million, or 21%). Such projects directly benefit private investors and improve the profitability of private enterprise.

A.I.D. has put particular stress on intermediate credit institutions, which channel U.S. aid to the private sector, and help new enterprises gain access to capital markets otherwise beyond their reach. During the past ten years, A.I.D. has loaned

--$485 million to 54 industrial development banks in 36 countries under 80 separate loan agreements;

--$180 million to 20 agricultural credit institutions in 14 countries;

--$164 million to housing credit institutions in 15 countries.

All these amounts were later re-lent to private businessmen, farmers and home-owners in the recipient countries. Local capital amounting to two or three times these amounts was mobilized for investment.

Private enterprise also needs the support of educational institutions and other social infrastructure of a modern society. In Turkey, A.I.D. provided faculty and books to the Department of Business Administration of the Middle East Technical University, while also training its faculty at Cornell. A.I.D. financed modern laboratories at Istanbul Technical University which improved their capacity to train engineers. In Pakistan, A.I.D. helped set up the Institute of Business Administration at the University of Karachi. In Ethiopia, A.I.D. helped staff the business department of Haile Selassie University. The graduates of these schools represent a major addition to the management capability of private enterprise in these countries.

Technical Assistance

Developing countries need modern technology adapted to local conditions, systematic institution-building for a more complex society, and long-term investment in the skills of their people. In a fundamental sense, these are all part of a congenial environment for private initiative, and the whole range of A.I.D. Technical Assistance contributes to strengthening that environment.

Many A.I.D. Technical Assistance activities are aimed more directly at strengthening private enterprise. A.I.D. finances, for example, activities in small industries development, investment promotion institutions, export marketing, management training, housing institutions, technical education, credit institutions and tourism.

In Latin America we have supported the rapid growth of local credit unions and their federations. In Central America A.I.D.-supported regional organizations have been established that are of direct service to private enterprise, such as the Central American

Industrial Research Institute, the Central American Tourism Institute, and the Central American Graduate School of Business. In East Pakistan A.I.D. is supporting the Small Industries Corporation in establishing new manufacturing and service enterprises.

Participation by Private U.S. Organizations

Bilateral A.I.D. official assistance programs are only a part of the total U.S. foreign assistance effort. Numerous national and civic nonprofit organizations representing several million Americans make important contributions to development through a wide variety of privately-managed and fully or partially privately-financed people-to-people, socio-economic programs of technical assistance, relief and rehabilitation overseas. Working on the principle that public resources wisely used can attract private resources in even greater amounts, A.I.D. supports such private groups in carrying out their own people-to-people assistance programs. These organizations are also specially qualified to assist their counterparts abroad to develop as autonomous centers of private initiative.

Partial Incentive Grant Funding. A.I.D. provides partial incentive grant support to nonprofit service organizations carrying out their own privately managed people-to-people technical assistance programs overseas.

For FY 1970, $2.8 million is requested to provide general program support to the Asia Foundation's private technical assistance activities supporting and strengthening legal systems and public administration; education and human resource development programs; book programs, library development, and publishing; Asian voluntary community, and other non-government organization; professional links among Asian countries and between them and the United States; and Asian regional cooperation.

The International Executive Service Corps (IESC) sends experienced American businessmen-volunteers on short-term assignments abroad to counsel companies which have requested assistance on various management and technical problems. A.I.D. encouraged the establishment of the IESC and continues to provide financial support under an incentive grant. In FY 1970, $2.9 million is requested.

IESC now has compiled a roster of 5,400 volunteers recruited by unpaid representatives in 63 American cities. In 1968, 900 requests for help were received from businesses in 44 developing countries. Four hundred and twenty-five projects were successfully completed, a gain of 57% over the previous year.

A wide variety of business activities in developing countries is now being assisted by the IESC. These businesses include agriculture and food processing, insurance and banking, textile manufacturing, transportation equipment and services, wood and paper products, construction, chemical products, rubber, plastic and leather, machinery, and wholesale-retail trade communications.

Under the auspices of Volunteers for International Technical Assistance (VITA), 7,000 scientists, engineers, agronomists and technicians are donating their time and skills to answering, through direct correspondence and without charge, technical inquiries from individuals, organizations and small businessmen in developing countries. Last year VITA processed 2,036 inquiries. In FY 1970, $60,000 is proposed for A.I.D. support.

Council for International Progress in Management, Inc. (CIPM) was founded in 1933 by a group of U.S. business and professional leaders to assist in the world-wide development of professional management personnel.

Assisted, in part, by an A.I.D. grant, CIPM is expanding its own privately-managed and financed programs and is now undertaking activities in Morocco, Thailand, Ecuador, Paraguay, Nigeria, Mexico, Panama, Colombia, Peru, Argentina, Brazil, Venezuela and Indonesia. These programs aim at establishing and developing private management institutions which will help sustain the growth of private enterprise and encourage industrial development in less developed countries. In FY 1970, $50,000 is requested for continued A.I.D. grant support.

Contracts with U.S. Nonprofit Groups. A.I.D.-financed technical service contracts with nonprofit U.S. cooperatives, credit unions, savings and loan and business management organizations support development in agriculture marketing and distribution, capital accumulation, housing and industry.

In addition to providing partial grant support to the privately-managed programs of the CIPM, A.I.D. contracts with CIPM to provide technical services in the implementation of A.I.D. activities in the fields of industrial and management development.

CIPM provides special training programs of participants in the United States, recruits consultants for short-term overseas needs, and organizes teams of industrial executives to conduct management seminars in developing countries.

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PRIVATE ENTERPRISE

In cooperative development, A.I.D. has contracts with national co-op organizations such as Agricultural Cooperative Development International(ACDI), the Cooperative League of USA (CLUSA), CUNA International Inc. (CUNA), Foundation for Cooperative Housing (FCH Services, Inc.), International Cooperative Training Center (ICTC), National League of Insured Savings Associations (NLISA), National Rural Electric Cooperatives Association (NRECA), and the U.S. Savings and Loan League.

These cooperative organizations have worked in 30 countries under 45 contracts providing 248 technicians for a total of about 200 man-years of service. Largely because of continuing involvement in foreign technical assistance through A.I.D. contracts, several of the cooperative organizations have increased their own contributions to international development. It is estimated that during FY 1968 these commitments amounted to at least $1 million in cash, services and commodities.

In FY 1970, A.I.D. is requesting $750,000 to continue contracts with key cooperative organizations, convert more cooperative organizations to a grant-funded relationship to stimulate additional private cooperative input, start up pilot opeations of a Cooperative Service Corps, and promote increased U.S. private investment in cooperative type institutions in the developing countries.

II. OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC)

Official aid helps create the framework within which domestic and foreign private investment can go to work.

U.S. private investment itself can introduce capital, know-how and initiative; generate jobs, savings and tax revenues; promote competition and stimulate modernization; expand international markets; and demonstrate the mutually beneficial role of private enterprise--local and foreign--in development.

U.S. private investment and official aid cannot substitute for each other, but each makes the other more effective.

A key feature of the FY 1970 program is the creation of an Overseas Private Investment Corporation (OPIC). It aim is to encourage direct investment of private American capital and know-how in developing countries, by energetic and businesslike management of government incentives. The new Corporation would be a separate federal agency, under the policy guidance of the Secretary of State and subject to the Government Corporation Control Act.

Why a Corporation?

The concept of a specialized corporate entity to enlist private investment in development is reflected in U.S. and international experience. Other similar entities are the private multinational Atlantic Development Company for Latin America (ADELA), the World Bank's International Finance Corporation, West Germany's German Development Company, the U.K.'s Commonwealth Development Corporation, and the proposed Finance Corporation for Developing Countries of the Netherlands. A.I.D.'s present Private Investment Center, in the Office Private Resources, is a partial application of the concept and would be absorbed into the new Corporate organization.

Such a corporation has been endorsed in official, Congressional and private studies. The International Private Investment Advisory Council (IPIAC)* after a nine-month study of various prior proposals and existing entities, recommended establishment of such a corporation in December 1968. The General Advisory Committee on Foreign Assistance Programs and the National Planning Association made similar recommendations.

The proposed Corporation is responsive to section 502(b) of the Foreign Assistance Act of 1968, which calls for consideration of proposals for a federally-chartered corporation "designed to mobilize and facilitate the use of U.S. private capital and skills in less developed, friendly countries and areas".

A.I.D.'s investment incentive programs meet criteria established some years ago by the Bureau of the Budget to determine when government programs should be conducted through a corporate form of organization. Such programs are predominantly of a business nature; are revenue producing and potentially financially self-sustaining; involve a large number of business-type transactions with the public; and require greater flexibility than can ordinarily be obtained through annual appropriations.

The corporate form facilitates use of commerical balance sheets and income statements to report financial performance, subjecting program managers to a more business oriented financial discipline than normally found in government agencies.

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* The IPIAC was created as an advisory council to the A.I.D. Administrator by a 1966 amendment to the Foreign Assistance Act sponsored by Representatives Morse and Wolff and Senator Javits.

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PRIVATE ENTERPRISE

Though investments in developing countries are generally recognized as carrying higher than usual risks, OPIC would be expected to conduct its operations in such a way that financial successes cover the costs of possible financial losses--short of a catastrophic investment insurance loss.

A corporate form should also make it possible to recruit more readily a professional, business-oriented staff for senior positions. One current obstacle in recuiting businessmen into equally or more responsible positions in the Executive Branch is the difference in organizational structure between businesses and government agencies. OPIC will adopt an organization structure, and related position descriptions, reflecting current corporate practice insofar as possible.

Thus, the primary short-run advantages of a corporation in taking over the operations of A.I.D.'s Private Investment Center would be businesslike organization, financial discipline and improved staff with greater continuity.

Over the long run, a corporation can bring private talents to bear on planning and executing privately-managed development programs, permitting a fuller contribution to development by the U.S. private sector.

OPIC cannot be expected to generate a great surge of U.S. capital investment in the developing countries, particularly in view of the continuing need to watch our balance of payments. It will, however, result in more effective management of existing programs and provide a sound base for building a steadily increasing volume of U.S. investment in the years ahead.

Programs and Financing

OPIC will be expected to take the initiative in identifying and promoting sound investment opportunities. It will seek to foster "second-tier" intermediate financial and investment institutions which can independently promote and finance suitable projects. It will establish special small business facilities to assist smaller investors. It will encourage and assist private investors to be responsive to the special needs of developing countries.

A five-year authorization is requested for OPIC's insurance and guaranty programs and for building its capital structure. Long lead times are inherent in initiating investment in developing countries, and the investors need the assurance that OPIC incentives will be available when projects are ready to go.

OPIC will have four major functions:

1. Pre-investment assistance and promotion.

2. Investment insurance.

3. Investment financing, by guaranties and limited direct loans.

4. Special activities, particularly technical assistance.

1. Pre-Investment Assistance and Promotion

OPIC will join with eligible investors by pooling resources to facilitate the investors' efforts in developing their own investment opportunities. It will disseminate program and investment information to potential investors and investment promotion organizations through conferences and other such means. It will underwrite a portion of the cost of investigation of potential projects which in its judgment offer reasonable prospects for investment, through surveys by prospective investors or pilot project operations.

Costs of these programs, together with the general administrative expenses, will be financed out of operating revenues, principally from fees charged for insurance and guaranties.

2. Investment Insurance

Insurance will cover eligible U.S. private loan and equity investments against loss from the specific political risks of inconvertibility, expropriation, and war, revolution and insurrection, as under current authorities. Small as well as large transactions can be covered.

Authorization is requested to issue $7.5 billion of new political risk insurance at an average projected rate of over $1 billion a year. Unutilized existing issuance authority would expire. However, outstanding contracts would remain in force and be transferred to the Corporation.

The requested authority is expressed in terms of maximum contingent liability to the U.S. Government, rather than in terms of the face amount of insurance coverage, as in the past. Face amount of insurance often includes multiple coverages of political risks of the same investments. The proposed new formula will provide a more accurate picture of the actual exposure.

PRIVATE ENTERPRISE
To facilitate and encourage multilateral risk-sharing, OPIC would be authorized to co-insure U.S. investors' share in multinational investments.

The Corporation will continue the efforts started in 1968 by A.I.D.'s Private Investment Center to institute a program of systematic risk management. Steps are being taken to measure risks by countries, industries and other appropriate categories, as guides for the judgments of the managers of the program. Insurance rates may be adjusted to reflect risk differentials.

3. Investment Financing

OPIC will rely primarily on its authority to provide extended risk guaranties for privately financed projects. It will make only limited direct dollar loans.

In considering projects it will take into account their economic and financial soundness, and the availability of financing from other sources on appropriate terms. It will seek to conduct all its financing operations on a self-sustaining basis.

Investment Guaranties. OPIC will guaranty loans and other investments against loss upon such terms and conditions as the Board may determine. Guaranties against loss of equity investments will not exceed 75% of the original amount of such investment.

Authorization is requested for a new extended risk guaranty ceiling of $750 million, to enable issuance of guaranties at an average projected rate of $150 million per year. Unused existing authority will expire and outstanding non-housing guaranties will be transferred to the Corporation.

Successful development of the loan guaranty program will require ready access to all segments of the private capital market at the lowest possible interest rate. This access will be strongly influenced by two major factors--accumulated claims experience and available liquid reserves.

To assure a reasonable prospect of commercial success for projects which the Corporation finances, it is important that procured goods and services be of appropriate design and quality, and at prices that will enable the project to compete successfully when it is completed. Within these limits, the Corporation will attempt to direct the use of the proceeds of loans it guaranties to both less developed country and U.S. sources of supply, taking into consideration effects on U.S. business and the balance of payments. Proceeds will not be used to finance exports from developed third countries, except where cost differentials would jeopardize the viability of the project.

Direct Investment. A revolving Direct Investment Fund will be established to finance dollar loans and other direct debt participation, where this is judged necessary for high priority projects to go forward. Dollar loans could include senior debt instruments, subordinated debt and loans with equity features.

OPIC will also be charged with reporting to the Congress after five years the possibilities of transferring all or part of its activities to the U.S. private sector.

Total initial capital in the Direct Investment Fund will be $100 million. It will be paid in on the call of the Corporation at the rate of $20 million each year for five years, using reflows of principal and interest from prior loans, and the Corporation will issue an equivalent amount of capital stock to the U.S. Treasury.

Local Currency Loans. Foreign investment projects have local cost components which often require financial assistance. Investment opportunities are sometimes seized by other foreign investors who are able to secure local cost financing assistance from their respective governments.

To meet such needs, U.S.-owned local currencies from present and future P.L. 480 Cooley Fund availabilities will be made available annually to the Corporation, in amounts to be determined. Where the foregoing sources of local currencies are not available or not adequate, and within annual aggregate limits prescribed by its Board with the concurrence of the Treasury, the Corporation will permit use of a portion of its dollar financing, including loans and guaranty agreements, to cover a reasonable share of local costs of projects.

4. Special Activities

The Corporation will be authorized to administer special activities, such as financial support for privately-managed technical assistance projects and programs, on behalf of A.I.D., other U.S. departments and agencies, or international development institutions. Such activities might include, for example, assistance to intermediate credit institutions such as development banks. Funding would be provided by the requesting agency. It would be accounted for separately from the regular budget, balance sheet and statement of earnings of the Corporation, in accordance with the statutory requirements of the funding agency.

Reserves

Direct Investments. The Direct Investment Fund will be a revolving fund directly credited with realized gains and debited with realized losses. Accordingly, a separate reserve against losses need not be established.

Insurance Reserve and Guaranty Reserve. To back up its guaranties, the Corporation will maintain with the Treasury two separate accounts--an Insurance Reserve and a Guaranty Reserve. It is proposed that these reserves be initially funded from:

--existing appropriated reserves ($57,422,863);

--net fees collected, as of December 31, 1968 ($62,950,000);

--a portion of fees collected between December 31, 1968 and the date of incorporation, net of claims paid;

--new obligational authority requested in the amount of $75 million.

Initial allocation to the separate Insurance Reserve and Guaranty Reserve accounts will be made by the Board of Directors, after consultation with the Secretary of the Treasury. Thereafter, the Board will make further allocations out of earnings of the Corporation.

The insurance and guaranties of OPIC will be full faith and credit contingent liabilities of the United States Government. Accordingly, authorization is requested for the appropriation of such amounts as may be necessary to discharge such liabilities only if funds available in either of the separate reserve accounts should at any time be insufficient.

Adequacy of Reserves. No actuarial basis can now be established for calculating insurance fees and likely payments of insurance claims, because of the as yet unpredictable nature of the program. With its sizeable outstanding liabilities, however, the Insurance Reserve must be sufficient to keep insurance contracts acceptable to U.S. investors. A liquid reserve of not less than $100 million is necessary to achieve this objective.

With respect to the guaranty program, a substantial initial liquid reserve is required in order to establish investor confidence and ready marketability of the guarantied notes to institutional investors. The Guaranty Reserve should be initially funded at not less than $75 million. Obligations or expenditures from this special back-up appropriation would be incurred only under circumstances where claims payable exceed available earned guaranty reserves. The Guaranty Reserve will be maintained at 25% of outstanding liabilities.

Organization

A Board of 11 Directors, presided over by a chairman, will be appointed by the President of the United States with the advice and consent of the Senate. It will establish the policies of the Corporation in accordance with its charter.

The President of OPIC will be appointed by the President of the United States and will serve on the Board of Directors. In making the appointment, the President will take into account his prior private business experience. The remaining ten Directors will include five private citizens and five U.S. officials representing U.S. departments and agencies charged with international economic responsibilities. The terms of the private Directors will be staggered.

Management responsibilities for the day-to-day operations of the Corporation will be delegated to the OPIC President. An Executive Vice President will also be appointed by the President of the United States with Senate confirmation. OPIC will appoint such other officers and staff as required for effective management, financial administration and project monitoring, in relation to the volume of its operations. These officers and staff will be subject to Civil Service and Classification Act requirements. Provisions will be made for a number of excepted appointments, including an appropriate number to be compensated at levels higher than GS-15, to attract competent personnel from the private sector and provide needed management flexibility.

OPIC will be subject to the policy guidance of the Secretary of State. It will closely coordinate its programs and policies with A.I.D. to ensure that official aid and private investment projects complement and reinforce each other. Coordination in Washington will be facilitated through OPIC's Board, and OPIC will rely primarily on A.I.D. missions for staff support in the field.

OPIC will also coordinate its activities with other agencies concerned with foreign economic programs, such as the Department of Commerce and the Export-Import Bank. OPIC projects should not duplicate the export promotion and financing activities of the Commerce Department or the Export-Import Bank, since OPIC will concentrate on longer range projects for U.S. private investment in the developing countries.

MULTILATERAL
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MULTILATERAL ASSISTANCE

Multilateral cooperation among the rich countries in providing development assistance to the less developed countries has been a major policy objective of the United States. The U.S. commitment to multilateralism reflects the principle that the free world community must share responsibilities and costs of maintaining peace and promoting development.

Multilateral cooperation takes four main forms:

1. Multilateral consultation among donors. The Development Assistance Committee (DAC) of the OECD is the principal organization with which the United States has worked to encourage other donors to expand assistance in forms most needed for development in the poor countries.

2. Multilateral coordination of aid to recipients. Aid coordination groups, typically led by an international institution such as the World Bank review development plans and policies of recipients and work to harmonize all external assistance to a particular country for maximum development effectiveness. This is accomplished mainly through consortia and consultative groups.

3. Multilateral banks. International financial institutions such as the International Development Association (IDA), the Inter-American Development Bank (IDB), and the Asian Development Bank (ADB), pool contributions from the U.S. and other member countries to provide capital assistance under independent international management.

4. Multilateral assistance through the United Nations. U.S. and other shared contributions support a broad program of internationally organized assistance through the UN Development Program and other activities of the UN agencies.

Multilateral assistance in these various forms has certain advantages for the United States. Sharing assistance responsibilities among the rich countries is promoted both by the established sharing formulas for contributions to multilateral banks and UN programs, and by the continuing process of consultation within the framework of the DAC. Multilateral aid coordination heightens efficiency, minimizes overlap, and strengthens integration of aid from many sources to a particular recipient. Multilateral assistance strengthens international institutions which are essential factors in a more peaceful and progressive world order.

The Administration's foreign aid proposals reaffirm this U.S. goal of strengthening multilateral cooperation in assistance. The revised Foreign Assistance Act emphasizes that U.S. national assistance and multilateral assistance are complementary ways of supporting development.

Multilateral Consultation Among Donors

The principal mechanism for the general coordination of free world aid policy is the Development Assistance Committee of the OECD. These sixteen donor nations providing over 90% of total world-wide official aid consult frequently on volume, terms, methods and criteria. Each year, they review each other's aid programs. The U.S. strongly supports the DAC and actively participates in its work.

With active U.S. encouragement, other DAC members have substantially expanded and improved their aid programs during the sixties. Six DAC countries now provide 1% of their national income in official and private flows to less developed countries. Eight DAC members have five-year plans for expanded flows, most leading to 1% of national income or GNP in the early 1970s. Almost all the other DAC countries have eased aid terms by lowering interest rates or extending maturities and grace periods.

France remains the second largest donor in absolute amount of aid, and exceeds the 1% of National Income (NI) target, with 1% on official flows alone. The French have emphasized that they will maintain aid in spite of recent economic problems.

Germany exceeded the 1% of NI target in 1967 (1.26%), and has adopted a five-year plan to expand official flows by about 8% per year through 1972. In late 1968, the German Cabinet approved a plan to lower interest rates at 2.5% and lengthen maturities and grace periods.

The United Kingdom still meets the 1% of NI target and British interest rates are very low. Most loans are at 0%, and the average rate is now 1.1%.

Japan has expanded its total aid rapidly, and including private flows was just under the 1% of NI target in 1967. Japan is taking some major initiatives in Southeast Asia, notably in Indonesia and the Asian Development Bank.

The smaller DAC members--such as Canada, Belgium and the Netherlands, and the Scandinavian countries--have shown the greatest improvement in the volume and terms of aid, and are playing an increasingly active role. All have now adopted medium-term

budget plans aiming toward the 1% target. Terms of the smaller donors are generally soft, and several provide interest-free loans. Canada in 1969 liberalized its procurement to permit 33 1/3% from non-Canadian sources.

Equitable sharing in assistance through multilateral cooperation has thus made great progress, though there continue to be substantial variations among the national programs of the DAC countries.

In 1967 the United States ranked tenth among the 16 DAC members in total official and private assistance flows as a percentage of national income (0.87%). A.I.D. minimum interest rates have been raised successively until they are now 2% during ten-year grace periods and 3% thereafter.

Flow of Financial Resources from DAC Countries to Developing Countries and Multilateral Institutions
1967

DAC Country	Per Capita Income ($)	Total Net Official Flow ($ mil.)	Net Flow as % of National Income: Official	Net Flow as % of National Income: Total (Incl. Private)	% of Total Official Commitments: At 3% or less	% of Total Official Commitments: At 25 years or more
Australia	1,790	167	0.79	0.86	100.0	100.0
Austria	1,090	39	0.48	0.60	19.8	18.2
Belgium	1,600	99	0.65	1.00	99.4	92.0
Canada	2,100	213	0.50	0.59	71.9	71.9
Denmark	1,920	28	0.50	0.27	100.0	92.7
France	1,640	831	1.02	1.64	76.0	74.5
Germany	1,510	547	0.60	1.26	68.0	66.9
Italy	1,020	203	0.38	0.53	58.9	12.1
Japan	910	391	0.42	0.93	37.6	37.6
Netherlands	1,460	114	0.62	1.24	94.0	94.0
Norway	1,660	15	0.25	0.48	100.0	100.0
Protugal	400	47	1.23	2.06	17.4	53.2
Sweden	2,200	60	0.35	0.70	100.0	88.6
Switzerland	2,160	4	0.03	0.93	100.0	100.0
United Kingdom	1,580	498	0.57	1.01	89.8	95.6
United States	3,290	3,723	0.57	0.85	83.3	80.6
Total DAC Average	1,990	6,977 (Total DAC)	0.58	0.93	78.3	74.6

Multilateral Aid Coordination

The donor countries increasingly seek to concert their aid programs in individual recipient countries to assure that they are supporting consistent development goals and that aid resources are used efficiently.

Aid coordination groups now exist for twenty less-developed countries. They can take a wide variety of forms--consortia, consultative groups, and ad hoc multilateral arrangements. These groups have proved a useful means of linking bilateral and multilateral financial assistance. They have been concerned only to a limited extent with technical assistance. The IBRD, a member of all the groups, while the International Monetary Fund (IMF), the UN Development Program (UNDP), the European Economic Community (EEC) and the regional development banks participate as appropriate in their meetings.

Consortia for India and Pakistan operate under the sponsorship of the World Bank, consortia for Turkey and Greece under Organization for Economic Cooperation and Development (OECD) auspices. As a coordinative body, the consortium assesses development plans and performance considers foreign exchange requirements of the recipient and arranges for pledges of assistance from the members to finance insofar as possible agreed development needs. The consortium for India played an active role in rescheduling that country's heavy external debt and in coordinating emergency food aid. Consortia have also been effective in focussing both donors' and recipients' attention on the development policies of the recipient government. The United States is an active participant in all but the consortium for Greece, which no longer has an A.I.D. program.

Consultative groups have been established under World Bank sponsorship for nine less-developed countries and one three-country region: Colombia, East Africa (Kenya, Uganda, Tanzania), Korea, Malaysia, Morocco, Nigeria, Peru, Sudan, Thailand and Tunisia. In addition a consultative group for Ecuador is led by the Inter-American Development Bank (IDB). The consultative group for Sudan is not active, and the United States no longer provides assistance to Sudan. Although the United States has not proposed a development lending program in Peru and does not provide bilateral aid to Malaysia, it is a member of the consultative group for both countries.

A consultative group is less formally structured than a consortium and does not require donors to make formal pledges of assistance. Some consultative groups, however, are very similar to consortia.

Others have a more restricted scope and limit themselves to consideration of project needs. Acting as Chairman, the World Bank prepares periodic comprehensive reports on the recipient country's economic problems and performance. A recent innovation has been the creation of working parties devoted to particular key sectors, as in the consultative groups for East Africa and Tunisia.

Special multilateral aid coordination groups have been established for Indonesia, Ceylon and Ghana to provide assistance or debt relief. The Inter-Governmental Group (IGG) in Indonesia, led by the Dutch, has been particularly active in organizing a rising flow of coordinated assistance from many bilateral and multilateral sources to help Indonesia sort out its stabilization and debt rescheduling problems and move into a development program. The United States has provided about a third of IGG assistance plus some supplementary food aid, and Japan approximately another third.

More than 90% of A.I.D.'s FY 1969 Development Loans are expected to be committed in a multilateral aid framework--including the Alliance for Progress, where the review and consultative machinery of the Inter-American Committee for the Alliance for Progress (CIAP) applies.

MEMBERSHIP IN CONSORTIA, CONSULTATIVE GROUPS AND OTHER AID COORDINATION GROUPS AND 1967 NET OFFICIAL DISBURSEMENTS (MILLION U.S. $)

	Consortia				Consultative Groups											Aid Coordination Groups		
	IBRD		OECD		IBRD										IDB	IBRD	IMF	
Donor \ Recipient	India	Pakistan	Greece	Turkey	Colombia	East Africa	Korea	Malaysia	Morocco	Nigeria	Peru	Sudan	Thailand	Tunisia	Ecuador1/	Ceylon	Ghana	Indonesia2/
IBRD	-22.8	31.2	-2.0	0.9	20.5	12.1	-1.0	16.1	7.0	38.0	15.0	5.5	-1.2	3.5	-0.6	-0.2	1.3	-2.2
IDA	226.8	71.0	-	15.9	4.8	10.6	-	-	-	5.5	-	1.2	-	1.5	0.4	-	-	-
IDB					13.6						6.8				0.9			
Afr.Dev.Bank						-4.7			-3.1	-6.5		-2.8		-1.4			-3.5	
Asia Dev. Bk.	-9.3	-3.2					-3.0	-2.0					-2.0			-0.9		-2.5
EEC			12.0	22.4														
Australia							0.2	2.7					3.6			1.0		4.3
Austria	4.7		2.5	0.6										1.5				
Belgium	1.6	0.6	*	2.2	0.2		*	*	0.8	0.1	0.4	-	0.1	1.1	0.1			*
Canada	93.4	29.3	-	0.1	0.2	4.5	0.1	2.2	1.5	2.6	-		0.9	0.9	*	7.6	3.8	
China							N.A.											
Denmark	3.7		-	0.4	*	1.2		*					0.1	0.4			*	
Finland						N.A.					N.A.			*				
France	-	-	-	7.1	-	-	-	-	15.4		-	-	-	8.9	-	-	2.8	22.7
Germany	55.2	27.5	4.3	16.3	2.8	7.0	12.8	4.1	1.0	9.5	13.5	1.7	9.6	5.2	0.8	9.9	15.3	45.4
India																		
Italy	8.4	6.9	1.2	11.7	-0.2	9.4	-0.6	-	0.5	6.7	1.0	-0.7	-0.1	33.4	*	-0.1	6.3	6.0
Japan	40.3	26.4			0.1		53.6	0.6		0.1	0.1	*	4.1		0.1	2.4	0.2	112.9
Kuwait														N.A.				
Libya														N.A.				
Netherlands	6.8	3.7	-	1.8	1.0	1.5	-	-	-	3.0	0.4	1.6	-	0.1	-		4.6	18.7
New Zealand								N.A.					N.A.				N.A.	
Norway				-		1.9												
Spain					N.A.				*		N.A.			N.A.	N.A.			
Sweden				0.9		4.9						2.3		1.0	-		-	
Switzerland				1.4	-			-	N.A.	0.1	0.4	*	*	0.2	-			
United Kingdom	74.3	27.2	-	16.4	0.4	36.6	1.2	9.0	*	13.3	1.6	1.8	0.7	*	0.4	11.0	0.9	1.9
United States	827.0	299.0	5.0	99.0	83.0	15.0	195.0	3.0	14.0	35.0	24.0	5.0	43.0	46.0	26.0	13.0	33.0	41.0
TOTAL	1310.1	519.6	23.0	197.1	126.4	100.0	258.3	35.7	37.1	107.4	63.2	15.6	58.8	102.3	28.1	43.7	64.7	248.2

1/ Other countries participating include Argentina, Brazil, Chile, Colombia, Israel, Mexico and South Africa.

2/ Intergovernmental Group for Indonesia chaired by the Netherlands.

* Less than $50,000.

NA -data not available.

\- (Dash in table) Member which provided no financial assistance in 1967.

MULTILATERAL ASSISTANCE

Multilateral Banks

Multilateral banks which operate on either a worldwide or regional basis are playing an increasingly active role in providing capital assistance. New commitments by these banks now amount to over a fifth of total official aid commitments of free world donor countries. Financed both by government contributions of their members and by sale of their own securities, they maintain independent international management of the funds they direct.

The sharing formulas for the multilateral banks assure that other countries' contributions and U.S. contributions will remain equitable. As multilateral assistance expands, the United States will continue its support of multilateral banks through shared contributions and will encourage expansion of their role in coordination, evaluation and implementation of development assistance.

COMMITMENTS BY INTERNATIONAL AID INSTITUTIONS TO DEVELOPING COUNTRIES, CY 1962 - 1968

(In millions of dollars)

	1962	1963	1964	1965	1966	1967	1968
World Bank (IBRD)	507	636	574	822	603	569	1,043
International Development Association (IDA)	187	210	425	190	457	64	116
International Finance Corp. (IFC)	23	14	22	21	54	37	45
Inter-American Development Bank (IDB)	125	212	213	322	396	496	429
Asian Development Bank (ADB)	-	-	-	-	-	-	42
African Development Bank (AFDB)	-	-	-	-	-	3	3
European Development Fund (EEC/EDF)	178	46	59	225	146	139	133
European Investment Bank (EEC/EIB)	-	23	19	52	49	71	39
United Nations Agencies a/	212	234	240	249	304	301b/	329b/
Total	1,232	1,375	1,552	1,881	2,009	1,680	2,179

a/ Expenditures or authorizations
b/ Estimated

The World Bank Group of financial institutions--the International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), and International Finance Corporation (IFC)--is the largest multilateral channel for aid.

IBRD loans made on hard terms increased substantially from $569 million in 1967 to $1 billion in 1968. The IBRD hopes to be able to borrow enough to expand its loans to an annual rate of about $1.6 billion in the next few years.

IDA credits were only $116 million in 1968 because of the delay in the second replenishment. It will come into effect with the commitment of the U.S. contribution of $160 million a year for three years. This contribution will provide 40% of the $1.2 billion replenishment. If the U.S. balance of payments problem persists, IDA will call on the U.S. contribution only to finance purchases from the United States through June 1971 and for as long thereafter as permitted by the state of IDA resources.

In view of the delay, however, eleven countries, including Germany, the United Kingdom, and Japan, made advance contributions of $245 million to enable IDA to operate. The World Bank itself transferred to IDA $75 million from its net income in 1968. When the replenishment goes into full effect, IDA credits in 1969 will be the highest ever.

The Inter-American Development Bank (IDB), of which the 21 Latin American Republics and the United States are members, committed $431 million for Latin American economic and social development in 1968.

The IDB provides capital and technical assistance from its ordinary capital resources on near-commercial loan terms. Resources for ordinary capital operations now come mainly from sales of IDB bonds in the private market. The United States has since 1960 appropriated $818 million as backing for these bonds, but none of it has ever had to be spent.

The IDB's Fund for Special Operations (FSO) makes loans on flexible terms to member countries whose balance of payments situations will not sustain loans on conventional terms. Of the $431 million committed by the IDB to Latin American countries in 1968, $210 million was from the FSO. The United States has since FY 1960 contributed $1.5 billion for FSO, and a separate appropriation of $300 million is proposed for FY 1970.

MULTILATERAL ASSISTANCE

The Asian Development Bank (ADB) has 20 Asian regional members and 13 non-regional members, including the United States. The United States proposes to make its fourth installment of $20 million of paid-in capital in FY 1970.

Through the spring of 1969 the ADB had made 11 loans, including $10 million to the Industrial Development Bank of Pakistan, $6.8 million to the Republic of Korea for the Seoul-Inchon Expressway and $7.2 million for a Malaysian water supply project.

The ADB is seeking additional contributions to establish a Special Fund, to provide assistance on softer terms. The U.S. fully supports the need for special funds, and proposes to make an initial contribution of $25 million in FY 1970. This contribution would be a minority share of the total and would have adequate safeguards for the U.S. balance of payments.

The African Development Bank (AFDB) has a membership of 31 African countries. By the end of 1968 the AFDB had made four loans totaling $5.7 million and provided $120,000 in equity participation in the Sierre Leone Development Bank. In 1968 A.I.D. made a grant of $435,000 to the Bank for technical assistance and feasibility studies. During the next year, the United States will continue discussion with the Bank management and other donor countries to determine if there is a basis for a modest special fund, with suitable arrangements for sharing contributions and for donor participation in policy guidance for the fund's operations.

The European Economic Community (EEC) administers the European Development Fund (EDF) and the European Investment Bank (EIB). The six EEC members--France, Germany, Italy and the three Benelux countries--contribute to the Fund and the Bank; the EIB also borrows in financial markets. The EDF committed $133 million to less developed countries in 1968, mostly in grant form, to associated countries and territories, mostly in Africa. The EIB made loans totaling $70.5 million in 1967 and about $39 million in 1968 to Greece, Turkey, Africa and overseas territories.

Multilateral Assistance Through the United Nations

There are three major UN development programs plus 11 other assistance programs in specialized functional fields, e.g., the peaceful uses of atomic science, or special geographical area problems, e.g., Cyprus and the Middle Eastern refugees.

UN development assistance in which the specialized agencies such as the Food and Agriculture Organization and the UN Educational, Scientific and Cultural Organization play an important role, is coordinated by the UN Economic and Social Council. UN Resident Representatives in each country review programs of the various UN agencies and relate them to the development plans and priorities of the assisted countries.

UN development assistance activities are also meshed with the work of the World Bank group. The Bank President recently noted that $700 million of World Bank loans and IDA credits have been preceded by or related to pre-investment studies financed by the UN Development Program.

During the past decade the annual rate of commitments by the UN development agencies has more than tripled. At the same time contributing nations, particularly members of the Development Assistance Committee (DAC), have substantially increased their share of support relative to the United States.

The major UN development activities include:

UN Development Program (UNDP). The UNDP is the major UN program for assisting developing countries with surveys necessary to attract investment capital, with aid in the development of institutions for economic and social growth, and with technical advice. Annual commitments by the program are approaching $200 million for projects in 130 countries and territories. Contributions to the program have increased steadily from $58 million in 1959 to $200 million in 1968.

UN Children's Fund (UNICEF). UNICEF provides assistance to children and mothers in developing countries primarily in the field of health, nutrition and education. In the immediate post-war years, UNICEF's sole objective was to provide relief to children in Europe. Its programs are now largely concentrated in the developing countries. Annual commitments have risen from $23 million in 1959 to $46.2 million in 1968.

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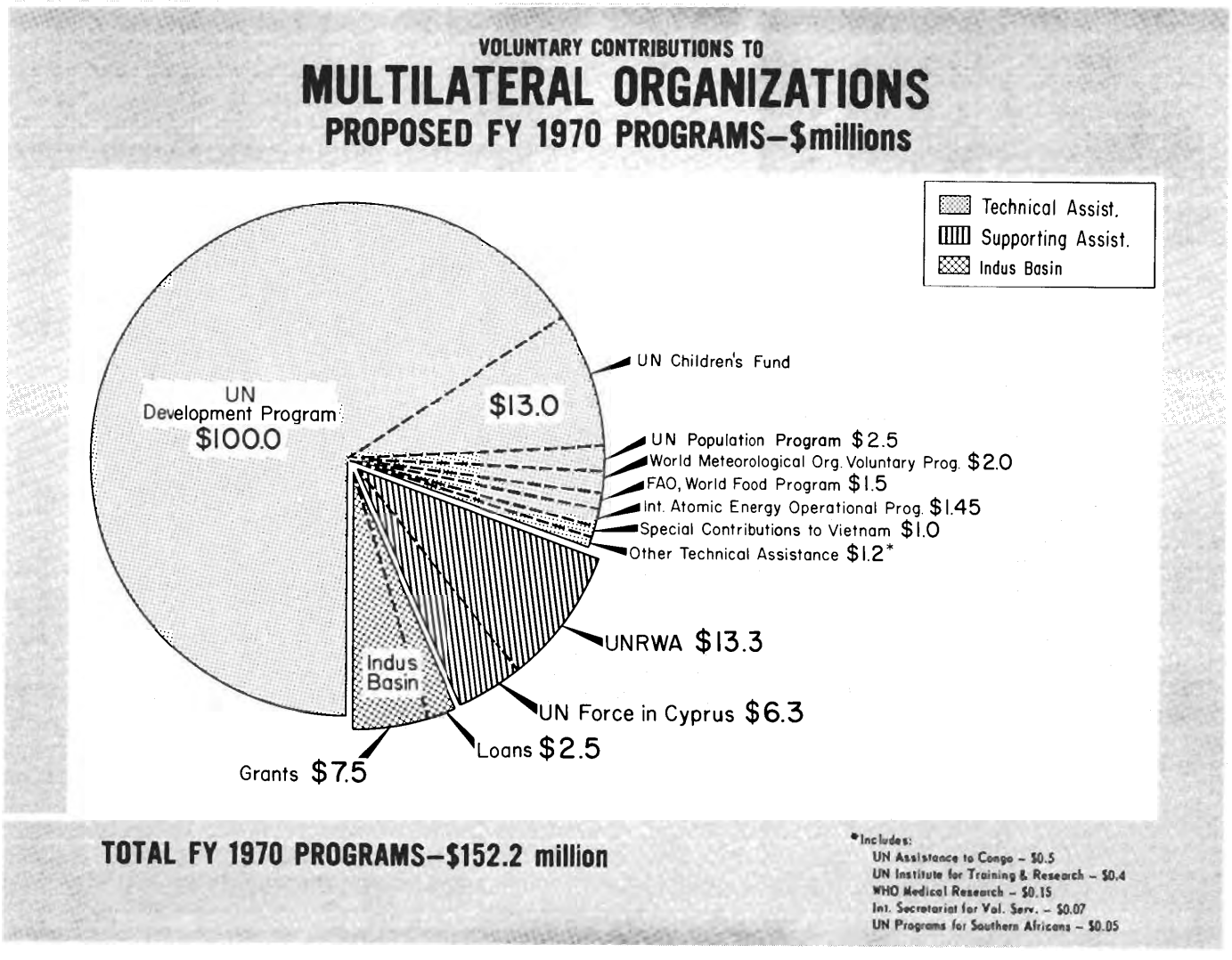
The World Food Program (WFP). WFP uses foodstuffs to promote economic development through food-for-work projects and to improve nutrition. To a lesser extent WFP helps provide essential food in cases of natural disasters and warfare. The United States contributes to WFP through the P.L. 480 program as well as through voluntary contributions under the Foreign Assistance Act. Annual expenditures have risen from $7.3 million in 1963, the first full year of the program, to $44.6 million in 1968. During this period contributions have increased from an annual average of $27 million in 1963-65 to $60 million for the period 1969-70.

Proposed U.S. contributions to multilateral programs in FY 1970 are more fully described in the narrative under the tab Multilateral Organizations and Programs (L).



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MANAGEMENT &
ADMINISTRATION
(F)

IMPROVED MANAGEMENT PERFORMANCE AND EFFECTIVENESS

As a world-wide program, the activities of A.I.D. are diverse and must necessarily operate on a decentralized basis. At the same time, they must be managed soundly and with absolute integrity.

Policies and organization to improve the Agency's management performance and effectiveness will be changed to respond to new program emphases. But these changes will be evolutionary, not revolutionary. In each instance the change will be designed to make the program more effective and more productive. The lessons of past deficiencies, as well as past successes, will be applied fully to present and future programs of the Agency.

Recent and proposed organization changes are designed to maintain the momentum of effective management and to focus its technical and management skills on the most important elements of the U.S. foreign assistance program. To this end use of computerized management information systems will be greatly increased. Policy formulation and operational functions will be placed in specialized groups. Program evaluation activities will be expanded with increased emphasis on effective project implementation.

Major Proposed Changes. The most significant proposed changes will give substance to the overall effort to increase the role of U.S. private investment, redouble efforts to encourage development through private enterprise in the recipient countries, and give priority attention to upgrading A.I.D.'s Technical Assistance efforts:

(1) Creation of an Overseas Private Investment Corporation will permit the application of business organization and leadership to mobilization of private U.S. capital for the task of development.

(2) Within the Agency itself, an Assistant Administrator for Private Enterprise will ensure that no opportunity is lost to encourage private sector growth through all of the Agency's programs.

(3) A new Technical Assistance Bureau, under an Assistant Administrator, will bring together the Central Agency staffs concerned with population, agriculture, education and other functional areas of the Technical Assistance program to ensure a forceful, multi-disciplinary approach to priority development problems. The new Bureau will have special responsibility for involving American universities and private organizations in the implementation of the program, for applying the knowledge and techniques of American science and technology in new ways, and for enhancing the role of Technical Assistance in achieving A.I.D.'s purposes.

Greater Management Effectiveness. Responding to legitimate criticisms raised about the handling of a small proportion of A.I.D.'s total business, a major effort has been launched to assure the integrity of A.I.D.'s operations. Management effectiveness, compliance with regulations and integrity of operations were firmly established as the Agency's highest priority concern. To sustain this effort, important steps were taken:

(1) A new Deputy Assistant Administrator for Administration was given the responsibility for focussing top management attention on compliance and coordinating the operations of all Agency offices involved in control and surveillance.

(2) A full time Compliance and Management Effectiveness Staff was set up to provide Agency-wide leadership on all aspects of compliance and management effectiveness. The Staff has focussed top management attention on potential problems before they occur.

(3) As a logical follow through of the work done to date to give a high priority to compliance with regulations and integrity of operation, a new Office of Audit and Inspection is being established, the head of which will report directly to the A.I.D. Administrator. This office will set Agency audit and investigative policies and carry out an extensive world-wide audit and investigations program.

Commodity Import Programs. Loan and grant funded commodity exports from the United States to recipient countries are estimated at over 98% of A.I.D. expenditures for commodities in FY 1969. A.I.D.'s basic policies and procedures governing such commodities have been significantly tightened over the past several years, as follows:

(1) More time and attention is given to the audit and investigation of commodity transactions. Although the overall numbers of A.I.D. personnel have been falling, the numbers of auditors and inspectors have not decreased. More suppliers and middlemen have been identified and declared ineligible to participate in the commodity import program. In March 1967, 53 firms were on the ineligible list. By December 1968 the number had risen to 115 -- an increase of over 100%.

(2) New "arrival accounting" procedures have been developed to help A.I.D. Missions monitor specific commodity import agreements and to see that commodities are removed from port and customs control promptly. In Vietnam, where the worst problem of this type occurred under conditions of wartime disruption and port

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bottlenecks, a computerized monitoring system will provide timely information for monitoring and control.

(3) In several countries a "positive list" of commodities that can be legally procured from A.I.D. funds replaces the "negative list" which relied on prohibition of a relatively few items. A new procedure permits A.I.D. to withhold financing of ineligible commodities before they are shipped, instead of claiming refunds later.

(4) Agreements were reached or are under negotiation with 22 countries -- which are the recipients of about 80% of all A.I.D.-financed commodities -- to exclude port charges (lighthouse fees, pilotage, etc.) from A.I.D. financing. This transfers about $12 million a year in local currency costs to recipient governments.

(5) New controls seek to eliminate all but essential deviations from authorized procedures for A.I.D.-financed procurement. Thus strict compliance with the waiver provisions of applicable regulations is insured and an exact record of the exercise of the Agency's waiver authority is maintained.

(6) A.I.D. investigation functions have been reinforced. Recoveries per dollar of the investigation staff operating budget have increased from $7.73 in FY 1967 to $13.88 in FY 1968 and $23.52 for the first six months of FY 1969 -- an improvement of over 200% in the cost/recovery ratio.

(7) Audit surveillance was improved by increasing the minimum size of most individual commodity transactions from $1,000 to $5,000.

(8) At the same time, A.I.D. has sought increased participation of U.S. small business firms in competition as suppliers of A.I.D.-financed goods through expanded use of the A.I.D. Small Business Circulars. The number of procurement notices increased nearly 80% in one year, up from 7,945 in CY 1967 to 11,543 in CY 1968.

Personnel. A.I.D.'s staffing needs and personnel operation have been subject to a continuing review with the following results:

(1) The total number of direct hire employees was reduced by 1,444 during calendar year 1968, while the number of U.S. national employees from other U.S. Government agencies participating in the foreign assistance program was reduced by 114 during the same period.

(2) A further reduction of 431 direct hire A.I.D. employees is planned by the end of FY 1970.

(3) Stricter employee "selection-out" rules were instituted to assure sustained caliber and performance of the A.I.D. foreign service staff. In 1968, 48 employees have been selected out as compared with 9 in 1967 and 6 in 1966.

(4) Most of A.I.D.'s personnel operations were centralized to increase efficiency, reduce staff and afford more effective Agency-wide placement and recruitment efforts.

Evaluation System. In order to ensure that evaluation is given the degree of attention it requires in planning programs, during their implementation, and after completion, a number of specific steps have been taken:

(1) Creation of the post of Director of Program Evaluation in the A.I.D. Administrator's office to spearhead the effort.

(2) Establishment of full-time evaluation officers in each regional bureau, major staff office and major overseas mission.

(3) Installation of an Agency-wide program of evaluation studies, including annual Project Appraisal Reports on each non-capital activity, schedules of evaluation activities for each mission, and an annual evaluation cycle which will concentrate each year on selected areas of Agency concern. In FY 1969 reviews are being held on the New Grain Varieties and all of their implications for A.I.D. programs and on Intermediate Credit Institutions. Studies are under way or completed on Program Lending Experience; Tax Reform Activities conducted for A.I.D. by the Treasury Department; and the A.I.D. cooperative relationship with the Department of Agriculture. Methods for evaluations of capital projects are scheduled for intensive work.

(4) Establishment of a "memory bank" of carefully selected evaluative reports on a wide variety of fields important to the A.I.D. program for orientation and planning purposes.

The Excess Property Program. A.I.D.'s excess property program which was rightfully subjected to criticism for mismanagement and personnel misconduct has been thoroughly revamped and reorganized.

Several basic policy, organizational and procedural changes have been put into effect to put this program under positive management control.

IMPROVED MANAGEMENT PERFORMANCE AND EFFECTIVENESS

Effective July 1, 1969, A.I.D.'s new Logistics Service Center in New Cumberland, Pennsylvania, is scheduled to become fully operative. This center is the key element of the new operating policies and procedures which will govern A.I.D.'s excess property program. This new approach will enable the Agency to improve its forecasts of excess property requirements, locate excess property more efficiently, reduce fixed operating costs and personnel, upgrade the quality of the property furnished in the programs and provide spare parts and technical services to the using mission.

Advanced Management Systems. A.I.D. has undertaken a major program to develop and utilize advanced management systems and techniques in formulating, implementing and evaluating its operational programs.

In order to carry out this comprehensive long-range task, which involves virtually all elements of Agency activities, A.I.D. has created a high level Systems Development and Data Processing Committee to set priorities, allocate resources and assure progress. To date much of the effort has gone into initial organization and planning work. Nevertheless, substantial progress is being made in improving existing data systems and developing new ones, all of which will be integrated into a single information management system at a later date.

Among the systems recently implemented or in an advanced stage of development are:

(1) The Loan Analysis and Information System, devoted to the management of A.I.D.'s $13 billion portfolio of active loans.

(2) The Project Analysis and Information System, whose first phases are concentrated on providing greatly expanded information about the purposes, methods of implementation, and other characteristics of Technical Assistance projects and more accurate and timely accrued expenditures and pipeline data for programming purposes, as well as comparisons of expected and actual pace of implementation--all directed toward improved management and earlier identification of problem areas in the program.

(A separate report to the Congress on Management Systems, in compliance with Section 621 (A) of the Foreign Assistance Act (the Tunney amendment), will contain additional information on these aspects of A.I.D.'s work.)

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LATIN AMERICA

FY 1970 PROGRAM

(Thousands of Dollars)

Country	Type of Assistance			
	Total	Alliance for Progress		Supporting Assistance
		Development Loans	Technical Assistance	
LATIN AMERICA TOTAL	**$605,465**	**$482,665**	**$121,000**	**$1,800**
Contributions to Inter-American Organizations	15,100	--	15,100	--
Regional Programs	49,606	25,000	24,606	--
Argentina	400	--	400	--
Bolivia	15,300	11,400	3,900	--
Brazil	187,000	174,000	13,000	--
CENTRAL AMERICAN ECONOMIC COMMUNITY:				
Regional Office of Central America and Panama (ROCAP)	13,716	10,000	3,716	--
Costa Rica	5,015	3,500	1,515	--
El Salvador	10,474	8,000	2,474	--
Guatemala	18,100	15,000	3,100	--
Honduras	9,450	7,000	2,450	--
Nicaragua	6,693	5,000	1,693	--
Chile	77,633	75,000	2,633	--
Colombia	94,721	91,000	3,721	--
Dominican Republic	21,267	16,000	4,967	300
Ecuador	8,328	5,200	3,128	--
Guyana	7,700	6,400	1,300	--
Haiti	1,500	--	--	1,500
Jamaica	535	--	535	--
Panama	16,625	13,000	3,625	--
Paraguay	6,350	4,000	2,350	--
Peru	3,500	--	3,500	--
Uruguay	9,200	7,000	2,200	--
Venezuela	887	--	887	--
East Caribbean Regional Programs	6,100	6,000	100	--
Program Support, Inter-regional Activities, Research & Sec.211(d)	20,265	165	20,100	--

INTRODUCTION

U.S. hemispheric policy is to collaborate as a reliable partner with Latin America in finding solutions to its profound economic and social problems. While many development gains have been registered by Latin America in the past decade and we have assisted significantly in those gains, candor and realism compel recognition of the great difficulties of the challenge ahead. Despite substantial progress, few countries in the hemisphere have yet achieved self-sustaining development within a democratic framework. While the progress to date amply demonstrates the validity and feasibility of the goals of the Alliance for Progress, experience also clearly indicates that the original target of ten years to achieve these objectives, set in 1961, was unrealistic. Vast and complex social and economic problems created over decades and centuries resist rapid solutions.

U.S. policy toward Latin America is at a crossroads. This country has committed itself to substantial support of Latin American self-help development efforts. However, we have not always assessed accurately the time required to resolve the difficulties and frustrations implicit in this task. As this dimension comes more clearly into focus, the United States must steadfastly reaffirm its determination to continue to cooperate with Latin America--both in our own interest and in the interest of the hemisphere. The program for which Congressional approval is sought this year reflects the conclusion that it is important to our national interest, and our national sense of what is right, to continue a substantial bilateral assistance program in the hemisphere.

U.S. policy of the past decade grew out of a consensus in the late 1950's among the leaders of the hemisphere that a dramatic and concerted economic and social development effort was needed. The Charter of Punta del Este called for sweeping social and economic change. It called for regional economic integration, tax, agrarian and education reform, more adequate health and sanitation facilities, and a high sustained level of economic growth. External assistance was to be conditioned upon adequate country self-help performance. Collaboration was to be within a multilateral framework. Except for a failure to address the problem of Latin America's burgeoning population growth--the confrontation of which may be the key to modernization and social reform--the basic concepts of the Alliance reflected an accurate diagnosis of the basic problems besetting the hemisphere.

The assumption that such sweeping change could be carried through in one short decade, however, was unsound. Latin America was and is a region dominated by archaic economic and social structures

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and antiquated business, educational, industrial and agricultural practices. The problems of 400 years have not given way very quickly before the challenge of modernization.

Our evaluation of experience over the past eight years demonstrates that massive institutional, administrative and technological backwardness, the fragility of political structures, the thin veneer of democratic forms, and the sheer cost and complexity of bringing greater equity and productive efficiency to traditional agricultural sectors, or incorporating an essentially untutored, very poor, rapidly growing urban population into the mainstream of productive citizenship, are not the problems of a mere decade. Rather, they will be the challenge for many decades to come. However, the past eight years' experience has also demonstrated that genuine and tangible progress is indeed attainable, and that intensive self-help on the Latin American side, together with needed external assistance, can make the difference between progress and stagnation.

Acceptable progress in many countries will require sustained and vigorous U.S. financial and technical assistance in addition to the substantial self-help measures which these countries themselves undertake. At issue, quite simply, is whether we are prepared, as a reliable partner:

--to support Latin America's own efforts and the impressive development momentum already in motion,

--to continue to honor our prior commitments to the hemisphere, and,

--to continue our search for increasingly effective ways in which we can play a more constructive role in the hemisphere's difficult adjustments to its development needs.

As President Nixon recently said:

> "...if the present rates of growth that we have in the United States and in the balance of the hemisphere are not changed, at the end of this century the per capita income in the United States of America will be 15 times as high as that of the per capita income of our friends, our neighbors, the members of our family, in the balance of the hemisphere."

It is essential to both our interests and those of Latin America that the estrangement inherent in this widening gap not occur.

RATIONALE FOR ASSISTANCE TO LATIN AMERICA

A comprehensive assessment of U.S. policies and relationships in Latin America is under way. The report and recommendations of the special mission headed by Governor Nelson Rockefeller will be central to this effort. The results of these reviews obviously cannot be fully reflected yet in U.S. policies and programs.

In the interim, and in light of the reviews already under way, it is clear that the thrust and momentum of our assistance programs in Latin America must be maintained. This is particularly true of programs and projects designed to reach and assist the lowest income groups in both the rural and urban areas to which special emphasis is being given in FY 1970.

In shaping the assistance program presented to the Congress for FY 1970 the following considerations have emerged:

(1) There has been considerable development in the hemisphere in the past decade. Yet progress has been inadequate and, unless accelerated, threatens to be overwhelmed by rapid population increase.

(2) U.S. assistance, both bilateral and multilateral, has played a catalytic role in the progress already made and is essential to progress in the future. It is in our own national interest to sustain U.S. assistance. To do less would be shortsighted. The financial and technical resources we make available are essential, but they are small compared to the efforts, initiatives and purposes which Latin America itself must marshal if acceptable hemispheric advancement is to occur.

(3) Belief in the willingness of the United States to participate as a reliable partner with the Latin Americans has been eroded by diminishing appropriations and by frustrations in some U.S. quarters over the priority and efficacy of Latin American development efforts. This attitude is the product, in large part, of exaggerated initial expectations of the development pace. Our expectations must be more sober in the future and our credibility as a steadfast partner must be strengthened if the relationship of the United States to the hemisphere is to remain constructive in the years ahead.

(4) The vigor, pace and priorities with which any country addresses its development problems touch upon the most sensitive and vital processes of its national life and purpose. Even though the world is shrinking and international interdependence is great, how and

when a country addresses these great issues of national life are for it alone to decide. Because of our great economic power and our commercial, cultural and technological activism, we must constantly avoid assuming full responsibility for matters which are properly for determination by our hemisphere partners. Where we find there is agreement and mutual interest, we must be ready to support our partners and to assist, where reasonably called upon.

Our reviews suggest that the future of the hemisphere will be a troubled one. Sweeping change is clearly occurring in Latin America. The hemisphere is urbanizing rapidly, population is growing at an alarming rate, traditional social structures are in transition with demands for new opportunities and a better life. Whether or not the United States or any other country wills it, even greater pressure for changes will occur in the decade ahead. These currents of change can be destructive and dangerous, or they can be constructively directed to change the face of the continent through accelerated development.

The question for the United States is whether we shall continue to support the forces for constructive change, or whether we shall leave the hemisphere increasingly on its own to solve its overdeveloped problems with its underdeveloped resources.

The question for Latin America is whether it will continue to meet the challenge of the complex and immense tasks of development. A sustained and energetic commitment on the Latin American side of the partnership should merit a corresponding and reliable commitment on the part of the United States.

(5) The ratio of bilateral to multilateral assistance is one which requires constant assessment. Slightly more than half of the external public assistance to Latin America in 1968 was on a multilateral basis.

We have concluded at this stage in the continuing process of evaluation that the already substantial multilateral effort and the important multilateral mechanisms for cooperation which are already in place must be maintained. Indeed, our reviews suggest that their weight might usefully be increased over time from present levels. Moreover, we have concluded that this multilateral effort must continue to be accompanied by a substantial and vigorous bilateral program.

U.S. policies of the future, whether based on bilateral or multilateral approaches, must be adapted to changing circumstances as Latin American countries take greater initiatives in addressing their development problems. The assistance program proposed for FY 1970 comprises activities and programs which, under present circumstances, require bilateral support from the United States. Should such support not materialize, most if not all of these programs would be substantially delayed or abandoned.

(6) The priorities which shape our bilateral efforts are important. The needs of the hemisphere are immense and diffuse; they cannot all be addressed at once. Experience shows that U.S. efforts can be most useful in agriculture and in education. We can also play a vital role in meeting the great technological and capital investment needs of the hemisphere through promoting increased private investment. For this purpose the foreign assistance legislation submitted this year to the Congress includes provision for the creation of a new public corporation.

Underlying these priorities is the fundamental concept that the goal of development must be seen as encompassing far more than mere economic growth. As accompaniments to economic growth, there must be increasing justice and social equity for the Latin American citizen through widened access to opportunity for rewarding and productive activity. The citizen must be able to participate more fully in the civic and social institutions through which decisions are made. In addition to our concentration in agriculture, education, and private sector expansion, the proposed assistance program will experiment in attempting to find ways in which our national experience with dynamic civic and social participation may be adapted to the Latin American setting, in those cases where new and innovative efforts in these fields are sought and supported by the Latin Americans themselves. A.I.D. experience to date in supporting cooperative movements, credit unions, and improved municipal government organizations, suggest strongly that the United States' experience may be useful.

THE ACHIEVEMENT

Achievements to date show the efficacy of the hemispheric effort and that an impressive development thrust has been set in motion. In many respects, the advances registered in the past few years surpass the cumulative progress of centuries:

--Half the countries have increased central government revenues by more than 60%.

--Five countries have more than doubled gross investment, and four others have had increases of more than half; eight central governments increased their capital outlays by more than 60% and in five of these capital outlays were more than doubled.

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

--Central government expenditure on education increased by more than 60% in 11 countries (since 1961), helping to support a vast increase in school enrollment in Latin America. Enrollment in primary schools has increased by about 55% since 1960, and the percentage of primary school age children enrolled in school has grown from 46.7 in 1960 to 57.5 in 1968. Until 1968, despite increases in the percent of children of school age enrolled in school, the number not in school actually increased to levels above that of 1960 as a consequence of the rapid growth of the primary school age population. By 1968, however, the number not in school had fallen back to about what it had been in 1960. Continued expansion of primary education from now on should increasingly diminish the number not enrolled. At the secondary and higher levels, enrollment has more than doubled since 1960.

--Increases in central government expenditures on agriculture have also been notable in many countries. Eight countries more than doubled their outlays in this sector; of these six more than tripled. Food production increased 35%, although drought losses and population growth have still kept per capita gains at 7%-10% over the period.

With a population increase of about 22% since 1961, Latin America has been hard pressed to make substantial per capita GNP gains. Even so, five countries managed to achieve a per capita GNP increase of 19% or more for the period, which corresponds with the Alliance goal of 2.5% annually. Finally, it should be noted that the most recent data show that Latin America as a whole met the Charter goal of 2.5% increase in per capita GNP in 1968.

Even in the countries where newly awakened development energies are not yet reflected in the statistical indicators of change, there is clear evidence of the new commitment of the Latin Americans to programs of modernization and development. Yet every advance only demonstrates anew how much more needs to be done. The story is the same in most sectors. While there are major improvements, reflected not only in the statistical indices, but more importantly in the institutional and political ability and determination to come to grips with basic problems, far more remains to be done than the resources, skills, institutions, and fragile political structures of the hemisphere can yet manage. What in essence has been accomplished is that ancient inertia is giving way and the momentum of constructive change is accelerating in numerous places.

Initially, U.S. assistance stressed priority projects that showed promise of being within the short-term financial, technical and administrative capacity of the borrowing country (e.g., power and road projects). Apart from their obvious high priority, mounting these "brick and mortar" infrastructure projects at the inception of the Alliance was more clearly within the planning and implementation competence of the Latin American countries and A.I.D. than were more difficult and sophisticated efforts intended to accelerate institutional and policy changes in such fields as educational reform. At the same time, strenuous efforts were made, particularly through technical assistance programs, to assist the Latin countries in strengthening their capacity to manage their economies, to combine effectively needed external investment with domestically marshalled resources, and to devise and implement better planned development programs and policies. When Brazil, Chile, and Colombia demonstrated such capacity, A.I.D. drew heavily upon Marshall Plan techniques and utilized program loans. By supplementing the borrower country's foreign exchange availabilities for essential imports, these loans supported private and public investment levels which otherwise would have been lower because of the inability of the private sector to obtain dollar exchange to purchase the goods and equipment from the United States for critically needed economic activity. Equally essential, these loans supported sound economic policy changes by the borrower countries enabling them to come to grips with inflationary pressures. In each of the program loan countries, inflation not only threatened sensible development programs and policies but also served as an inequitable burden on lower and middle income groups. Typically, these groups are far less able to protect themselves from inflation's income-destroying impact than their wealthier fellow countrymen. The program loan has been a successful instrument for promoting those conditions of economic stability which are indispensible to growth and job creation, more equitable income distribution, and the rational allocation of public and private resources for development. Reliance upon the program loan technique will diminish as the country stabilization programs which these loans support become more firmly implanted, and country priorities and energies shift towards more effectively addressing the questions of agricultural and educational modernization.

As this shift occurs, A.I.D. lending will increasingly focus upon sectoral lending, a recent innovation, reflecting increased A.I.D. and recipient country sophistication in collaborative efforts. These loans provide a mechanism for attacking comprehensively the interrelated policy, financial and physical constraints on change in a given sector such as education or agriculture. For example,

two education sector loans in Chile, totalling $26.3 million, are providing U.S. dollars for school equipment not available in Chile, as well as supporting comprehensive and integrated Chilean efforts to address simultaneously the need for curriculum reforms, better teacher training, increased textbook distribution and physical plant construction, and improved education sector planning, budgeting, and management. While difficult to plan and execute, such integrated and comprehensive sectoral programs promise to yield far more significant results than efforts aimed at only segments of the education system.

Governments and private sector groups vary widely from country to country, and over time, in their willingness and technical, financial, and administrative ability to work meaningfully towards addressing their countries' numerous priority needs. As less developed countries, with long legacies of neglect of their accumulated and profound problems, the Latin American countries were, for the most part, ill-equipped a decade ago to take on adequately the many self-help development undertakings specified at Punta del Este. The most striking achievement of the past decade may well be that, whereas few governments or organized private sector groups were actively concerned with the key issues of development and modernization prior to that time, development and progress are today the essential bywords of national political life throughout the hemisphere. Hard work, coupled with a growing sense of commitment to development, has resulted in the creation in many countries of a vastly strengthened and rapidly improving, administrative, technical, and policy competence to resolve the difficult questions of priorities and the complex tasks of raising productivity, improving and expanding education and health facilities, and eliminating the inequities of maldistribution of land and income.

FY 1970 PROGRAM

The proposed FY 1970 program has been carefully tailored to meet important development needs of the hemisphere, and further, to meet the following basic tests:

- --Are the activities proposed responsive to self-help initiatives established by the Latin American countries themselves?
- --Does the proposed program or project support improvements or changes in institutions or policies in a way that will have a lasting and widespread effect?

Consistent with these criteria, A.I.D. is requesting in FY 1970, $553.5 million in new obligational authority for Alliance Development Loans, and Alliance Technical Assistance, and $1.8 million for Supporting Assistance. Together with anticipated repayments and deobligations this appropriation would finance a total program of $605.5 million. (The $121 million Technical Assistance portion of the request is composed of $100.9 million earmarked for support of the Alliance for Progress; and $20.1 million for inter-regional programs, such as the War on Hunger and research). $281 million or 58% of the total loan program is for program loans and for sector loans in agriculture and education. Also local currency of approximately $83 million will be generated by P.L. 480 Title I sales. These currencies, owned by the borrower countries, will be earmarked to the agrarian sector programs, and coordinated with A.I.D. dollar inputs.

The proposed FY 1970 lending program will be distributed as follows:

	(Dollars in millions)
Agriculture Sector Lending	$ 102
Agriculture Project Lending	$ 19.7
	25.2%
Education Sector Lending	$ 84.0
Education Project Lending	$ 16.3
	20.8%
Program and Production Loans	$ 173.0
	35.8%
Social and Civic Development	$ 48.5
	10.1%
Others	$ 39.2
	8.1%
	$ 482.7

ALLIANCE FOR PROGRESS REGIONAL SUMMARY

The proposed FY 1970 Technical Assistance Program will be distributed as follows:

Sector	Amount ($000)	%
Agriculture	15,234	15.1
Education	23,358	23.1
Population	9,670	9.6
Social & Civic Development	24,729	24.5
Public Finance & Administration	11,162	11.1
Other	16,747	16.6
	100,900	100%

Program	
Country Programs	57,378
Regional Programs	24,606
Support for Multilateral Programs	18,916
	100,900

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Inter-American &
Regional Programs

CONTRIBUTIONS TO INTER-AMERICAN ORGANIZATIONS

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Technical Assistance ...	5.8	9.3	9.0	15.1

Multilateral cooperation for development has expanded markedly since the American presidents, at Punta del Este in 1967, inaugurated the Organization of American States (OAS) Regional Educational, Scientific, and Technological programs. Conceived to encourage regional solutions to Latin American educational and scientific problems, the new programs will require increased contributions by all OAS members. In FY 1970, the United States plans to contribute $9.6 million for these programs compared to $3.7 million in FY 1969, and $3.2 million in FY 1968, the first year they were funded. This increase, together with increased Latin American contributions will permit authorization of additional science and education projects and will complete funding of the initial $25 million programs. Other grants to Inter-American organizations planned for FY 1970 are: $4.5 million for the Special Development Assistance Fund; $0.5 million for the Inter-American Export Promotion Center; and $0.5 million for the Pan American Health Organization Special Malaria Fund.

Proposed U.S. support in FY 1970 to the Inter-American programs is as follows:

The Regional Educational, Scientific and Technological Programs. The Inter-American Cultural Council, meeting at Maracay, Venezuela in February 1968, agreed on a plan of action to give effect to the programs established by the American presidents at their Summit Meeting. In November 1968 the Cultural Council's Executive Committee, elected by OAS member states, approved a $7.6 million budget to begin operations and finance the program through June 30, 1969. Vocational and technical training, application of new educational techniques, experimentation and research are being carried out through fourteen education projects. Highlights of the seventeen science projects are programs providing advanced training to scientists, and applying research techniques and new technologies to such fields as nuclear energy, soil research, metallurgy, pulp and paper and engineering.

The Cultural Council will meet again in June 1969 to review progress to date and make decisions on the FY 1970 program budget. The balance of the U.S. contribution--$9.6 million requested in FY 1970--will complete the 66% U.S. share ($16.5 million) of funding for the $25 million program. This is based on anticipated Latin American payments totaling $8.5 million (34%) by June 30, 1970.

The Special Development Assistance Fund. Established when the Inter-American Committee on the Alliance for Progress (CIAP) was created in 1963, the Fund supports a broad range of technical assistance and training activities. It also finances staff support for the annual CIAP reviews of country economic and social performance. In FY 1970 the Fund will continue support of training centers such as the Inter-American Center of Integral Development of Land and Water Resources, public administration and tax policy assistance to the governments, natural resource surveys, and studies of marketing techniques. A proposed U.S. voluntary contribution of $4.5 million in FY 1970 would match, at the 66/34% ratio, Latin American pledges which are expected to increase to $2.3 million. These pledges will be made at the June meeting of the Inter-American Economic and Social Council (IA-ECOSOC).

The Inter-American Export Promotion Center. As part of a drive to expand and diversify Latin American exports, the Center began operations in FY 1969. It provides specialized services and information needed to identify and promote new exports, facilitates the placing of Latin American products in international markets, and provides technical support to national and subregional export promotion agencies. The goal is to expand and diversify non-traditional exports, thereby helping to accelerate the economic integration and growth of Latin America. The Executive Director will present the second program budget at the June meeting of the Inter-American Economic and Social Council. The proposed U.S. contribution at the 66/34% ratio is $500,000 for the second year of operations.

Pan American Health Organization (PAHO) Special Malaria Fund. PAHO provides technical support in the health fields within the Inter-American system. The United States has been contributing to the Special Malaria Fund, established in 1957 on the initiative of the United States, because of insufficient PAHO and World Health Organization resources. After FY 1970, requirements will be met from an increase in the PAHO regular budget for malaria. The U.S. contribution to this Fund provides advisory services, training, research, mass drug administration and assistance in developing and evaluating programs for maintenance of malaria eradication. The phase-out plan calls for a final U.S. contribution of $500,000 in FY 1970.

INTER-AMERICAN AND REGIONAL PROGRAMS

REGIONAL PROGRAMS

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	-	2.4 a/	11.8 a/	25.0
Technical Assistance ...	9.2	9.8	8.4	24.6
Total A.I.D. Assistance	9.2	12.1	20.3	49.6

a/ Includes grants of $2,044,000 in FY 1968 and $6,808,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The Latin American Regional Program implements Alliance goals by means of projects and programs which require regional administration.

The criteria used to determine when a project should be administered regionally are (1) whether it can be managed on a regional basis more effectively and efficiently than through two or more A.I.D. field missions, e.g., the Regional Technical Aids Center which handles the publication and film needs of many countries, (2) whether it involves innovative approaches which are being tested for future adoption by A.I.D. field missions, e.g. projects now being formulated for social and civic development and (3) whether it concerns research which promises to yield benefits to more than one country, e.g., the Statistical Development Group of the Bureau of Census.

PROBLEMS AND PROGRESS

Regional activities were carried out in four major areas in FY 1969.

(1) Family Planning. As a first step, important strides have been made in enlisting the support of private organizations in Latin America to increase awareness of the adverse effects of unchecked population growth on a country's resources and, consequently, on its over-all development. Nonetheless, sociological, religious, and political factors continue to hamper progress in this area. A.I.D. funds totaling $6.8 million in FY 1969 are being used for such activities as demographic research, information programs, and medical and nursing education. In view of the sensitive nature of family planning activities in Latin America, our assistance must be channelled to the greatest extent possible through multilateral organizations such as the Pan American Health Organization (PAHO).

(2) Education. Inadequate utilization of human resources continues to be a principal deterrent to development. The Latin American Scholarship Program of American Universities (LASPAU) helps strengthen universities and other higher educational institutions in Latin America by making possible undergraduate and graduate education for needy but capable young Latin Americans. Upon completion of training in the United States, these students are guaranteed full-time faculty posts in their sponsoring institutions. LASPAU is a non-profit organization with a membership of 181 U.S. and 101 Latin American universities. To date, 533 Latin Americans have studied in the United States under this project. Costs of the program are divided as follows: participating students 9%, U.S. universities 26% and A.I.D. 65%.

A program conducted by the Overseas Education Fund of the League of Women Voters is aimed at reducing the shortage of leaders in such areas as health, literacy, community development, and nutrition, and the Regional Technical Aids Center (RTAC) is addressing itself to educational publication and film needs. During the past two years, this Center translated and published more than 1.5 million books and pamphlets (valued at $1.7 million) and added 1,760 new film titles to the only circulating film library in Latin America.

(3) Rural Development. A.I.D. is sponsoring integrated studies of the Latin American agricultural market to point the way to solving traditional problems, such as low farm income and high consumer prices. It is expected that the studies will assist local development planning. To date, studies have been undertaken in Puerto Rico, Bolivia, Panama, Colombia, and the Dominican Republic. For the market study in Colombia, the host government is providing $300,000 of its own funds and five full-time professional counterparts.

(4) Private Institutions. In the area of labor, the American Institute for Free Labor Development (AIFLD) conducts programs designed to assist the Latin American labor movement in developing enlightened, effective, and responsible leadership and in mobilizing its forces to enable it to improve the social, political and economic standing of Latin American workers. A.I.D. will provide an estimated $2 million for AIFLD activities in FY 1969.

INTER-AMERICAN AND REGIONAL PROGRAMS

The Regional Program provides funds for AIFLD headquarters in Washington. The Washington office assists AIFLD programs in countries throughout Latin America. It also funds a trade union training program at Front Royal, Virginia, and labor economics programs at Loyola and Georgetown Universities.

Cooperatives and credit unions grew during the year. Their activities remained closely related to A.I.D.'s objective of increasing popular involvement in development, especially through participation in democratic private and public institutions. Through the efforts of Credit Union International and the Cooperative League of the U.S.A.,both A.I.D. contractors, 600 new credit unions and 60 new cooperatives were established during the year ending September 1968. Over the same period, savings of credit unions increased by nearly $9 million.

The Partners of the Alliance project which also promotes popular participation in development has now enrolled 37 U.S. state Partners Committees with a similar number of counterpart committees in 16 Latin American countries.

FY 1970 PROGRAM

A total of $49.6 million is proposed for the Regional Program, of which $24.6 million would be for technical assistance projects. A $20 million loan is proposed to assist in the formation of a regional Andean Development Corporation to spur the economic integration of the Andean countries. Another regional loan of $5 million is proposed for the Coffee Diversification fund to help finance diversification efforts in the coffee producing countries.

The proposed FY 1970 regional Technical Assistance program is $16.2 million larger than the FY 1969 program. $5.8 million of the increase results from a shift in the funding of family planning activities from Alliance loans to Technical Assistance. Because of reduced appropriations for Technical Assistance in FY 1969, Alliance loans were used to fund population programs under the authority of Title X of the Foreign Assistance Act. $7.2 million of the increase is attributable to a new and concentrated empahsis on social and civic development. Only the remaining $3.2 million is for increases in on-going programs.

The proposed FY 1970 program will further Alliance objectives as follows:

(1) Family Planning. Due to the sensitive nature of this program, A.I.D. assistance will continue to be channelled through international agencies. The request of $5.8 million in Technical Assistance will fund expanded activities of the International Planned Parenthood Foundation to assist local family planning organizations, the Latin American Center for the Study of Population and Family for research into the various factors influencing family size and population growth in Latin America, the Center for Latin American Demographic Studies for training and research in demography and the Pan American Health Organizations for augmenting the staff of the Office of Health and Population to permit greater assistance to new and existing family planning programs.

(2) Education. A total of $4.6 million in development grants is requested. Of this, $3.1 million will be for LASPAU and $1.5 million for RTAC. Under the LASPAU program, 210 students will begin their studies in the United States in FY 1970. The program will be expanded to include Brazilian students for the first time. RTAC will continue its program of translating, publishing, and distributing scientific, technical, and professional textbooks. In FY 1970 a study will also be conducted of the publishing distribution network in Latin America to determine measures for improving the dissemination of RTAC publications and reducing U.S. subsidies.

(3) Rural Development. A loan of $5 million is proposed for the Coffee Diversification Fund to alleviate the deep-rooted problem of surplus coffee production in Latin America. The Fund was established by an article in the 1968 International Coffee Agreement (ICA), and the United States has pledged $15 million in loan funds and has offered an additional $15 million to match assistance provided by other ICA-member countries. Both Denmark and Israel have indicated they will contribute to the Fund. The FY 1970 loan would represent the second tranche of the total sum pledged by the United States. Coffee producing countries will contribute to the Fund a minimum of 60¢ per bag of coffee exported. This will yield about $150 million for agricultural diversification projects during the five year life of the Agreement. The World Bank will be involved in operation and administration of the Fund.

A total of $500,000 is proposed to continue work on agricultural marketing studies in FY 1970. These funds will finance the completion of the study of the market process in Cali, Colombia and training programs which will give counterpart organizations the capability of eventually undertaking agricultural marketing studies on their own.

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(4) Private Institutions. The Credit Union International will receive $425,000 to provide advisory services in 12 countries, focusing on agricultural production credit and means to increase credit union lending activities.

A loan of $20 million is proposed to the Andean Development Corporation to encourage economic integration of Venezuela, Colombia, Ecuador, Peru, Chile, and Bolivia. The Corporation will identify and underwrite industrial and commercial ventures involving two or more of these countries to develop the sub-regional industrial base.

A Partners of the Alliance program of $500,000 is planned for FY 1970. This will permit the formation of eight new partnerships between U.S. and Latin American committees and intensification of educational and agricultural programs.

Assistance to the Latin American labor movement will be continued through the programs of AIFLD. Technical Assistance of $2.5 million will be used to fund AIFLD activities in FY 1970, which will include five 10-week courses at AIFLD's Front Royal Institute for 150 participants and one 9-month labor economics program at Georgetown University for 20 students.

Regional programs during FY 1970 will also place new emphasis on identifying solutions to the hard-core problems of poverty and inadequate political and educational systems. A commitment of $7.2 million is planned for social and civic development studies and projects, many of which will be experimental in nature. The resulting analyses will indicate ways to make major existing grant and loan programs more effective.

BRAZIL - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1968)*	88.2
Annual Growth Rate *(percent)*	3.0
Area *(1000 square miles)*	3,286
Population Density per square mile	27
Agricultural Land as % of Total Area	15
Percent of Labor Force in Agriculture	52
Life Expectancy *(years)*	55
People per Doctor	2,290
Literacy Rate *(percent)*	61
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	46

	Calendar Years				
	1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)**	26,110	26,973	28,194	29,743	31,650
Per Capita GNP *(1967 dollars)*	333	334	339	347	359
Investment – *millions of 1967 $*	4,202	3,430	3,881	4,346	5,000
– *percent of GNP* †	16.6	12.7	13.8	14.6	16.0
Domestic Savings – *millions of 1967 $*	4,228	3,638	3,769	3,992	4,400
– *percent of Investment* †	103	114	99	91	88
Agricultural Production Index *(1957-59 = 100)*	109	141	126	135	132
Index per Capita	91	115	100	104	98
Food Production Index (1957-59 =100)	129	149	143	154	153
Index per Capita	108	121	113	118	114
Rice, rough (1,000 MT)	6,345	7,580	5,802	6,792	7,000
Coffee (1,000 MT)	600	2,262	1,200	1,380	990
Manufacturing Prod. Index (1963 = 100)	105	100	112	117	134
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	1,430	1,595	1,741	1,654	1,890
Coffee	(760)	(707)	(764)	(705)	(778)
Total Imports *(c.i.f.)*	-1,263	-1,096	-1,496	-1,667	-2,133
Trade Balance	167	499	245	-13	-243
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	252	505	409	199	257
Commercial Bank Holdings	53	79	103	123	154
COST OF LIVING INDEX *(1963 = 100)*[a]	192	318	449	586	715

CENTRAL GOVERNMENT FINANCES*	– *Million Dollar Equivalents* –		
	1966	1967	1968 Est.
Total Expenditures	4,021	5,212	6,885
(Defense Expenditures)	(678)	(940)	(1,223)
(Capital Outlays)	(1,447)	(2,035)	(2,444)
Total Domestic Revenues	3,538	4,212	6,467
As percent of GNP †	16.1	14.2	16.6
Deficit (–) or Surplus (+)	-483	-1,000	-418

* - Converted at 2.0 new cruzeiros per U.S. $. a - Guanabara.

†Based on data in current prices. ††Gross basis, end of year.

BRAZIL

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	199.0	180.9	30.0	174.0
Technical Assistance ...	15.9	13.0	12.4	13.0
Total A.I.D. Assistance	214.9	193.9	42.4	187.0

U.S. AID OBJECTIVES

Brazil is half of the South American continent. Its size, population, natural resources and large industrial base make it crucial to the orderly development of the hemisphere and to the success of our overall assistance efforts in Latin America. U.S. assistance programs in Brazil have three overriding objectives:

--Social development and reform: particularly in the critical sectors of agriculture and education, to insure more widespread participation in the process of development and in the benefits derived from economic growth;

--Stabilization: bringing inflation under control, which is essential to the rapid growth and sound development of Brazil's economy;

--Increased economic growth: a sine qua non for social justice and more equitable income distribution.

PROBLEMS AND PROGRESS

Brazil's sheer size and potential are matched by the scope of its problems--widespread poverty and illiteracy, rapid population growth and urban migration, inadequate education, major regional disparities, a long-neglected agricultural sector and severe inflation. Important steps have been taken in the past five years in bringing the runaway inflation of the early 1960's under control and in reforming agriculture, health and, more recently, education But additional measures--and a continued flow of external resources-- is needed for Brazil to achieve its potential.

Economic stabilization. Brazil's most pernicious economic problem since the early 1950's has been inflation, and the distortions in income, investment and economic structure which accompany a prolonged spiral of rampant price increase.

The revolutionary government of 1964 made stabilization to stem the price increase its primary economic goal. Simultaneously, that Government undertook a series of reforms--in banking, taxation, foreign exchange and import policies, housing and agriculture--to correct Brazil's major economic distortions.

These programs have been largely successful. Inflation was steadily reduced from the 80-90% level of 1963-64 to 45% in 1965, and 41% in 1966. The government of Costa e Silva, elected in March 1967, continued these programs, and inflation was further reduced to 25% in 1967 and 24% in 1968. A central bank was created and greater control exerted over monetary expansion. The huge budget deficits of the Federal Government were cut back. Brazil's precarious foreign exchange position was improved, and its international debt rescheduled. The growth of private foreign investment in Brazil since 1964 attests to the renewed confidence of the international business community in the success of these programs.

Other reforms included the establishment of a housing bank to facilitate low and middle income housing, an unemployment compensation fund protected against inflation (which the employee may borrow against for educational expenses, housing or in the event of illness), an increasingly effective minimum farm price support program, and a program to encourage diversification away from coffee production.

The stabilization program achieved significant results in 1968:

--The Government introduced a new foreign exchange policy, involving frequent small rate adjustments in place of the practice of devaluing about once a year. This should encourage exports and improve balance of payments prospects, discourage speculation, capital outflows, and the wild fluctuations in exchange availabilities under the previous system, and significantly improve the domestic credit picture.

--The federal budget deficit was held to the $444.4 million target--1.1% of the estimated GNP.

--Although credit expanded more rapidly than anticipated, the expansion was offset somewhat by production increases. Moreover, much of the increase in credit was used by the agricultural sector, thus fulfilling a vital need.

--Within the context of good 1968 price performance, the

stabilization burden was eased for wage earners, hard hit by earlier wage policy decisions, evidence points to a real increase in wages during 1968.

Economic Growth. In 1963, when spiraling inflation began to seriously disrupt economic activity in Brazil, GNP growth dropped sharply from the 6% rate of the late 1950's to 2% (a per capita decrease). The resulting economic dislocations--combined with the strains of the stabilization and reform program of the new government--continued to dampen growth in 1964 and 1965. As the new economic program began to take hold, Brazil's growth performance steadily improved--from 3% in 1964-65 to 4.5% in 1966, 5.5% in 1967 and 6% in 1968 (3% per capita). To promote efficiency, the Costa e Silva Government has attempted to shift resources increasingly into private hands.

A.I.D. Role in Meeting Stabilization and Growth Objectives. U.S. assistance programs, including P.L. 480, have channeled resources valued at over $1.4 billion into Brazil in the past five years. Although this is a small percentage of Brazilian domestic investments during this period, it has been an important contribution to growth. U.S. investments have been made in key areas--initially economic infrastructure, such as dams and highways, and more recently in social infrastructure, such as education and health--where domestic and other available foreign resources were simply inadequate. The programs generated by this assistance have helped focus attention on, and draw other resources to, these crucial areas. For example, A.I.D. highway construction and maintenance programs have helped open new areas to the market economy--enabling farmers to ship food to urban areas more economically and enlarging the market for industrial products in rural areas. More importantly, U.S. assistance has permitted Brazil to gain badly needed capital equipment and technical skills, which its balance of payments position would not otherwise permit.

International Lending to Brazil. Major international lending institutions--IBRD, Inter-American Development Bank (IDB) and International Monetary Fund (IMF)--are deeply involved in Brazil. The World Bank has announced a willingness to commit as much as $1 billion to new projects in Brazil within the next five years if a program can be agreed upon. The IDB is expected to raise its lending activity in Brazil to $150 million per annum over the 1969-70 period.

Additionally, Brazil's position with the IMF is such as to readily permit new standby borrowing should further short-term financing be required. The U.S. Ex-Im Bank lending should continue at about $70 million in 1969 and 1970, while Brazilian repayments of amortization and interest to the Ex-Im Bank are estimated at around $100 million for each of these two years. Lending by other countries--Germany, France, Canada and others--may increase from the $39 to $50 million level of recent years.

Close coordination among lending institutions takes place in both Washington and Rio. The Inter-American Committee of the Alliance for Progress (CIAP), provides an important forum for annual reviews by these agencies and the Alliance countries of Brazil's stabilization and development program. A.I.D. program lending efforts, macro-economic analysis and policy recommendations are closely coordinated with CIAP, the IBRD and IMF. A.I.D.'s consultation with the IBRD and IDB assures that project loans of all agencies are complementary. Thus A.I.D. highway maintenance loans in certain states are closely related to IDB and IBRD highway construction loans. Projects in petro-chemicals and minerals have involved joint participation by such agencies, together with private U.S. and Brazilian investors.

Political Events. On December 13, 1968 President Costa e Silva signed "Institutional Act No. 5," which gave the government broad powers to govern by decree and suspended certain constitutional guarantees. The government subsequently recessed the Congress and seven of Brazil's state legislatures for an indefinite period, imposed restrictions on the press, arrested a number of opposition political leaders, and cancelled the political rights and/or the elective mandates of almost 300 Brazilians.

It is difficult to predict now when the country will be returned to a more normal political condition. However, it is hoped that sufficient progress will be made to enable a significant development assistance program to go forward in FY 1970.

FY 1970 PROGRAM

The proposed FY 1970 A.I.D. program for Brazil totals $187 million--$174 million for development loans and $13 million in technical assistance compared to an estimated $42.4 million for FY 1969. Sector lending will replace program lending as the major assistance instrument in Brazil. The loan program consists of six sector loans--education, agriculture, local government and urban development, capital markets, export promotion and maternal and child health. P.L. 480 Title I sales agreement valued at about $33 million and P.L. 480 Title II foodstuff donation deliveries, valued at $34.4 million against a multi-year agreement are also planned.

BRAZIL

In FY 1970 A.I.D. plans to accelerate the shift of assistance which started in FY 1968 from economic to social and civic development fields. Programs directly benefiting the people generated by the sector loans in education and health will be intensified and expanded to include other areas. The sector loan technique will also be used in developing agricultural loans aimed at the important area of agrarian reform. A major program--built on previous activities--will be undertaken to accelerate the development of local government and popular participation.

The following table illustrates the shift in emphasis from economic to social development assistance in Brazil:

DEVELOPMENT LOANS - PROGRAM EMPHASIS
(In millions of dollars)

Program	FY 1965	FY 1966	FY 1967	FY 1968	FY 1969	FY 1970
Stabilization	150.0	150.0	100.0	75.0	-	-
Power	51.4	22.2	44.1	28.9	-	-
Transportation	15.9	20.4	31.7	-	-	-
Agriculture	-	20.0	14.8	13.4	15.0	50.0
Education	-	-	-	32.0	-	45.0
Health	-	5.1	-	25.7	-	5.0
Industry and Commerce	2.7	-	-	-	15.0	45.0
Local Gov't, Urban Dev'l., & Pub. Admin.	-	-	-	5.8	-	29.0
Natural Resources	-	11.0	8.4	-	-	-
	220.0	228.7	199.0	180.9	30.0	174.0

Sector Loans and Technical Assistance

The shift in emphasis from industry and basic economic infrastructure--roads, power, and dams--to social/economic infrastructure--education, agriculture, health and civic development--is both an indication of Brazil's vastly improved physical infrastructure network and growing industrial bases and our increasing attention to the social and civic aspects of the development process.

This shift also has led to the use of sectoral lending--a technique to achieve policy reforms in selected areas--and the elimination of project loans which were used to build physical infrastructure and program loans which were so essential to the stabilization efforts. The progress being made in stabilization and economic growth has permitted attention to be given to other development areas.

Education

Brazil's educational system is wholly inadequate for the needs of a modern society. Its failure to provide the manpower requirements for development or a wide circle of educated citizenry is one of the critical bottlenecks to rapid economic and social progress in Brazil.

Nearly 40% of the population over ten years of age is illiterate. At the elementary level, the greatest problem is grade repetition and drop-outs. Over 80% of those entering the first grade fail to complete the fourth. Textbooks and teaching supplies are in short supply and almost 40% of the teachers are not fully qualified to teach.

At the secondary level, less than 20% of the eligible age group is enrolled. Although most are engaged in academic courses, less than one-fourth will ever attend a university. Textbooks, materials and equipment are obsolete and no more than one-quarter of the teachers are adequately prepared.

The situation at the university level is equally serious. Only 258,000 students, about 2% of the eligible age group, are enrolled. Admission requirements are unrealistically difficult. Students and faculty operate part-time. Curriculum is rigid, often outmoded and almost totally unrelated to Brazil's manpower needs. Administration is weak.

Fortunately, the government is now well aware of the magnitude of Brazil's education problems and has recently announced plans for a series of institutional reforms designed to modernize the educational system. Legislation has been passed to enroll all children ages 7-14 in elementary schools by 1976. At the secondary level, a pilot program for modernizing curriculum is under way; a scholarship program for workers' children provided over 80,000 scholarships in 1968. Several bills to modernize higher education have

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been sent to the Brazilian Congress. These include the organization of an academic department and credit hour system, higher pay and better qualifications for professors, and an incentive system for relating course offerings to Brazil's manpower needs.

The government is also channeling greater resources into education. Education has been specifically exempted from the substantial 1969 federal budget cuts and this sector's share of the 1969 budget should increase 15-20% in real terms. The government's short-term goal is to increase education's share of GNP from 3.2% in 1968 to 4.5% in 1970.

A.I.D. will place heavy emphasis on education in FY 1970. $45 million, about a quarter of the loan program, will be used for education.

A loan of $18 million will extend a program to re-orient the secondary education system begun with a $32 million sector loan in FY 1968. The FY 1968 loan, to be matched by the Brazilian government, will establish 300 comprehensive high schools and improve curricula and teacher training in four of Brazil's twenty-two states. The FY 1970 loan will cover two additional states and in addition, provide funds for textbooks.

Another proposed education loan of $17 million--which is to be matched by the Brazilian Government--will assist two states in resolving one of the most serious problems at the elementary level--grade repetition and dropouts. Pilot projects stressing curriculum revision, improved grouping and student promotion pratices could lead to revision of national practices. An accompanying federal program will support the expansion and improvement of regional research and training centers. A.I.D. funds for construction would be limited to normal schools, supervisory centers, regional training facilities and expansion of the federal research center network. Textbooks would also be included in this program to support curriculum changes.

A $10 million loan is contemplated for higher education to help establish regional centers of excellance for graduate study and research. The loan will also provide a scholarship program for graduate study and help promote the exchange of ideas between universities. Funds for laboratory, library and other equipment will also be provided.

Twenty-five percent of the technical assistance program will also go to education. In elementary education, emphasis will be placed on teacher training and curriculum development in the Northeast. Special attention will go to educational planning assistance at the secondary level in conjunction with the sector loan in this area. Technical assistance to higher education will stress administrative reform and graduate education.

Agriculture

Brazil's vast agricultural potential has yet to be fully tapped. Less than 4% of the land is cropped and only 15% is in pasture. Furthermore, the agricultural economy is characterized by very low yields in terms of both land and labor. Employing 50% of the population, agriculture accounts for only about 28% of the gross domestic product.

Agricultural investment traditionally has been impeded by inflation, high costs of inputs, and price and export controls intended to assure cheap food for the urban population and cheap industrial raw materials. Increases in agricultural output have come traditionally from bringing new areas of low fertility into cultivation (this accounts for 84% of the 1948-1962 increase in output) rather than increasing the use of fertilizers, at present among the lowest in the world. For the 20 years prior to 1964, agricultural production rose barely more than the rate of population growth. This picture has changed dramatically the past five years. To correct the imbalance between industry and agriculture, the government instituted various measures to stimulate agricultural production:

--Price and export controls on agricultural products were largely eliminated, providing incentive for farmers to plant basic food crops which had been previously uneconomic.

--The minimum support price system was strengthened and extended to most basic crops and areas of the country, providing farmers with some assurance of adequate return for their labor.

--A massive rural credit program was mounted--using public and private institutions--and aimed at medium and small farmers. The number of agricultural loans almost tripled between 1966 and 1968, increasing in value from $433 million to $1.1 billion.

--The use of fertilizer and other capital inputs has increased markedly. As a result, agricultural production (excluding coffee--the government has attempted to diversify away from coffee and into alternative crops) has increased substan-

tially and the increase in retail food prices has been less than the increase in the general price index and general wage rates. Agricultural exports have increased sharply and this sector of the economy has provided a significantly expanded market for Brazilian industry and commerce.

Relatively little progress has been made so far in the area of land redistribution. Laws have been enacted but implementation is hampered by the inertia of a bureaucracy beset by the enormity of this task, by vested interests, and by insufficient popular political support for an effective program. Nevertheless, the reorganization of the Agrarian Reform Institute points to increased attention to this area.

A.I.D. has vigorously supported the Government's program of agricultural modernization. Loans for fertilizer imports, local fertilizer production, and for the construction and maintenance of farm-to-market roads. Technical assistance is being provided in agricultural planning, extension, research, marketing and education. A $13.4 million agriculture research loan is now being negotiated. In addition, $129 million in local currencies generated by P.L. 480 and program loans has also been used for agriculture.

$35 million for agricultural sector loans is proposed for FY 1970. The first priority is an agrarian reform loan to continue work to make the production of sugar in the Northeast more efficient. Loan funds will be provided to assist in farm settlement, providing rural credit, vocational and agricultural training and the construction of necessary rural infrastructure. A second loan will be used to expand fertilizer use, particularly in the Northeast. Loan funds finance imports of fertilizer and related items such as pesticides and farm machinery. The counterpart would be allocated to intermediate credit institutions to stimulate fertilizer utilization. The Brazilian government would be required to establish a multi-year plan to project fertilizer needs and provide incentives such as price subsidies and fiscal policies to encourage the use of soil nutrients.

Grant funded technical assistance will be continued in agricultural planning and research, in agricultural education through university to university associations, and in marketing.

Local Government And Urban Development

A proposed $29 million loan will seek to (1) stimulate greater popular participation in local government processes and (2) confront the serious problems of crowding, unemployment, unsanitary conditions, and the host of social dislocations created by an urban growth rate double that of Brazil's total population.

The migration from rural areas cannot be stemmed, but the improvement of "middle sized" towns might well be the answer to both the rural and urban difficulties. As a first step in this process the administrative structures of smaller cities need to be modernized and made more efficient and responsive to community needs. The proposed loan is designed to do this. Municipal authorities will be trained in modern management concepts and the techniques of participatory democracy introduced. Rehabilitation of some major slum areas together with resettlement of families in other locales would be included within the program.

Other

Three additional sector loans would be included within the FY 1970 program. A $30 million loan for capital market development and industrial development will develop private capital markets. The loan will provide funds to the central bank to permit its participation with underwriters in financing new issues and thereby, providing encouragement to entrants in this new untried field. Another $30 million loan would aim at increasing export incentives through such things as taxation policies and credit availabilities. A $5 million loan is proposed to strengthen maternal and child health facilities through training of para-medical personnel and the provision of needed equipment. Emphasis will be placed on the Northeast where facilities are the poorest and health problems most serious.

Technical Assistance will be continued in FY 1970, although at a reduced level, in such fields as public safety, labor development, and public administration.

Brazil

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS												REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD								TOTAL 1946-1968		
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	2.6	50.9	84.5	86.3	178.6	230.7	242.3	213.7	187.7	1,223.8	1,277.5	15.9	1,261.6
Loans	-	-	0.2	74.5	62.9	165.4	218.4	229.1	199.0	176.3	1,125.6	1,125.9	15.9	1,110.0
Grants	-	2.6	50.7	10.0	23.4	13.2	12.4	13.2	14.7	11.3	98.2	151.6	-	151.6
FOOD FOR FREEDOM - TOTAL	-	-	241.5	74.2	48.6	160.4	25.0	79.4	21.6	87.5	496.7	738.1	12.1	726.0
Title I - Total	-	-	220.0	44.0	32.6	115.9	-	29.1	-	66.8	288.4	508.4	12.1	496.3
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	29.1	-	66.8	95.9	95.9	1.7	94.2
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	220.0	44.0	32.6	115.9	-	-	-	-	192.5	412.5	10.4	402.1
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(262.8)	(55.0)	(40.7)	(144.9)	(-)	(-)	(-)	(-)	(240.6)	(503.4)	(-)	(503.4)
Planned for Country Use	-	-	220.0	44.0	32.6	115.9	-	-	-	-	192.5	412.5	10.4	402.1
Economic Development Loans	-	-	157.5	32.6	24.1	86.9	-	-	-	-	143.6	301.1	10.4	290.7
Economic Development Grants	-	-	62.5	11.5	8.5	29.0	-	-	-	-	49.0	111.4	-	111.4
Common Defense Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cooley Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total	-	-	21.5	30.2	16.0	44.5	25.0	50.3	21.6	20.7	208.3	229.7	-	229.7
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	23.4	0.4	18.6	6.7	33.8	9.3	9.7	101.9	101.9	-	101.9
VOLUNTARY RELIEF AGENCIES	-	-	21.5	6.8	15.6	25.9	18.3	16.5	12.3	11.0	106.4	127.8	-	127.8
EXPORT-IMPORT BANK LONG-TERM LOANS	54.0	106.7	996.9 b/	-	-	- b/	6.0 b/	17.1	31.3	50.8	105.2	1,262.7 b/	1,001.5	261.2
OTHER U.S. ECONOMIC PROGRAMS	19.9	2.8	22.5	47.9	7.4	6.5	11.3	6.2	3.5	3.9	86.7	132.0	53.5	78.5
PEACE CORPS	-	-	-	0.9	1.6	4.0	4.6	6.2	3.5	3.9	24.7	24.7	-	24.7
SOCIAL PROGRESS TRUST FUND	-	-	-	47.0	5.8	2.5	6.7	-	-	-	62.1	62.1	7.5	54.6
OTHER a/	19.9	2.8	22.5	-	-	-	-	-	-	-	-	45.2	46.0	-0.8
TOTAL ECONOMIC	73.9	112.1	1,312.0	206.6	142.3	345.5	273.0	345.0	270.1	329.9	1,912.4	3,410.3	1,083.0	2,327.3
Loans	70.3	106.7	1,177.3	154.1	92.8	254.8	231.1	275.3	230.3	293.9	1,332.3	2,886.5	1,083.0	1,803.5
Grants	3.6	5.4	134.7	52.6	49.5	90.7	42.0	69.7	39.8	35.9	380.2	523.8	-	523.8
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) c/	-	-	121.3	19.3	10.0	9.1	14.3	22.6	16.8	26.8	118.9	293.2	13.1	280.1
Credit Assistance	-	-	-	-	-	-	2.9	13.1	3.4	14.2	33.6	72.7	13.1	59.6
Grants	-	-	121.3	19.3	10.0	9.1	11.4	9.5	13.4	12.6	85.3	220.5	-	220.5
(Additional Grants from Excess Stocks)	(-)	(-)	(67.8)	(0.8)	(3.1)	(0.2)	(1.7)	(2.0)	(3.0)	(4.0)	(14.8)	(82.7)	(-)	(82.7)
OTHER MILITARY ASSISTANCE GRANTS	-	-	26.8	22.8	-	7.5	-	-	-	-	30.3	57.1	-	57.1
TOTAL MILITARY	-	-	148.1	42.1	10.0	16.6	14.3	22.6	16.8	26.8	149.2	350.3	13.1	337.2
TOTAL ECONOMIC AND MILITARY	73.9	112.1	1,460.1	248.7	152.3	362.1	287.3	367.6	286.9	356.7	2,061.6	3,760.6	1,096.1	2,664.5
Loans	70.3	106.7	1,177.3	154.1	92.8	254.8	234.0	288.4	233.7	308.1	1,565.9	2,959.2	1,096.1	1,863.1
Grants	3.6	5.4	282.8	94.7	59.5	107.3	53.4	79.2	53.2	48.5	495.8	801.4	-	801.4

a/ Includes $22.5 million Surplus Property Credits and $16.4 million Defense Mobilization Development. b/ Excludes refunding of $304.7 million in FY 1961; $85.9 million in FY 1964; and $6.6 million in FY 1965. c/ Annual data represent deliveries; total through 1968 is the cumulative program.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	242.0	152.7	1,093.6
IBR-World Bank	100.6	62.0	558.1
Int'l Finance Corporation	10.7	-	31.7
Inter-American Development Bank	125.7	86.9	467.9
UNDP-Special Fund	3.7	2.6	17.6
UNDP-TA (CY)	0.9	0.7	9.6
Other UN (CY)	0.4	0.5	8.7

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	49.5	21.6	365.8
Germany	8.9	13.8	142.3
Italy	18.4	5.6	82.6
Japan	15.5	0.3	62.5
Other	6.6	1.9	78.3

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative Thru 1968	312

CHILE - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1968)*	9.2
Annual Growth Rate *(percent)*	2.3
Area *(1000 square miles)*	292
Population Density per square mile	31
Agricultural Land as % of Total Area	17
Percent of Labor Force in Agriculture	28
Life Expectancy *(years)*	59
People per Doctor	1,570
Literacy Rate *(percent)*	84
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	63

	Calendar Years				
	1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)**	4,816	5,038	5,343	5,426	5,600
Per Capita GNP *(1967 dollars)*	574	587	609	605	610
Investment – *millions of 1967 $*	797	896	948	912	1,040
– *percent of GNP* †	17.8	18.5	18.4	16.8	18.6
Domestic Savings – *millions of 1967 $*	652	847	875	749	840
– *percent of Investment* †	83	92	90	83	81
Agricultural Production Index *(1957-59 = 100)*	111	112	113	115	120
Index per Capita	97	95	94	94	96
Wheat (1,000 MT)	1,319	1,276	1,167	1,203	1,254
Manufacturing Prod. Index (1963 = 100)	105	110	118	117	117
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	624	685	877	910	900
Copper (ores, concentrates and bars)	(399)	(481)	(641)	(712)	(680)
Total Imports *(c.i.f.)*	-607	-604	-755	-868	-920
Trade Balance	17	81	122	42	-20
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	89	138	172	126	208
Commercial Bank Holdings	23	23	47	52	53
COST OF LIVING INDEX *(1963 = 100)*[a]	146	188	231	273	346

CENTRAL GOVERNMENT FINANCES*	– Million Dollar Equivalents –		
	1966	1967	1968 Est.
Total Expenditures	1,145	1,381	1,908
(Defense Expenditures)	(98)	(115)	(157)
(Capital Outlays)	(363(	(440)	(596)
Total Domestic Revenues	1,040	1,315	1,848
As percent of GNP †	24.8	24.2	26.8
Deficit (–) or Surplus (+)	-105	-66	-60

* - Converted at 5.79 escudos per U.S. $.

a - Santiago.

†Based on data in current prices.

††Gross basis, end of year.

CHILE

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.	12.5	55.3*	65.9*	75.0
Technical Assistance . . .	3.0	2.6	2.5	2.6
Total A.I.D. Assistance	15.5	57.9	68.3	77.6

* Includes grants of $968,000 in FY 1968 and $355,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The United States continues to support the broad program of economic development and social reform undertaken by the Administration of President Frei. As in the past four years, the A.I.D. program focuses on: (1) controlling inflation while increasing the rate of economic growth; (2) encouraging higher levels of domestic savings; (3) promoting agrarian reform and more rapid agricultural development; (4) expanding and diversifying Chilean exports; (5) completing the highly successful five-year education program; and (6) encouraging redistribution of income.

PROBLEMS AND PROGRESS

The next Chilean Presidential elections will be held in September 1970. President Frei cannot succeed himself. The Congressional elections held in March 1969, indicated that the party he heads, the moderate Christian Democratic Party, will encounter great difficulty in its bid for another six years in office. Despite the uncertain political outlook, the Frei Administration continues to implement the policies of economic and social reform developed over the past four and a half years.

Drought. For the past two years, Chile has experienced a searing drought, the most serious in its history. Chilean industry and agriculture are just beginning to feel the consequences of the drought. In the industrial area, the principal impact has been on Chile's hydroelectric power generating system. It has been necessary to establish emergency thermal power facilities, ration power consumption in homes, and to some extent in industry, and increase coal imports to permit expanded operation of existing thermal capacity.

In agriculture the full impact is not yet clear. The decline in production of some crops has been drastic; 1969 corn production, for example, is estimated to be 40% to 60% below that of 1968. The effect on livestock has been particularly severe. Heavy forced slaughterings will have a serious impact on food supply in future years. Because of increased requirements for P.L. 480 foodstuffs, sales agreements of $32.3 million were negotiated in FY 1969.

Economic Growth Rate. The Chilean economy grew at an average rate in excess of 5% from 1961 to 1966, considerably exceeding the average rate of 3.7% of the preceding 10 years. In 1967 the rate fell sharply to less than 2% and in 1968 it is estimated to have reached 3.2%. The outlook for 1969 and 1970 will depend greatly upon the duration of the drought. With normal rains, the rate of growth should increase to 5% or 6% by 1970.

Stabilization. A cornerstone of the Frei Administration's economic policy has been the struggle against Chile's chronic inflation, and stabilization has been a prime objective of A.I.D. program lending. The Government was successful in progressively reducing the rate of increase in the cost of living from 39% in 1964 to 26% in 1965 to 17% in 1966. However, in 1967 and 1968 prices again increased, with the cost of living increase reaching 27.9% in 1968. The prospects for 1969 and 1970 are for holding the rate of increase to about the 1968 level. A basic difficulty in containing inflation has been extremely strong political pressure for wage increases which the Government has been unable to turn aside.

Redistribution of Income. Half of the Chilean population received only 14% of the income in 1965. This disparity led the Frei Government to make income redistribution an important policy goal. From 1965 through 1968 the portion of the Chilean national income going to wages and salaries increased by 40% in real terms. This brought substantial improvement in the lot of the lower income groups. Tax reform, improved tax administration (assisted by A.I.D. financed tax experts) and price and wage policy measures were responsible for the change. In addition, Chile enacted legislation permitting farm workers unions to organize for the first time, and establishing a minimum wage for agricultural workers (with significant benefits as a consequence for low income rural workers).

Copper. Chile is the world's third largest producer and the largest exporter of copper. Copper provides two-thirds to three-fourths of Chile's foreign exchange earnings and about 15% of the Government's budget revenues. The dominant role of copper in the economy can be regarded as a threat, since dependence on this one commodity puts Chilean finances at the mercy of world price swings. But it is also an opportunity, for Chile's vast copper ore reserves can produce substantial foreign earnings.

Control of this major national asset by foreign companies was and is a rallying point for nationalistic political elements. As an alternative to demands for full nationalization, the Frei Government and the copper companies reached agreement which redefined the structure of copper taxes, provided for Chilean Government participation with the companies in the ownership of the mines and processing facilities, and called for a massive investment program to double the output of Chilean copper by about 1970 or 1971.

The United States helped finance this "Chileanization" program with about $225 million in Export-Import Bank loans and about $440 million in A.I.D. guaranties for private investment. This investment program is on schedule, and the first substantial results in terms of increased output should be discernable in 1970.

FY 1970 PROGRAM

For FY 1970, A.I.D. proposes a $77.6 million assistance package--$40 million for program loans, $15 million for an agricultural sector loan, $20 million for an education sector loan, and $2.6 million for Technical Assistance. P.L. 480 Title I sales are estimated at $30 million.

The Export-Import Bank, IBRD, and the Inter-American Development Bank (IDB) authorized new loans of $69 million in CY 1968. Loans from these agencies in CY 1969 are expected to total $125-$150 million. In addition, Chile has negotiated an International Monetary Fund (IMF) standby credit of $40 million for CY 1969. Chile also receives a substantial volume of credits from European and Japanese sources.

Stabilization

A proposed program loan of $40 million will continue support of the stabilization efforts of the Chilean Government. As in 1969, A.I.D. resources will be made available in the context of a standby agreement with the IMF, and major policy commitments made by the Chilean Government-- including a limitation on the growth of government expenditures to the approximate increase in the GNP, an agreement not to resort to Central Bank borrowing to finance the government budget, continuation of the flexible exchange rate policy, and further liberalization of imports. The counterpart funds generated under this program loan will be used to finance increased public sector investment in key areas of the economy, especially in agriculture and education.

Given the importance of copper revenues in Chile's balance of payments and budget financing, the specific amount and exact timing of FY 1970 program assistance will, as in past years, depend to a considerable extent on world copper prices. During 1967 and 1968, copper prices were extremely high, reducing the requirement for program loan resources. Since these high prices are not expected to continue, the requirement for program loans in FY 1970 is expected (as in FY 1969) to be larger than in FY 1967 or FY 1968.

Agriculture

Before World War II, Chile's fertile lands produced substantial exportable surpluses of agricultural products. Since then, stagnation of agricultural output, combined with a rapidly increasing demand, has turned Chile into a food-importing nation. Concentration of land ownership in a few hands, lack of adequate price incentives for producers, inadequate agricultural credit, and an inequitable agrarian labor system have been the principal causes of this stagnation. Agrarian reform and land redistribution have been key tenets of the Frei Administration. During 1965 and 1966, the Government initiated steps culminating in mid-1967 in the passage of a new Agrarian Reform Act. These measures provided broad new powers and authority for the Agrarian Reform Corporation in its efforts to redistribute the land and resettle working farm families. At the end of 1968, the Agrarian Reform Corporation had 4 million acres of agricultural land under its program. Between 1964 and the end of 1968, 9,000 farm families began the resettlement process; an estimated 100,000 families will be resettled by 1973.

More attractive price incentives and widened credit availability are also needed for increasing agricultural productivity. and promoting social equity. In 1967, A.I.D. provided an agricultural sector loan of $23 million to Chile. This loan, which financed the purchase of large quantities of fertilizer, machinery, seeds, pesticides, and cattle breeding stock, supported a broad Chilean program of agricultural development. In conjunction with the loan, the Chilean Government undertook a series of policy reforms, including improvement in prices farmers receive for their products, and a decrease in the prices they pay for farm inputs. (For example, phosphate fertilizer prices were reduced by 20%.) Substantial amounts of imported agricultural supplies were earmarked for the agrarian reform program.

The proposed agriculture sector loan of $15 million will follow similar loans of $23 million in FY 1968 and $10 million in FY 1969. The FY 1968 loan conditions emphasized raising agricultural output

prices and reducing prices of agricultural inputs, especially fertilizer and farm machinery. Improvement in the organization of agricultural institutions, and maintenance of a specified level of Chilean Government investment in agriculture were also required.

In FY 1969 the loan will continue the emphasis on agricultural prices, and will finance increased agricultural credit and additional fertilizer imports. The proposed conditions for the loan will maintain the emphasis on producer incentives through improved price relationships. As with past loans, much of the imported supplies will be used in the agrarian reform program. The IBRD and the IDB are also planning major lending to support agrarian reform programs and to construct irrigation projects.

Education. While Chile has traditionally had a relatively good school system by Latin American standards, it furnished primarily classical education to higher income and elite groups. A 5-year modernization program was set in motion in 1965 to make the educational system better suited to rapid economic and social modernization. Under this program students are given vocational training beginning with the sixth grade, and are encouraged to continue on to high school, either academic or vocational. Other changes included modernization of the primary and secondary curriculum; retraining and expansion of the teaching staff; substantial construction of primary and secondary schools in rural areas; and increasing availability of textbooks, teaching aides, and laboratory equipment.

Two A.I.D. sector loans, one of $10 million in FY 1967 and one of $16.3 million in FY 1968, together with the continued high level of Chilean budget resources (in 1968 21.3% of the public sector budget) allocated to education, have provided the Ministry of Education with the financial resources to move forward rapidly on this program.

In 1968, 2.1 million children of school age were attending school compared with 1.7 million in 1964. It is estimated that every working day since 1967, one new school has been completed in Chile, utilizing not only sector loan resources but also resources made available to the Government investment budget under the program loans. For 1968-1971, 300 schools per year are scheduled for construction.

In FY 1970 a $20 million education sector loan is proposed to continue assistance to Chile's 5-year education plan. It will provide additional resources to the Ministry of Education to continue its accelerated program of structural reform, teacher training, curriculum development, school construction, and improvement of books and teaching materials.

Technical Assistance

Technical Assistance grants projects will continue in labor, small industry development, health, population, public safety and water resources planning.

Chile

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.1	75.1	142.4 a/	40.4	78.5	99.0	85.6	12.0	53.9	511.8	588.0	22.0	566.0
Loans	-	-	29.8	140.0 a/	35.0	75.6	96.6	82.8	9.2	51.0	490.2	520.1	22.0	498.1
Grants	-	1.1	45.3	2.4	5.4	2.9	2.5	2.7	2.8	2.9	21.6	68.0	-	68.0
FOOD FOR FREEDOM - TOTAL	-	-	94.2	6.6	22.0	26.9	15.2	14.5	8.0	36.9	130.1	224.3	22.2	202.1
Title I - Total	-	-	51.8	-	16.5	17.3	-	9.6	-	29.0	72.4	124.2	22.2	102.1
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	16.5	17.3	-	-	-	29.0	62.8	62.8	7.3	55.5
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	51.8	-	-	-	-	9.6	-	-	9.6	61.4	14.9	46.5
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(67.9)	(-)	(-)	(-)	(-)	(17.2)	(-)	(-)	(17.2)	(85.2)	(-)	(85.2)
Planned for Country Use	-	-	51.8	-	-	-	-	9.6	-	-	9.6	61.4	14.9	46.5
Economic Development Loans	-	-	51.1	-	-	-	-	8.6	-	-	8.6	59.8	14.6	45.2
Economic Development Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Defense Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cooley Loans	-	-	0.7	-	-	-	-	1.0	-	-	1.0	1.7	0.3	1.4
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total	-	-	42.4	6.6	5.5	9.6	15.2	4.9	8.0	7.9	57.7	100.1	-	100.1
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	-	-	-	4.8	0.2	4.2	-	9.2	9.2	-	9.2
VOLUNTARY RELIEF AGENCIES	-	-	42.4	6.6	5.5	9.6	10.4	4.7	3.8	7.9	48.5	90.9	-	90.9
EXPORT-IMPORT BANK LONG-TERM LOANS	41.9	62.2	169.1	0.8	15.5	15.3	8.2 b/	0.1	262.2	14.5	316.6	589.6 b/	256.1	333.5
OTHER U.S. ECONOMIC PROGRAMS	4.0	1.1	0.1	19.7	5.8	6.0	8.5	4.2	2.4	2.0	48.6	53.7	3.8	49.9
PEACE CORPS	-	-	0.1	1.0	0.9	1.5	2.7	2.7	2.4	2.0	13.2	13.2	-	13.2
SOCIAL PROGRESS TRUST FUND	-	-	-	18.7	4.9	4.5	5.8	1.5	-	-	35.4	35.4	3.8	31.6
OTHER	4.0	1.1	-	-	-	-	-	-	-	-	-	5.1	-	5.1
TOTAL ECONOMIC	45.9	64.4	338.5	169.5	83.7	126.7	130.9	104.4	284.6	107.3	1,007.1	1,455.6	304.1	1,151.5
Loans	41.9	62.2	250.7	159.5	71.9	112.7	110.6	94.0	271.4	94.5	914.6	1,269.4	304.1	965.3
Grants	4.0	2.2	87.8	10.0	11.8	14.0	20.4	10.3	13.2	12.8	92.5	186.4	-	186.4
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) c/	-	-	36.1	7.9	8.0	7.9	7.1	8.6	5.4	7.6	52.5	102.4	1.5	100.9
Credit Assistance	-	-	-	-	-	0.1	0.8	0.2	0.7	0.1	1.9	9.2	1.5	7.7
Grants	-	-	36.1	7.9	8.0	7.8	6.3	8.4	4.7	7.5	50.6	93.2	-	93.2
(Additional Grants from Excess Stocks)	(-)	(-)	(16.8)	(1.4)	(1.3)	(2.7)	(0.6)	(0.5)	(0.1)	(0.3)	(6.9)	(23.6)	(-)	(23.6)
OTHER MILITARY ASSISTANCE GRANTS	-	-	5.7	4.4	17.1	1.8	0.9	-	-	-	24.2	29.9	-	29.9
TOTAL MILITARY	-	-	41.8	12.3	25.1	9.7	8.0	8.6	5.4	7.6	76.7	132.3	1.5	130.8
TOTAL ECONOMIC AND MILITARY	45.9	64.4	380.3	181.8	108.8	136.4	138.9	113.0	290.0	114.9	1,083.8	1,587.9	305.6	1,282.3
Loans	41.9	62.2	250.7	159.5	71.9	112.8	111.4	94.2	272.1	94.6	916.5	1,278.6	305.6	973.0
Grants	4.0	2.2	129.6	22.3	36.9	23.6	27.6	18.7	17.9	20.3	167.3	309.5	-	309.5

a/ Includes $100.0 million loan for Reconstruction and Rehabilitation. b/ Excludes refunding of $40.4 million in FY 1965.
c/ Annual data represent deliveries; total through 1968 is the cumulative program.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	93.8	19.4	441.0
IBRD-World Bank	60.0	-	201.8
Int'l Development Association	-	-	19.0
Int'l Finance Corporation	-	-	10.3
Inter-American Development Bank	31.0	16.5	176.4
UNDP-Special Fund	2.1	2.3	20.4
UNDP-TA (CY)	0.6	0.6	9.2
Other UN	0.1	*	3.9

* Less than $50,000.

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	47.2	41.1	211.7
Germany	29.5	25.2	120.4
Italy	3.0	7.7	26.6
Canada	0.5	0.2	21.4
United Kingdom	4.6	1.1	16.1
Other	9.5	6.9	27.2

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	55
1968 (Calendar Year)	5
Cumulative Thru 1968	60

COLOMBIA - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1968)*	19.8
Annual Growth Rate *(percent)*	3.2
Area *(1000 square miles)*	440
Population Density per square mile	45
Agricultural Land as % of Total Area	17
Percent of Labor Force in Agriculture	47
Life Expectancy *(years)*	55
People per Doctor	2,330
Literacy Rate *(percent)*	73
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	45

	Calendar Years 1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)**	4,958	5,113	5,379	5,534	5,872
Per Capita GNP *(1967 dollars)*	284	284	289	288	296
Investment – *millions of 1967 $*	1,085	1,021	1,198	944	1,182
– *percent of GNP* †	18.8	18.3	21.0	17.1	20.5
Domestic Savings – *millions of 1967 $*	942	998	908	855	1,032
– *percent of Investment* †	84	97	77	93	95
Agricultural Production Index *(1957-59 = 100)*	111	116	116	122	127
Index per Capita	92	93	90	92	93
Rice, rough (1,000 MT)	600	672	680	685	730
Petroleum (1,000 MT)	8,600	10,120	9,940	9,600	8,830
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	581	577	552	553	600
Coffee	(444)	(373)	(331)	(333)	(380)
Total Imports *(c.i.f.)*	-636	-484	-699	-525	-650
Trade Balance	-55	93	-147	28	-50
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	104	96	77	83	173
Commercial Bank Holdings	34	19	12	9	12
COST OF LIVING INDEX *(1963 = 100)*[a]	118	126	147	159	170

CENTRAL GOVERNMENT FINANCES*	– Million Dollar Equivalents – 1966	1967	1968 Est.
Total Expenditures	517	617	802
(Defense Expenditures)	(85)	(85)	(114)
(Capital Outlays)	(192)	(273)	(363)
Total Domestic Revenues	459	523	621
As percent of GNP †	9.1	9.4	9.8
Deficit (–) or Surplus (+)	-58	-94	-181

* - Converted at 14.06 pesos per U.S. $.

a - National Index.

†Based on data in current prices.

††Gross basis, end of year.

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PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	100.0	73.1[a]	99.0[a]	91.0
Technical Assistance . . .	4.7	4.4	3.5	3.7
Total A.I.D. Assistance	104.7	77.5	102.5	94.7

[a] Includes grants of $116,000 in FY 1968 and $50,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D. assistance to Colombia is geared to support the effective development policies being undertaken by the Government. These policies focus on (a) bringing about fundamental reforms in agriculture, education and public administration; (b) accelerating economic growth and distributing its benefits more equitably; (c) expanding and diversifying exports in order to lessen the economy's vulnerability to fluctuations in world coffee prices; (d) increasing public revenues and investment in needed human and physical infrastructure; and (e) stabilizing prices.

PROBLEMS AND PROGRESS

The administration of President Carlos Lleras Restrepo took office in 1966 and will end its term in August 1970. President Lleras's program during the past two and one-half years has provided for transition from an era of emergency stabilization measures to one of long-term comprehensive efforts directed toward structural and institutional reforms. A.I.D. program and sector loans have reinforced Colombia's self-help efforts in making this transition. A contributing factor to the success of Lleras' efforts was the reduction of the level of bandit/guerrilla activities by the preceding Valencia administration and improvement in the political climate. In mid-December 1968, President Lleras ended the "State of Siege" in effect during most of the past two decades because of security threats and recurring economic emergencies.

Also in December 1968, the Colombian Congress approved economic and social reforms of major importance to the development program. Earlier temporary decrees on taxation, a substantive labor code, and governmental financial support of education and welfare programs became laws. New constitutional reforms provide for increased presidential authority on economic policy matters and an increased local government role in the promotion of economic and social development. Of particular interest was a law concerning "responsible parenthood," directed towards curbing the country's high population growth rate of 3.2% a year.

Using special powers granted by Congress to streamline and modernize government administrative machinery, President Lleras undertook an extensive reorganization of major ministries and dependent agencies. A key reform was the reorganization of the Ministry of Agriculture. The reorganization greatly facilitates the formulation and implementation of nationally coordinated agricultural policies and programs. The former fragmentation of responsibility had hindered an effective agricultural program. For the first time, the government will be able to coordinate carefully programs such as the Land Reform Institute and extension services for the small farmer. Agricultural and investment planners, assisted by A.I.D. advisors, are now assured of effective coordination of the many specialized agencies active in the agrarian sector.

The Education Ministry reorganization upgraded policy and manpower planning functions and provided for more effective coordination with local education authorities.

Economic gains during 1968 reflected the continuation of sound fiscal and monetary policy and increased export development. Gains in 1968 over 1967 include in real terms: minor exports (those other than coffee and petroleum) up 31%, tax revenues up 10%, GNP up an estimated 6% or about 2.8% per capita (contrasted with the average 1% rate of annual per capita growth during 1961-1967), public investment up 19%. While these achievements are impressive, Colombia must sustain them at at least the same levels if it is to meet its pressing need for increasing public investment in education and agriculture and provide expanded employment opportunities. A reduction in these trends, or in proposed A.I.D. inputs, would require a dangerous scaling down of these goals.

FY 1970 PROGRAM

An A.I.D. program of $94.7 million is needed to support Colombian efforts in agriculture, education, and stabilization. The program consists of a $55.0 million program loan, a $15 million agricultural sector loan, a $10 million educational sector loan, $11 million in project loans and a Technical Assistance Program of $3.7 million. A P.L. 480 credit sales program for wheat and tobacco for FY 1970 is also under consideration and would be closely tied to agriculture sector self-help measures.

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COLOMBIA

A.I.D. will continue to coordinate U.S. assistance with the Consultative Group for Colombia (headed by the IBRD) which mobilized development loans totaling $274.4 million during 1968, in addition to A.I.D. loans of $73 million. The Group met in late January 1969 to hear Colombia's presentation of project proposals for CY 1969 totaling $329.1 million and $706.2 million for 1970-1973.

Agriculture

Agriculture, the lifeline of the Colombian economy, continues to lag behind other sectors. Agriculture accounts for 75% of foreign exchange earnings and 30% of gross domestic product. Half of the Colombian people live in rural areas, and half of these in extreme poverty. For these people, education and health facilities are at best rudimentary, and for many, non-existent.

Colombia and international donors give high priority to improving opportunity and living conditions for the rural poor and increasing agricultural production for export and domestic consumption.

Agriculture investment in 1968 was up 19% in real terms over 1967. Land distribution has been accelerated; access to supervised agricultural credit broadened; and livestock bank lending to increase herds and meat exports expanded. These activities have received A.I.D. loans totaling $38.5 million since 1962 as well as continuing large counterpart allocations and technical assistance. During 1968 and 1969, the Agrarian Reform Institute (INCORA) will issue 60,000 land titles to tenants and sharecroppers, doubling the number issued since INCORA was organized in 1961. Further progress is expected to result from a study of agricultural sector development requirements which will provide the base for an overall agricultural sector plan.

The FY 1969 and FY 1970 programs call for sector loans of $15 million each year, with $1.1 million in each case reserved to fund technical assistance. A $4 million project loan for slaughterhouse construction is also planned for FY 1969.

The loans will seek to encourge further improvement in agricultural planning and policy-formulation by the Agriculture Ministry, to assure continued increases in productivity-inducing investments and to expand agricultural exports other than coffee. Technical Assistance grants will fund USDA advisors for the Agricultural Ministry Planning Office, scholarships for agricultural education and contract advisors to help establish two centers for training INCORA personnel in land and rural community development.

Education

Colombia's national education plan, supported by A.I.D.-IBRD-UNESCO-financed studies, provides the basis for reform and expansion of the country's educational system.

Major constraints on reform are limited financial resources and the shortage of qualified personnel for teaching, administration and planning. Dropout rates are high--75% through the fifth grade and 85% through the eleventh (last) grade). More than one quarter of the population 10 years of age or older was listed as illiterate in the 1964 census. As a result of recent studies of the primary and secondary education levels, the government plans to increase financial support and improve administration of primary and secondary education at the local government level.

Comprehensive high schools will also be started throughout the country. An IBRD construction loan of $7.6 million in July 1968 will finance the first ten of nineteen schools planned. A.I.D., UNESCO, and the Peace Corps have provided technical assistance to support the program since 1967. A.I.D. has financed training for secondary school administrators at the University of New Mexico. It has also assisted the Education Ministry Planning Office, which will later receive short-term specialists in such areas as planning, curriculum, textbooks, teacher training and statistics.

The FY 1969 and FY 1970 programs call for sector loans of $10 million each year. Up to $1.2 million may be used for special education commodities and technical assistance. The loans will seek to strengthen Colombian capabilities for policy-making, planning, and management, as well as provide financial resources for investment. In addition, A.I.D. assistance encourages a broad range of qualitative improvements in educational programs. Technical assistance in FY 1969 emphasizes pre-service and in-service teacher training programs at five selected faculties of education and advice to Departmental Secretaries of Education. In FY 1970, emphasis will be shifted to administration of the comprehensive high schools.

Economic Stabilization

Assistance Needs and Goals. Colombia must mobilize greater public and private resources to expand production and provide employment and education opportunities. Colombia's balance of payments gap is a critical limitation on sustained growth and development.

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The country must increase exports, since limited foreign exchange earnings have been a major constraint on growth. A.I.D. program lending will help meet this need and support Colombia's efforts to maintain price stability.

Performance and Self-Help. Colombia restrained inflation with sound fiscal and monetary policies. In 1967 and 1968 the cost of living was held to 7% and 6.7% increases, respectively, in contrast to almost double that two years earlier.

Minor exports rose 20% in 1967 and 31% in 1968. Government incentives to exporters include a tax credit, customs duty rebates, a flexible exchange rate policy (since March 1967) and an Export Development Fund to assist exporters. To encourage foreign investment, the Government raised the standard profits remittance rate from 10% to 14% and will consider requests for higher rates.

In 1968 the Government of Colombia funded a tax reform commission, headed by Professor Richard Musgrave of Harvard, to formulate recommendations for a major reform of the tax system. The Government plans to present tax reform proposals to Congress in 1969 based on the Commission's studies.

Similar to a FY 1969 program loan of $60 million, a program loan of $55.0 million is proposed in FY 1970. (Imports are limited to U.S. products appearing on agreed lists of general and capital imports.)

The FY 1970 program loan is part of a package including an agricultural sector loan of $15 million and an educational sector loan of $10 million. The counterpart pesos generated by the last two loans will be allocated exclusively to those sectors to support programs in agricultural credit and school construction.

Counterpart funds generated from sale of commodities financed by the program loan will be allocated so as to reinforce sound development policies and programs. In 1967-1968, 72% of total counterpart was invested in agriculture, education, and health. These funds will also reinforce A.I.D. assistance to urban development, which has shifted emphasis from housing construction to improvement of services in slum areas. Private Construction efforts supported by the housing guaranty program, which now totals $33 million, will continue.

Colombia

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	0.7	39.7	37.9	93.4	74.2	3.6	75.4	104.3	76.2	456.0	505.5	20.8	484.7
Loans	-	-	25.0	30.0	87.2	71.0	-*	70.5	100.0	72.2	430.9	455.8	20.8	435.0
Grants	-	0.7	14.7	7.9	6.2	3.2	3.7	4.9	4.3	4.0	34.2	49.7	-	49.7
FOOD FOR FREEDOM - TOTAL	-	-	65.8	15.4	16.6	13.2	9.2	12.2	11.9	22.5	101.0	166.4	12.2	154.2
Title I - Total	-	-	39.6	6.3	5.1	-	2.4	5.0	5.5	13.0	37.3	76.7	12.2	64.5
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	5.1	-	-	5.0	5.5	13.0	28.6	28.6	1.1	27.5
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	39.6	6.3	-	-	2.4	-	-	-	8.7	48.1	11.1	37.0
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(54.2)	(8.3)	(-)	(-)	(3.6)	(-)	(-)	(-)	(11.9)	(66.2)	(-)	(66.2)
Planned for Country Use	-	-	39.6	6.3	-	-	2.4	-	-	-	8.7	48.1	11.1	37.0
Economic Development Loans	-	-	32.1	4.2	-	-	1.5	-	-	-	5.7	37.6	5.4	32.2
Economic Development Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Defense Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cooley Loans	-	-	7.5	2.1	-	-	0.9	-	-	-	3.0	10.5	5.7	4.8
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total	-	-	26.2	9.1	11.5	13.2	6.8	7.2	6.4	9.5	63.7	89.7	-	89.7
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	-	-	0.2	-	2.3	1.2	0.9	4.6	4.6	-	4.6
VOLUNTARY RELIEF AGENCIES	-	-	26.2	9.1	11.5	13.0	6.8	4.9	5.2	8.6	59.1	85.1	-	85.1
EXPORT-IMPORT BANK LONG-TERM LOANS	13.0	10.4	144.3	-	3.4	23.2	5.2	3.4	20.4	5.9	61.5	229.1	219.8	9.3
OTHER U.S. ECONOMIC PROGRAMS	1.8	0.8	0.2	24.1	12.2	13.4	14.0	5.2	3.6	3.0	75.5	78.3	6.6	71.7
PEACE CORPS	-	-	0.2	1.3	3.7	5.3	3.5	5.2	3.6	3.0	25.6	25.8	-	25.8
SOCIAL PROGRESS TRUST FUND	-	-	-	22.8	8.5	8.1	10.5	-	-	-	49.9	49.9	5.8	44.1
OTHER	1.8	0.8	-	-	-	-	-	-	-	-	-	2.6	0.8	1.8
TOTAL ECONOMIC	14.8	11.9	250.0	77.4	125.6	124.0	32.0	96.2	140.2	107.6	703.0	979.3	259.4	719.9
Loans	13.8	10.4	208.9	59.1	104.2	102.3	18.1	78.9	125.9	91.1	579.6	812.3	259.4	552.9
Grants	1.0	1.5	41.1	18.3	21.4	21.7	14.0	17.3	14.3	16.5	123.5	167.0	-	167.0
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	-	*	25.3	5.8	8.3	6.2	5.7	8.3	7.9	12.2	54.4	88.1	-	88.1
Credit Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	*	25.3	5.8	8.3	6.2	5.7	8.3	7.9	12.2	54.4	88.1	-	88.1
(Additional Grants from Excess Stocks)	(-)	(-)	(8.7)	(0.5)	(1.1)	(0.6)	(0.7)	(0.8)	(1.0)	(1.0)	(5.7)	(14.6)	(-)	(14.6)
OTHER MILITARY ASSISTANCE GRANTS	-	-	13.8	0.2	0.1	0.4	-	-	-	-	0.7	14.5	-	14.5
TOTAL MILITARY	-	*	39.1	6.0	8.4	6.6	5.7	8.3	7.9	12.2	55.1	102.6	-	102.6
TOTAL ECONOMIC AND MILITARY	14.8	11.9	289.1	83.4	134.0	130.6	37.7	104.5	148.1	119.8	758.1	1,081.9	259.4	822.5
Loans	13.8	10.4	208.9	59.1	104.2	102.3	18.1	78.9	125.9	91.1	579.6	812.3	259.4	552.9
Grants	1.0	1.5	80.2	24.3	29.8	28.3	19.7	25.6	22.2	28.7	178.6	269.6	-	269.6

* Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	56.3	85.9	720.2
IBRD-World Bank	25.0	44.5	500.0
Int'l Development Association	-	-	19.5
Int'l Finance Corporation	1.0	0.2	14.8
Inter-American Development Bank	25.2	38.1	154.3
UNDP-Special Fund	3.9	1.7	17.8
UNDP-TA (CY)	0.6	0.5	6.8
Other UN (CY)	0.6	0.9	7.0

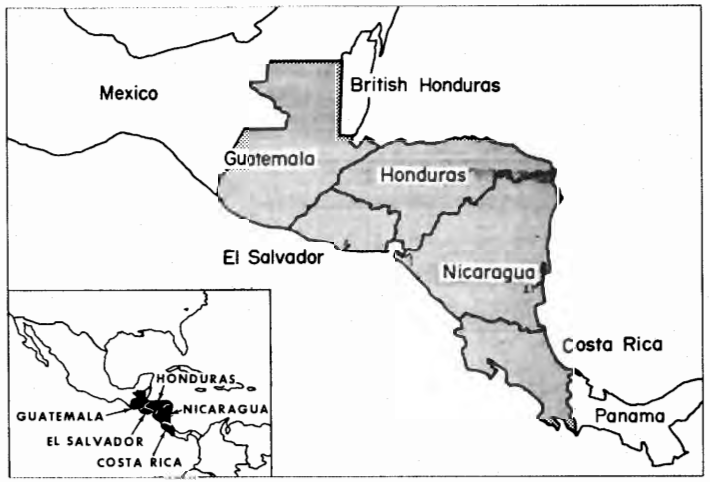
D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	3.1	5.0	14.2
Germany	1.6	3.0	7.2
Netherlands	0.9	1.1	3.6
Italy	0.1	*	1.9
Other	0.4	1.0	1.6

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	2
Cumulative Thru 1968	2

CENTRAL AMERICAN ECONOMIC COMMUNITY-BASIC DATA



	1964	1965	1966	1967	1968E
Population (mill.-mid-year)	12.5	12.9	13.4	13.8	14.3
Gross Natl. Prod. ($ mill.)[a]	3,576	3,822	4,009	4,187	4,402
Per Capita GNP (dollars)[a]	286	296	300	303	308
Production:					
Agri. Index (1957/59=100)	142	143	143	152	153
Cement (1,000 MT)	440	590	650	670	n.a.
Trade: ($ millions)					
Exports	672	759	837	852	950
Intra-Community	(105)	(133)	(172)	(206)	(n.a.)
Imports	-770	-890	-936	-1028	-1045
Trade Balance	-98	-131	-99	-176	-95

	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
BASIC DATA					
Population (millions-mid 1968).....	1.7	3.2	5.1	2.5	1.8
Annual Growth Rate (percent)	3.5	3.6	3.2	3.4	3.5
Area (1,000 sq. mile)	20	8	42	43	50
Agricul. Land (% total area)	30	59	19	38	14
Per Capita GNP (1968, dollars)[a]	436	286	293	240	367
Life Expectancy (years)	63	58	49	46	54
Literacy Rate (percent)	84	48	38	45	50
People Per Doctor	2,000	4,430	3,810	5,400	2,560
Percent of Labor Force in Agri.	49	60	65	67	60
INTERNATIONAL TRADE ($ millions)					
1967					
Exports (f.o.b.)	144	207	199	156	146
Imports (c.i.f.)	-191	-224	-247	-164	-202
Trade Balance	-47	-17	-48	-8	-56
1968E					
Exports (f.o.b.)	194	211	232	167	146
Imports (c.i.f.)	-210	-218	-250	-177	-190
Trade Balance	-16	-7	-18	-10	-44
Major Exports	Coffee	Coffee	Coffee	Bananas	Cotton
% of 1964-1966 exports	41	50	46	44	44
GOLD & FOREIGN EXCHANGE ($ mill.)[b]					
1967					
Official Reserves	18.1	54.8	65.1	25.1	32.1
Commercial Banks	9.0	5.9	2.6	1.5	4.1
1968					
Official Reserves	20.6	62.0	65.5	31.5	41.1(Nov)
Commercial Banks	11.2	5.6	3.3	1.7	4.0(Nov)

E - Estimate. n.a. - Not Available. a - In 1967 prices. b - Gross basis; end of year.

CENTRAL AMERICAN ECONOMIC COMMUNITY

U.S. AID OBJECTIVES

The United States supports efforts of the five Central American countries to perfect their Common Market and establish a Central American Economic Community as the most effective means of assuring their continued growth. A.I.D. programs in each of the five countries further this regional objective on a national basis; and a Regional Office of Central America and Panama (ROCAP) complements their activities by working with various regional economic integration institutions.

U.S. regional and individual country objectives in Central America are mutually reinforcing. For example, through U.S. support to the Central American Bank for Economic Integration, highways and improved communications are being developed to link the five countries. This major regional activity in turn is complemented by programs in individual countries to build farm-to-market roads, provide agricultural credit and boost agricultural production to take advantage of the wider market opportunities inherent in a Common Market. A.I.D. programs at the national level to encourage agricultural diversification are coordinated with a regional system of pricing, storage, and distribution. Regional education activities directly support bilateral educational projects--at the elementary level through efficient production of a common set of textbooks; and at the university level through assistance in establishing a regionally coordinated university system.

PROBLEMS AND PROGRESS

Commitments by the five Central American countries to create the Central American Common Market (CACM) and establish a number of regional institutions are major measures of self-help.

Creation of the CACM was accomplished by completely removing trade restrictions on approximately 95% of the region's internal commerce. Most manufacturing and processing plants located in any of the Central American countries can sell freely in the other four. Measured by growth of trade within the CACM, progress has been rapid. Such trade increased more than six times (from $31 million to $206 million) over the period 1960-67. Over this period intercountry trade within the region increased 7% to 24% of the total exports of these countries.

Development in Central America is taking place against a background of traditional agriculture that has been oriented largely toward the production of a few export crops. In each country agriculture is still the major source of export earnings. The major change that has occurred with the development of the CACM has been the rapid growth of manufacturing and related industries. The nature of this growth has created a series of problems:

--The uneven development of industry among the countries has raised difficult problems of inter-country trade. The predominantly agricultural countries, Honduras and Nicaragua, are concerned that their purchases of industrial goods from their neighbors greatly exceed their sales.

--In promoting new industry the Central American governments have made extensive and competitive use of tax incentives. These have stimulated a substantial growth of heavily protected and inefficient industries and have also seriously reduced governmental tax revenue. The five countries agree that a revised industrial policy is necessary, and have taken a first step by ratifying a common fiscal incentives treaty.

--Central American industrial policy up to now has emphasized production of goods to replace imports. Many existing plants would have difficulty producing for export outside the region or surviving in a future Latin American free trade association. Revision of industrial incentives to give adequate emphasis to production for export is urgently needed.

Over the period 1960-66, Central America enjoyed an unusually favorable market for its traditional exports--coffee, cotton and bananas. The stimulus of rapidly expanding exports led to a high rate of economic growth within the region, which averaged 6% during the period 1961-66.

But since 1966 world market conditions for Central American exports have deteriorated. To sustain a rate of economic growth that does more than keep pace with the average 3.4% population expansion, each of the Central American countries must increase total investment substantially. Because increased revenues are needed if public investment for development is to be expanded significantly, all five countries signed a protocol providing for establishment of a regional surtax on June 1, 1968. In each country the surtax will serve as a major revenue measure as well as a protective measure in the face of a difficult balance-of-payments situation.

FY 1970 PROGRAM

The proposed FY 1970 program for the Central American Economic Community consists of $48.5 million in Development Loans and

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CENTRAL AMERICAN ECONOMIC COMMUNITY

$14.9 million in Technical Assistance. The specific projects are described in the ROCAP and country sections which follow. These totals include, at the regional level, a loan ($10 million) to support establishment of a Regional Stabilization Fund and a Technical Assistance program of $3.7 million to be administered by ROCAP. The balance--$38.5 million in Development Loans and $11.2 million in Technical Assistance--is for bilateral programs in the five countries. The proposed loan program is directed principally to rural development, with emphasis on agricultural diversification, and improved primary education. In carrying out its present and planned programs, A.I.D. is cooperating directly with the other external assistance agencies working in Central America. The IBRD and the Inter-American Development Bank (IDB) are of primary importance.

REGIONAL OFFICE OF CENTRAL AMERICA AND PANAMA (ROCAP)

PROGRAM SUMMARY
(In millions of dollars)

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	20.0	.4 a/	30.4 a/	10.0
Technical Assistance ...	4.2	3.4	3.7	3.7
Total A.I.D. Assistance	24.2	3.8	34.1	13.7

a/ Includes grants of $424,000 in FY 1968 and $429,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

ROCAP seeks to help the regional organizations set up by the Central American nations become more effective instruments for furthering the economic integration of Central America.

The program of development assistance administered by ROCAP is directed to assisting economic integration with a view to accelerating progress toward full customs union, monetary union and free mobility of capital and labor throughout the region. In support of these general objectives, ROCAP is endeavoring to strengthen the principal integration institutions--particularly, the Common Market Secretariat (SIECA), the Organization of Central American States (ODECA) and the Central American Bank for Economic Integration (CABEI)--and provides financial and technical assistance for this purpose.

PROBLEMS AND PROGRESS

Creation of the Central America Common Market (CACM) was accomplished by completely removing trade restrictions on approximately 95% of the region's internal commerce. Thus, most manufacturing and processing plants located in any of the Central American countries can sell freely in the other four. Trade within the CACM increased more than six times (from $31 million to $206 million) over the period 1960-67 or from 7% to 24% of the total exports of these countries.

The Central American Governments have established a number of regional institutions around which the structure of a Central American Economic Community is emerging. The CABEI was created in 1961 with capital subscribed by the five Central American Governments. CABEI has received financial resources from A.I.D. ($84.4 million), the Inter-American Development Bank ($42.2 million), from several European Governments and Mexico ($54.8 million) and has equity capital of $60 million of which $30 million has been called.

The Central American Governments have utilized CABEI as a means of financing regional highways, telecommunications and other infrastructure that tie the region together. Through the "Fund for Economic Integration," created in 1965 to finance regional projects, external lender credits and matching country contributions that CABEI receives are allocated on the basis of regional priorities.

Other regional institutions which play a major role in the Central American Economic Community are the SIECA located in Guatemala City, and the secretariat of the ODECA in San Salvador. SIECA is the staff advisory and planning unit for the five Central American Ministers of Economy who, in periodic meetings, reach inter-governmental agreement setting the policy for the operation of the CACM. ODECA similarly serves as the advisory and administrative unit for regional activities and programs in the fields of education, health, labor and social security.

The Common Market has achieved a large measure of trade freedom, but lacks adequate development policies. ROCAP is working with SIECA to reform highly protective industrial policies. This should result in reductions in the generous fiscal incentives granted new industries that have led to the establishment of inefficient assembly-type operations.

ROCAP is also working with SIECA to create a regional market for agricultural commodities. As of March 1, 1968, all the Central American countries had ratified the Protocol of Limon that provides for the removal of trade barriers for basic food grains (corn, beans and rice). The countries must now work to coordinate pricing policies to establish an effective regional market for agricultural products. In this regard, ROCAP is assisting SIECA by providing technical assistance on the coordination of country pricing policies, and on price reporting and grain storage.

FY 1970 PROGRAM

Export Development. A major ROCAP activity is the assistance which has been given, since July 1968, in support of a region wide program of export development. Economic growth within the CACM was rapid during the first six years of its existence (1961-66) based in considerable part on the continued expansion of traditional exports (coffee, cotton and bananas). Deterioration in export prospects for these commodities since 1966 has made it necessary to seek alternatives to traditional exports. For this purpose ROCAP is working with a SIECA/CABEI export committee to coordinate the export development activities of the five Central American countries and to identify and assist the development of products that can be sold competitively in the world market. In FY 1970, $60,000 is proposed for this activity.

Exchange Stabilization Fund. Although full monetary union will not be attained for many years, the Central American countries have already taken steps in this direction. Recent pressures on balance of payments have demonstrated the value of monetary cooperation and led to serious interest in creation of an exchange stabilization fund. ROCAP is working with the Central American Monetary Council to coordinate the foreign exchange policies of the member countries and will encourage establishment of the stabilization fund.

A.I.D. will consider a $10 million loan in FY 1970 in response to a Central American initiative to establish such a fund. The loan would supplement contributions by the five Central Banks of at least 10% of their gross foreign exchange reserves to a joint fund against which drawings could be made to meet balance of payments difficulties. Proposed in FY 1969, the loan was deferred pending agreement on the structure and operation of the fund by the Central American Governments.

Regional Infrastructure. The effective development of the free trade area established by formation of the CACM required a substantial investment in regional infrastructure (highways, ports, airports, telecommunications, etc.). In FY 1969 A.I.D. authorized loan assistance ($30 million) to CABEI for relending to the national governments for regional projects. A.I.D. assistance for this purpose since 1965 has totaled $85 million. As a result of this and other external assistance, financing has been arranged for 1300 miles of regional roads that connect the productive regions of the five countries, and for a regional telecommunications system linking the Central American capitals. In FY 1970 ROCAP will continue to assist SIECA in economic studies to define priorities among major infrastructure projects needed in the region.

Education Programs. The ODECA and, at the university level, the Superior Council of Central American Universities (CSUCA) have taken important steps to coordinate and strengthen education programs throughout the region. The Regional Textbook Institute, under ODECA sponsorship and with ROCAP financial assistance, has completed manuscripts for a uniform series of textbooks for elementary school children. Ten million textbooks have been produced under this program for which ROCAP assistance ($402,000 in FY 1970) will terminate in FY 1970.

Through CSUCA, technical assistance has been given to regional programs for strengthening specialized university level schools and faculties. These include the regional schools of veterinary medicine (using consultants from Oklahoma State University) and sanitary engineering (University of North Carolina). With technical guidance from Harvard Business School, ROCAP has also assisted in establishing the Central American School of Business Administration. These regional schools are now operational with a student body from all Central American countries.

In FY 1970, $308,000 is proposed in support of university level education and $248,000 for the Central American School of Business Administration.

Labor Programs. Although there are still major impediments to free labor mobility, limited progress is occurring. ODECA has succeeded in establishing a regional system of social security benefits so that workers who move from one country to another retain their benefits. ROCAP is assisting ODECA in harmonizing labor legislation and manpower services among the countries. Through a contract with the American Institute of Free Labor Development (AIFLD), an effort is now under way to orient the organized labor movement toward more active participation in

Central American integration. In FY 1970 $100,000 is proposed for this activity.

Other Technical Assistance activities include coordination of the Central American malaria eradication programs, support of SIECA's statistics and surveys activities, assistance to the regional civil aviation organization, and provision of industrial advisors to the Central American Institute of Science and Technology.

ROCAP also assists British Honduras by making available participant training grants for civil service employees in such fields as public administration, education and vocational training as well as assistance to the government in investment promotion.

COSTA RICA

PROGRAM SUMMARY
(In millions of dollars)

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	5.0	3.8[a]	9.3[a]	3.5
Technical Assistance . . .	1.9	1.3	1.2	1.5
Total A.I.D. Assistance	6.9	5.1	10.5	5.0

[a] Includes grants of $320,000 in FY 1968 and $303,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D. seeks to help Costa Rica diversify its agricultural sector, enhance popular participation in development, and broaden its industrial base.

PROBLEMS AND PROGRESS

As a result of its deeply-rooted democratic tradition, an ample endowment of natural and human resources (84% literacy), and the stimulation of the Central American Common Market (CACM), the Costa Rican economy has been growing vigorously: 6.9% in 1966, 5.7% in 1967, and 7.3% in 1968. Per capita GNP approximates $436, by far the highest in Central America. Costa Rica has good prospects for sustained high levels of investment, particularly in banana production (exports increased 40% in 1968) and light manufacturing.

In the short run, the principal obstacle to sustained growth is a budgetary deficit which has threatened economic stability in the past and could do so again in the absence of effective government measures. The opposition-controlled legislature has yet to ratify the 30% import surcharge, the Common Market measure which would generate substantial tax revenue and dampen import demand, thereby improving the balance of payments.

In the longer run, special effort is needed to overcome the tendency toward unbalanced economic growth. The Costa Rican economy is characterized by the existence of a highly-developed and efficient agricultural export sector (e.g., coffee and bananas) side-by-side with traditionally inefficient agricultural production for local consumption, on the one hand, and a fledgling--and inefficient--industrial sector on the other. Both the budgetary problem and the unbalanced growth have contributed to and reflect another highly important longer run problem--the tendency for the fruits of growth to be shared unequally, with the rich improving their position more rapidly than the middle and lower classes.

FY 1970 PROGRAM

The proposed FY 1970 A.I.D. program consists of $3.5 million in Development Loans and $1.5 million in technical assistance. A.I.D. will attack the problem of lopsided growth with a $3 million agricultural sector loan in FY 1970. The loan will be designed to modernize the "backward" agricultural economy, i.e., that subsector not involved in traditional exports. Through credit, stabilization programs, improved marketing, cooperatives, agrarian reform, and technical assistance, the sector loan will provide the resources which, when coupled with Costa Rican reforms in such areas as credit, tax and budget policy, should permit measurable improvements in overall production and in earnings for the campesino. This program will build on past efforts supported by A.I.D. assistance to diversify agriculture, and especially to confront the problem of coffee over-production.

The FY 1969 loan to COFISA, a private development bank, along with technical assistance to the Costa Rican Export and Investment Promotion Center, are helping to broaden the promising industrialization which has started to emerge in the wake of the new opportunities afforded by the CACM.

A series of technical assistance programs designed to improve the prospects of the little man, including community development, cooperatives, assistance to labor unions, and improvements to the legal system, will be continued and strengthened. The population is growing at 3.5% per year; and A.I.D. will continue to assist the national family planning program, one of the most promising of its type in Latin America.

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A.I.D. proposes to continue its tax and customs technical assistance programs as a practical and demonstrably useful means of contributing to the solution of the fiscal problem. A Public Safety Program aimed at improving the professionalism and efficiency of Costa Rica's police forces - there are no military - will also be continued. A $500,000 malaria eradication loan is also proposed.

EL SALVADOR

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	0.4	6.3 a/	9.1 a/	8.0
Technical Assistance ...	1.8	2.0	1.9	2.5
Total A.I.D. Assistance	2.2	8.3	11.0	10.5

a/ Includes $325,000 in FY 1968 and $363,000 in FY 1969 in grants for population programs under Title X of the Foreign Assistance Act.

Joint Salvadoran-U.S. efforts include (1) diversification of the agricultural sector to reduce dependence on coffee; (2) improvement and reform of the educational system, including introduction of a pilot instructional television system (ITV); and (3) provision of family planning services.

El Salvador is characterized by an alarmingly rapid rate of population growth, has very limited land resources and a high population density. The economy is basically agricultural (dominated by coffee, cotton and sugar) but has a vigorous and growing private industrial sector spurred by the Central American Common Market.

FY 1970 PROGRAM

In FY 1970, A.I.D. plans to provide El Salvador with $8 million in Development Loans and $2.5 million in Technical Assistance.

Agriculture. A proposed rural sector loan of $4 million will promote agricultural diversification and will attempt to reduce Salvador's dependence on outside markets for its food supply by promoting growing of basic food crops. This loan will reinforce current efforts to provide agricultural credit to some 12,000 small and medium scale farmers and to form and assist rural agricultural cooperatives which promote local initiative and mobilize local resources for self-help improvement. Orginally proposed for FY 1969, this loan will now benefit from an overall agricultural sector plan which is currently being developed.

Education. In FY 1968, in an effort to make schooling available to as many children as possible and to provide education relevant to Salvadoran needs, the Government and A.I.D. began an educational television project which will initially provide televised instruction to the junior high school level. This activity is part of a larger educational reform involving reorganization of the Ministry of Education, curriculum reform and development, and improved teacher training. The regional primary school textbook program is also receiving government and A.I.D. support.

In FY 1970, A.I.D. plans a $4 million loan for primary school expansion, which will help to make schooling to the sixth grade available to 600,000 children or 75% of the eligible age group. This loan is timed to take advantage of the Salvadoran decision to accord priority to educational reform and instructional television programs.

Beginning in 1968, the government joined with A.I.D. and a private demographic association in a rapidly growing family planning program which will, by 1972 have 169 clinics offering services to all. A.I.D. will provide $374,000 for family planning activities in FY 1970.

GUATEMALA

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	8.0	9.0 a/	1.0 a/	15.0
Technical Assistance ...	2.4	2.3	2.5	3.1
Supporting Assistance ...	-	-	0.3	-
Contingency Fund.....	1.1	-	-	-
Total A.I.D. Assistance	11.5	11.2	3.8	18.1

a/ Includes grants of $396,000 in FY 1968 and $400,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

CENTRAL AMERICAN ECONOMIC COMMUNITY

U.S. AID OBJECTIVES

A.I.D. is assisting the Government of Guatemala (a) to expand government programs in education and agriculture in the rural areas to improve the lot of the impoverished rural people, and (b) to strengthen the Government of Guatemala's ability to contain the security threat posed by insurgency.

PROBLEMS AND PROGRESS

Guatemala is a predominantly agricultural country, heavily dependent upon the export of a few commercial crops, notably coffee and cotton. The country's wealth is very unevenly distributed among a population of five million, almost half of whom are Indian subsistence farmers living largely outside the money economy. Per capita GNP has grown moderately during the 1960's, and kept slightly ahead of the high population growth rate of 3.2%.

The present moderate government of President Mendez Montenegro has been compelled to devote much of its attention and limited resources to maintaining security. Castroite insurgents, although driven from the countryside in the campaign of 1966-67, are still able to carry out daring acts of terrorism, the most spectular of which was the assassination of the American Ambassador, John Gordon Mein, in August 1968.

A.I.D. supports the government view that forceful measures against the insurgents must be accompanied by programs of economic and social development. Toward this end the Guatemalan Government has begun programs to expand education, stimulate agricultural production and increase government services. To finance these programs taxes have been increased by an estimated $13 million.

Guatemala's literacy rate is among the lowest in Latin America. Primary school attendance is only 17% in the rural areas and 45% in urban communities. Few students complete the first six years. The Government has accordingly undertaken a program to expand education at the primary, secondary and university levels, with support from A.I.D., World Bank, and Inter-American Development Bank (IDB) loans.

The mass of rural people support themselves by primitive, small-scale and subsistence farming. Expanding population and static production have forced farmers off the land and into the towns, creating grave problems of social adjustment. With assistance from A.I.D. and international agencies the Guatemalan Government has undertaken agricultural education, marketing extension, credit and resettlement activities, laying the foundation for an expanded and integrated rural program.

FY 1970 PROGRAM

The A.I.D. program in Guatemala for FY 1970 includes a $15 million agricultural sector loan and $3.1 million in Technical Assistance.

Agriculture. The $15 million sector loan will finance the importation of fertilizers, pesticides and agricultural machinery for increased production of corn, beans, rice, fruits, vegetables and livestock. The loan will also help finance six regional vocational agricultural schools, resettle 2,000 more families and carry out studies on agricultural marketing, tariff, price and credit policies. Loan funds will also be used to strengthen the Guatemalan land reform effort. $450,000 in A.I.D. grants for Technical Assistance will be used for advice and training in marketing and food processing activities related to the sector loan, and in strengthening agricultural education institutions.

Education. An A.I.D. primary education loan for $8.6 million, signed in 1968, will help finance construction of an additional 1,100 rural and 650 urban classrooms to provide for 120,000 additional students. The loan will add 4th, 5th and 6th grade facilities in many schools where these presently do not exist. This loan and the Guatemalan Government's own increasing contributions to education will enable 33% of Guatemalan children to attend primary school by 1972. Additionally all primary school children will receive textbooks whose printing costs are covered by the loan. In FY 1970, $350,000 in Technical Assistance funds will finance advice and training to the Ministry of Education in connection with implementation of the loan.

Public Safety. In FY 1970, A.I.D. will continue to provide Technical Assistance to support Guatemala's Public Safety program, particularly in rural communities ($289,000). A staff of six advisors will help improve the administration of the police forces through better training in patroling, investigation, and equipment use and maintenance.

Health and Population. A.I.D. will continue to support the Guatemalan Family Welfare Association in FY 1970, and help expand the number of health clinics providing family planning information and services throughout the country from 38 to 67 ($600,000).

Other Activities. Other continuing technical assistance activities include public administration and municipal government, development planning, rural community leadership and labor leadership.

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CENTRAL AMERICAN ECONOMIC COMMUNITY

HONDURAS

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	7.0	11.1a/	0.6a/	7.0
Technical Assistance ...	2.1	2.0	2.0	2.45
Total A.I.D. Assistance	9.1	13.1	2.7	9.45

a/ Includes grants of $100,000 in FY 1968 and $169,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

Objectives of joint Honduras-U.S. efforts include the upgrading of the country's education system, the improvement of its public administration, the diversification of the agricultural sector, and development of public and private institutions at the "grass roots" level.

Honduras is the least advanced of the Central American countries, with few, short-term prospects for rapidly bringing significant development advantages to substantial segments of her population. Essentially a rural country, criss-crossed by mountain ranges which make communication and internal market and economic integration difficult, the country suffers from extraordinarily weak public institutions. Scarcity of trained professional and technical talent, and poor public administration normally impede effective program and project formulation and delay implementation. This serious barrier to development has limited the country's capacity to absorb external assistance. The government's present public investment program, a generally well conceived selection of priority infrastructure activities, is well behind schedule. With the increasing professionalization of key government agencies, however, the prospects for the future seem better than the performance of the past.

FY 1970 PROGRAM

The proposed FY 1970 program of Honduras consists of $7 million in Development Loans and $2.45 million in Technical Assistance. In FY 1970, A.I.D.'s program will continue to provide technical assistance to help upgrade critical areas of public administration, including assistance in the implementation of a new Civil Service Law, and in fiscal management, organization and methods, tax administration, and police administration.

Building upon the discernible increase in political consciousness of groups which traditionally have been politically disenfranchised because of their low income or low social status levels, A.I.D. will continue to give special emphasis to encouraging greater civic participation. Training and advice will provided to labor unions and agricultural, housing and savings cooperatives, and support continued for an expanding system of radio schools for adult education operated by the Government and the private groups in rural areas. A.I.D. also finances the training of community leaders at Loyola University.

The rational development of Honduras' extensive forest resources remains a key target of national agricultural planning. In FY 1970 a loan of $7 million is proposed for construction of infrastructure related to major private investment in pulp and paper. This project, when fully operational, will add an estimated $35 million per year to Honduras' export earnings. Proposed for FY 1969, this loan was deferred pending maturation of negotiations between the private investors and the Government of Honduras.

NICARAGUA

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	9.2	23.8a/	0.1a/	5.0
Technical Assistance ...	2.2	1.6	1.5	1.7
Total A.I.D. Assistance	11.4	25.5	1.6	6.7

a/ Includes grants of $175,000 in FY 1968 and $112,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D.'s objectives in Nicaragua are to assist the country to (a) diversify and increase agricultural production and exports, (b) achieve more equitable income distribution, and (c) encourage local popular participation by assisting cooperatives, labor unions and credit unions.

PROBLEMS AND PROGRESS

Nicaragua's growth rate has slackened in recent years, and its balance of payments problems have become acute, primarily because poor weather has reduced production of the country's major export --cotton. The annual growth rate dropped from an average of 8% during the early 1960's to only 4.2% in 1967 and is estimated at 5.6% for 1968. Gross international reserves dropped from $65 million in December 1966 to $45 million in November 1968. Despite these difficulties, Nicaragua is committed to an ambitious development effort and continues to progress. She was the first member of the Central American Economic Community to approve the San Jose Protocal which provides for a 30% increase in taxes on imports from non-member countries. The government has undertaken a major agricultural development program with A.I.D., Inter-American Development Bank (IDB) and IBRD assistance. In 1968, a 30% reduction in government general administrative expenditures was achieved, and improved tax administration, attributable in part to A.I.D. assistance, bore fruit in a tax collection increase of 17%.

In FY 1968 A.I.D. approved loans for Nicaragua totalling $23 million. One for $10.2 million is establishing three cooperatives to bring electric power to an additional 38,000 rural families. Another for $9.4 million is being used to import fertilizers and pesticides, and to expand and diversify food and feed crops. Other loans were used for health centers ($2.2 million) and malaria eradication ($1.9 million). To allow time for Nicaragua to absorb these loans, A.I.D. made no new ones in FY 1969.

FY 1970 PROGRAM

The FY 1970 program consists of $5 million in Development Loans and $1.7 million in Technical Assistance.

For FY 1970, A.I.D. will continue its emphasis on the rural sector with a proposed $5 million loan for basic crop production that includes supervised agricultural credit for small farmers. Technical Assistance for agriculture will focus on increasing agricultural production, and the application of agricultural technology through extension, fertilizer utilization, irrigation, and research on major food crops and livestock.

Technical assistance in education planning will emphasize the widening of vocational opportunities. Training and advice in public administration will stress reforms aiming for a more equitable sharing of the tax burden. Assistance to labor unions, credit unions and cooperatives will strengthen grass roots participation in civic affairs. A.I.D. will also help to expand facilities for health and family planning activities.

COSTA RICA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	6.2	4.1	65.4	2.6	62.8
Loans	4.6	2.7	43.0	2.6	40.4
Grants	1.6	1.4	22.4	-	22.4
FOOD FOR FREEDOM - TOTAL	1.2	0.7	8.3	-	8.3
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	1.2	0.7	8.3	-	8.3
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	0.7	0.2	5.0	-	5.0
VOLUNTARY RELIEF AGENCIES	0.5	0.5	3.3	-	3.3
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	34.1 a/	14.5	19.6
OTHER U.S. ECONOMIC PROGRAMS	7.6	5.8	64.9	1.0	63.9
PEACE CORPS	0.8	0.9	4.3	-	4.3
SOCIAL PROGRESS TRUST FUND	-	-	12.6	1.0	11.6
OTHER	6.8	4.9	48.0	-	48.0
TOTAL ECONOMIC	15.0	10.6	172.7	18.1	154.6
Loans	4.6	2.7	89.7	18.1	71.6
Grants	10.4	7.9	83.0	-	83.0
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	0.1	0.1	1.8	-	1.8
Credit Assistance	-	-	-	-	-
Grants	0.1	0.1	1.8	-	1.8
(Additional Grants from Excess Stocks)	(-)	(*)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	0.1	0.1	1.8	-	1.8
TOTAL ECONOMIC AND MILITARY	15.1	10.7	174.5	18.1	156.4
Loans	4.6	2.7	89.7	18.1	71.6
Grants	10.5	8.0	84.8	-	84.8

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	3.8	3.4	88.3
IBRD-World Bank	--	3.0	50.7
Int'l Dev. Association	-	-	4.6
Int'l Finance Corp.	--	--	0.6
Inter-Am. Dev. Bank	1.8	-	24.6
UNDP-Special Fund	1.7	-	3.7
UNDP-TA (CY)	0.2	0.2	2.2
Other UN (CY)	0.1	0.2	1.9

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	0.7	0.5	1.8
Germany	0.6	0.3	1.2
Italy	0.1	*	0.2
United Kingdom	*	*	0.1
Other	*	0.2	0.3

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative thru 1968	-

*Less than $50,000.

a/ Excludes refunding of $2.6 million in FY 1963; and $2.5 million in FY 1966.

b/ Annual data represent deliveries; total through 1968 is the cumulative program.

EL SALVADOR

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	0.9	8.1	61.1	1.2	59.9
Loans	-0.8	5.9	35.1	1.2	33.9
Grants	1.7	2.2	26.0	-	26.0
FOOD FOR FREEDOM - TOTAL	1.9	0.7	15.3	0.6	14.7
Title I - Total	-	-	0.6	0.6	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	0.6	0.6	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	1.9	0.7	14.7	-	14.7
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	0.2	0.2	1.4	-	1.4
VOLUNTARY RELIEF AGENCIES	1.7	0.5	13.3	-	13.3
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	12.0	9.1	2.9
OTHER U.S. ECONOMIC PROGRAMS	0.4	0.5	27.1	2.4	24.7
PEACE CORPS	0.4	0.5	3.2	-	3.2
SOCIAL PROGRESS TRUST FUND	-	-	22.0	2.4	19.6
OTHER	-	-	1.9	-	1.9
TOTAL ECONOMIC	3.2	9.3	115.5	13.3	102.2
Loans	-0.8	5.9	69.7	13.3	56.4
Grants	4.0	3.4	45.8	-	45.8
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	0.6	0.6	5.7	-	5.7
Credit Assistance	-	-	-	-	-
Grants	0.6	0.6	5.7	-	5.7
(Additional Grants from Excess Stocks)	(0.1)	(*)	(0.7)	(-)	(0.7)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	0.6	0.6	5.7	-	5.7
TOTAL ECONOMIC AND MILITARY	3.8	9.9	121.2	13.3	107.9
Loans	-0.8	5.9	69.7	13.3	56.4
Grants	4.6	4.0	51.5	-	51.5

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	0.5	3.6	77.7
IBRD-World Bank	-	2.8	53.0
Int'l Dev. Association	-	-	8.0
Int'l Finance Corp.	-	-	0.1
Inter-Am. Dev. Bank	-	-	7.1
UNDP-Special Fund	-	-	3.5
UNDP-TA (CY)	0.3	0.2	2.9
Other UN (CY)	0.2	0.6	3.1

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	0.3	0.4	1.7
Germany	0.2	0.2	1.1
United Kingdom	*	0.1	0.2
Japan	*	*	0.2
Other	*	0.1	0.2

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative thru 1968	-

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

CENTRAL AMERICAN ECONOMIC COMMUNITY

GUATEMALA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	11.1	10.9	131.9	5.7	126.2
Loans	7.9	8.6	37.9	5.7	32.2
Grants	3.2	2.3	94.0	-	94.0
FOOD FOR FREEDOM - TOTAL	1.9	3.0	16.6	-	16.6
Title I - Total	-	1.0	1.0	-	1.0
PAYABLE IN U.S. DOLLARS - LOANS	-	1.0	1.0	-	1.0
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	1.9	2.0	15.6	-	15.6
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	-	-	3.2	-	3.2
VOLUNTARY RELIEF AGENCIES	1.9	2.0	12.4	-	12.4
EXPORT-IMPORT BANK LONG-TERM LOANS	6.5	-	24.5	7.4	17.1
OTHER U.S. ECONOMIC PROGRAMS	0.7	3.4	62.6	1.0	61.6
PEACE CORPS	0.7	0.7	4.1	-	4.1
SOCIAL PROGRESS TRUST FUND	-	-	14.3	1.0	13.3
OTHER	*	2.7	44.2	-	44.2
TOTAL ECONOMIC	20.2	17.3	235.6	14.1	221.5
Loans	14.4	9.6	77.7	14.1	63.6
Grants	5.8	7.7	157.9	-	157.9
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	1.4	2.3	14.3	0.1	14.2
Credit Assistance	-	-	0.1	0.1	-
Grants	1.4	2.3	14.2	-	14.-
(Additional Grants from Excess Stocks)	(0.4)	(0.2)	(2.9)	(-)	(2.9)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	1.4	2.3	14.3	0.1	14.2
TOTAL ECONOMIC AND MILITARY	21.6	19.6	249.9	14.2	235.7
Loans	14.4	9.6	77.8	14.2	63.6
Grants	7.2	10.0	172.1	-	172.1

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	32.1	13.7	81.7
IBRD-World Bank	15.0	7.0	40.2
Int'l Finance Corp.	-	-	0.2
Inter-Am. Dev. Bank	16.3	6.0	30.9
UNDP-Special Fund	-	-	2.8
UNDP-TA (CY)	0.3	0.3	3.5
Other UN (CY)	0.5	0.4	4.1

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	1.1	1.4	5.5
Germany	0.8	1.0	3.0
Austria	0.2	0.3	2.3
Other	0.1	0.1	0.2

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968..... -

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

HONDURAS

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	8.9	12.8	79.4	6.2	73.2
Loans	7.0	11.0	49.5	6.2	43.3
Grants	1.9	1.8	29.9	-	29.9
FOOD FOR FREEDOM - TOTAL	0.6	0.4	6.5	-	6.5
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.6	0.4	6.5	-	6.5
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	-	-	0.5	-	0.5
VOLUNTARY RELIEF AGENCIES	0.6	0.4	6.0	-	6.0
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	3.2	2.9	0.3
OTHER U.S. ECONOMIC PROGRAMS	0.6	0.7	18.1	0.9	17.2
PEACE CORPS	0.6	0.7	4.2	-	4.2
SOCIAL PROGRESS TRUST FUND	-	-	7.6	0.8	6.8
OTHER	-	-	6.3	0.1	6.2
TOTAL ECONOMIC	10.1	13.9	107.2	10.0	97.2
Loans	7.0	11.0	60.4	10.0	50.4
Grants	3.1	2.9	46.8	-	46.8
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	1.0	1.0	6.9	-	6.9
Credit Assistance	-	-	-	-	-
Grants	1.0	1.0	6.9	-	6.9
(Additional Grants from Excess Stocks)	(0.4)	(0.1)	(1.3)	(-)	(1.3)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	1.0	1.0	6.9	-	6.9
TOTAL ECONOMIC AND MILITARY	11.1	14.9	114.1	10.0	104.1
Loans	7.0	11.0	60.4	10.0	50.4
Grants	4.1	3.9	53.7	-	53.7

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	23.1	18.8	107.0
IBRD-World Bank	13.4	7.5	46.8
Int'l Dev. Association.	-	4.0	15.9
Int'l. Finance Corp.	-	-	0.4
Inter-Am. Dev. Bank	9.3	5.3	36.9
UNDP-Special Fund	-	1.4	1.8
UNDP-TA (CY)	0.3	0.3	2.9
Other UN (CY)	0.1	0.3	2.3

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	0.3	0.3	5.0
United Kingdom	*	*	4.0
Germany	0.1	0.2	0.6
Austria	0.2	0.1	0.4
Other	*	*	0.1

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968..... -

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

NICARAGUA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	11.3	22.1	94.6	2.6	92.0
Loans	9.2	20.5	72.0	2.6	69.4
Grants	2.1	1.6	22.6	-	22.6
FOOD FOR FREEDOM - TOTAL	0.8	0.2	7.6	-	7.6
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.8	0.2	7.6	-	7.6
? EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	-	-	-	-	-
VOLUNTARY RELIEF AGENCIES	0.8	0 2	7.6	-	7.6
EXPORT-IMPORT BANK LONG-TERM LOANS	-	4.9	20.9	15.1	5.8
OTHER U.S. ECONOMIC PROGRAMS	-	-0.1	38.9	1.3	37.6
PEACE CORPS	-	*	*	-	*
SOCIAL PROGRESS TRUST FUND	-	-0.1	13.0	1.3	11.7
OTHER	-	-	25.9	-	25.9
TOTAL ECONOMIC	12.1	27.1	162.0	19.0	143.0
Loans	9.2	25.3	105.9	19.0	86.9
Grants	2.9	1.8	56.1	-	56.1
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	1.0	1.3	11.0	-	11.0
Credit Assistance	-	-	-	-	-
Grants	1.0	1.3	11.0	-	11.0
(Additional Grants from Excess Stocks)	(*)	(*)	(0.7)	(-)	(0.7)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	1.0	1.3	11.0	-	11.0
TOTAL ECONOMIC AND MILITARY	13.1	28.4	173.0	19.0	154.0
Loans	9.2	25.3	105.9	19.0	86.9
Grants	3.9	3.1	67.1	-	67.1

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	13.0	25.0	111.6
IBRD-World Bank	5.0	19.2	59.9
Int'l Dev. Association	-	-	3.0
Int'l Finance Corp.	-	2.1	2.1
Inter-Am. Dev. Bank	7.0	2.2	37.6
UNDP-Special Fund	0.8	1.0	4.1
UNDP-TA (CY)	0.2	0.2	2.2
Other UN (CY)	-	0.3	2.7

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	0.2	0.2	0.7
Germany	0.1	0.1	0.5
Austria	*	0.1	0.2
Other	-	•	•

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year) -
1968 (Calendar Year) -
Cumulative thru 1968 -

*Less than $50,000.
a/ Annual data represent deliveries; total through 1968 is the cumulative program.

OTHER LATIN AMERICA-BASIC DATA

COUNTRY	POPULATION		AREA		GNP*	TRADE		HEALTH AND EDUCATION	
	Total Mid-1968	Annual Growth Rate	Total	Agricultural Land	Per Capita 1968P	Total Exports (1967)	Main Exports	People Per Doctor	Literacy Rate
	Millions	Percent	1,000 Sq. Miles	Percent of Area	Dollars	$ Mill.	Item	Persons	Percent
Argentina	23.4	1.6	1,072	50	668	1,464	Grains and Meat	670	91
Bolivia	4.4	2.4	424	13	171	145	Tin	3,570	32
Dominican Republic ...	4.0	3.6	19	40	276	157	Sugar	1,680	64
Ecuador	5.6	3.4	109	18	253	200	Bananas	2,990	68
Guyana	0.7	2.8	83	13	339[a]	113	Bauxite, Alumina & Sugar	2,630	80
Haiti	4.7	2.0	11	31	65[a]	33	Coffee	14,000	10
Jamaica	1.9	2.6	4	42	518	224	Bauxite & Sugar	2,040	85
Panama	1.4	3.3	29	18	594	92	Bananas & Petroleum	1,990	78
Paraguay	2.2	3.1	157	27	224	48	Meat	1,850	68
Peru	12.8	3.1	496	23	318	774	Fish & Copper	2,030	61
Uruguay	2.8	1.4	72	86	525	159	Wool & Meat	850	91
Venezuela	9.7	3.5	352	24	928	2,886	Petroleum	1,210	80

* - 1968 in 1967 prices converted at 1967 exchange rates. P - Preliminary.
a - 1967 in 1967 prices converted at 1967 exchange rates.

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OTHER LATIN AMERICA PROGRAMS

ARGENTINA

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	-	1.0	-	-
Technical Assistance ...	1.6	1.8	1.5	0.4
Total A.I.D. Assistance	1.6	2.8	1.5	0.4

The Argentine stabilization and development program, instituted in March 1967, has brought significant monetary stability. Inflation has been drastically curbed from 30% in 1966 to about 10% in 1968. Foreign exchange reserves have climbed from some $200 million at the end of 1966 to nearly $800 million in January 1969. Economic recovery is now a more real prospect than at any time in the last seven years.

Growing confidence in the Government's program has resulted in increased private investment, both foreign and domestic. Such investment, along with the loans provided by the Inter-American Development Bank (IDB) and the IBRD for public works projects (e.g. $82 million from IBRD for the El Chocon hydroelectric project and $426 million from IDB over the two year period, 1967-1968) have helped to ward off the economic stagnation which stringent stabilization measures could have caused.

The A.I.D. program during the past few years has been limited to Technical Assistance projects to help the Government meet its goals under the stabilization program, and to complete longer range activities in agriculture. Projects in tax and customs administration have been particularly useful in this respect. Projects in higher education, agriculture and agricultural economics through contracts with U.S. universities are phasing out in FY 1970, leaving a corps of better trained professionals in the country.

Prior-year loans for the construction of roads, animal disease and meat technology laboratories and regional grain storage facilities are in various stages of disbursement. No new loans are planned in FY 1970.

BOLIVIA

PROGRAM SUMMARY (In millions of dollars	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	11.0	0.2*	7.3*	11.4
Technical Assistance ...	4.1	3.5	3.3	3.9
Supporting Assistance ...	0.4	5.0	-	-
Total A.I.D. Assistance	14.3	8.6	10.6	15.3

*Includes $194,000 and $225,000 in FY 1968 and FY 1969 respectively, in grants for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D. objectives in Bolivia fall into four main categories:

--Achieve internal financial stability and improvement in Government administration.

--Develop an effective transportation and communications network.

--Improve agricultural production and develop rural areas.

--Improve education and human resources.

PROBLEMS AND PROGRESS

Bolivia has large undeveloped mineral resources, yet its per capita GNP, (approximately $171) remains the second lowest in the hemisphere. The country's development has been restricted by its isolated position without easy access to international trade and by rugged terrain which has impeded internal economic integration. Tin mining, the largest industrial employer, income producer, and foreign exchange earner, is plagued by inefficient techniques, inflated payrolls and unstable world prices. Agriculture, upon which nearly 70% of the population subsists, has only gradually returned to the pre-1952 levels of production, overcoming the market dislocations resulting from the sweeping social revolution of that year. Only an estimated 32% of the population is literate, and most of this group is in the urban areas; much of the rural population speaks only Aymara and Quechua dialects, further complicating the Government's efforts to increase literacy.

Government attempts to overcome Bolivia's difficult development problems have been limited by meagre resources. Heavy U.S. budget support, begun in the period after the 1952 revolution, has gradually been supplanted by development lending, mostly for infrastructure, as the Government's ability to mobilize and utilize internal resources has improved. Foreign resources, including those from A.I.D., now go mostly into investment.

The principal exception has been a $4.5 million U.S. Supporting Assistance loan resulting from the 1967-68 budget crisis brought on partly by declining tin prices, and partly by the extraordinary expenditures needed to defeat Che Guevara's guerrilla rebellion. The loan was conditional on a program of financial measures designed to further increase revenues and control expenditures, and was coordinated closely with the standby agreement in effect between The International Monetary Fund (IMF) and the Bolivian Government. The maintenance of financial stability will continue to be difficult in Bolivia as development programs generate demands for internal financing that put pressure on the limited capacity of the Government and the private sector to mobilize domestic savings. It is therefore basic to further development efforts that the principal development agencies work together in helping Bolivia to maintain a sound fiscal and monetary program that will continue to avert the threat of inflation.

Despite these problems, Bolivia has made some encouraging progress. The economy has continued to grow at an average 5% per annum--better than the Latin American average. Per capita income growth has surpassed the Alliance for Progress goal of 2.5%. Inflation has been controlled since 1958, and a fixed exchange rate and a liberalized trading system have been maintained. Rehabilitation of the nationalized tin mines, which account for about 52% of Bolivia's foreign exchange earnings, has progressed through a joint A.I.D.-IDB-German program, resulting in important reductions in mining costs. In an important new development, contracts were signed for construction of a $50 million gas pipeline from Bolivia's rich new natural gas fields to Argentina. This project could produce major foreign exchange earnings for Bolivia, starting in 1970.

FY 1970 PROGRAM

The FY 1970 program will continue to emphasize the fiscal stabilization program, but will provide modest inputs of new funds including Development Loans of $11.4 million, and Technical Assistance of $3.9 million. In addition, it is expected that the Bolivians will request a P.L. 480 dollar repayable program of about $10 million.

Financial Stabilization and Public Administration Improvement

During the coming year the top priority will be to assist the Government of Bolivia to maintain internal financial stability, through new tax measures and improved administration and controlled utilization of P.L. 480 Title I proceeds. As in 1968 and 1969, A.I.D. will seek to develop a program of financial measures in conjunction with those included in the IMF standby agreement. Two Development Loan projects are also planned in support of this objective: (1) a $500,000 loan to provide technical services and accounting equipment to improve the Government of Bolivia's financial administration, and (2) a $900,000 loan to assist the Government in establishing a census and statistical capability badly needed to provide reliable basic economic data. Technical assistance will be furnished by the Internal Revenue Service team in the area of tax administration and by the U.S. Bureau of the Census in improving agricultural, population, and other statistics. Advisors will also be provided in public administration, customs, and economic planning.

Transportation

The rugged and inhospitable nature of Bolivia's terrain and the lack of transportation and communications have posed formidable problems in national development. Under the Alliance for Progress $75 million have been loaned for roads and air transport development. In FY 1970 technical assistance activities will emphasize the completion and effective implementation of projects already in progress, the training of local counterparts and maintenance of completed facilities.

Agriculture

Agriculture is the sector of greatest direct importance to the Bolivian population as a whole, since it employs nearly 70% of the work force. But agricultural production is lagging. A study of the total agricultural sector is being started by the International Development Service, under A.I.D. financing; the conclusions will lay the foundation for a $5 million Agricultural Sector Loan in FY 1970.

The Bolivian Government's land reform program, meanwhile, made good progress. More than 7,700 properties comprising 19 million acres have been distributed among 192,000 families, and more than 300,000 land titles have been issued. In 1970 approximately 100,000 new titles will be processed and issued through the U.S.-developed mobile agrarian reform teams.

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OTHER LATIN AMERICA PROGRAMS

The Utah State University program has achieved some success in introducing new varities of seed which should make possible sharp increases in the production of wheat. Improved methods for marketing sheep's wool and meat were introduced into many rural areas. As a result of this activity numbers of peasants are being integrated into the economic life of the country for the first time.

Education

During FY 1968-69, Bolivia began to consolidate the separate administrative structures of the urban and rural educational systems, thereby eliminating costly duplication. An overall study of Bolivia's educational needs by Ohio State University will provide the basis for a national educational development program. The United States will provide a $5 million Education Sector loan, directed principally at the primary level, with emphasis on teacher training. The IDB and the IBRD are planning complementary programs totalling $13 million in vocational and secondary education.

Other Programs

Small technical assistance programs will continue in Labor Training, Public Safety, and Industrial Development.

NOTE: President Rene Barientos was killed in a helicopter crash on April 27, 1969. The Presidency has passed to Vice President Siles, his constitutional successor. Siles will head the government until the regularly scheduled Presidential election of 1970. The limited political disruption following the death of the President has not affected Bolivian development programs to date.

DOMINICAN REPUBLIC

PROGRAM SUMMARY
(In millions of dollars)

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	17.1	22.3 a/	5.2 a/	16.0
Technical Assistance ...	4.4	4.7	4.4	5.0
Supporting Assistance ...	25.0	16.4	0.4	0.3
Contingency Fund.....	7.2	--	--	--
Total A.I.D. Assistance	53.7	43.5	10.0	21.3

a/ Includes $570,000 in FY 1968 and $210,000 in FY 1969 in grants for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The goals of the A.I.D. program in the Dominican Republic are (1) to improve the government's capability to formulate and carry out effective development programs, particularly in agriculture, (2) to help the country attain a per capita growth rate of at least 2.5%--primarily by increasing agricultural productivity--and foster wider sharing of the benefits of growth and (3) to alleviate the chronic balance of payments problem by increasing and diversifying exports and developing import-substitution products. Progress toward these goals will demonstrate the government's responsiveness to the aspirations of the population and will enhance the prospects for constitutional stability in the Dominican Republic.

PROBLEMS AND PROGRESS

Agriculture is the mainstay of the economy of the Dominican Republic. Agriculture employs over 60% of the labor force and agricultural products constitute about 90% of the value of Dominican exports.

In the past, heavy emphasis was placed on the production of traditional export crops, particularly sugar which represents 55% of total export earnings. Food production has not kept pace with demand, even though there is sufficient arable land to produce most of the food needs of the country. Most of the tillable land had been inefficiently used due to the technical limitations of farmers, scarcity of credit and the lack of assured markets. Trujillo's neglect of education contributed to a low rate of literacy--estimated at 64% in 1961--and deprived the country of an adequate number of the agronomists, engineers, economists and other technicians needed for economic development. An indication

of the inadequacy of the educational system is the fact that, of the 600,000 children enrolled in the primary schools, only 60,000 will reach the sixth grade and less than 3,000 will graduate from high school.

The elected government of President Balaguer has now been in office for more than two and a half years--an extraordinary achievement in view of the country's turbulent political history. Despite the chaotic situation which he inherited following the bloody revolution of April 1965, President Balaguer has provided his country with a greater measure of stability than any of his post-Trujillo predecessors. However, constitutional government in the Dominican Republic will remain a fragile institution during the next few years.

As a result of the economic dislocations following the fall of the Trujillo regime in 1961, the country has been plagued by a budgetary deficit, a high level of unemployment and a chronic balance of payments deficit for a number of years. President Balaguer, through a program of economic austerity, has sought to correct these problems. Major tools have included import controls, a tight monetary policy, and a reduction in government wages and operating expenditures.

Despite measures taken to reduce foreign exchange outflows, the balance of payments situation has not improved during the past year. One of the major problems was the need for unusually high food imports because of the drought in 1967 and 1968. However, a drawing from the International Monetary Fund (IMF) and P.L. 480 Title I assistance from the United States may prevent further deterioration in the country's balance of payments.

The Dominican Government has made considerable progress in improving the country's fiscal position. Revenues rose in 1968. By November they were approximately $15 million higher than in 1967. During the first half of 1968, over 16% of revenues were used for investment purposes compared with 9% in the same period in 1967.

Largely because of the drought, but also partly due to the austerity program, GNP grew only about 4% in 1968 over 1967. Economic prospects depend mainly on success in diversifying and increasing production both for export and domestic markets, and in attracting substantial capital inflows. The political stability of the Balaguer Government, the President's often-expressed favorable attitude toward private investment and A.I.D.'s technical assistance in investment promotion have all contributed to private capital inflows. A number of major foreign companies already have invested in the country or intend to. Principal among them is Falconbridge Dominicana which plans to invest about $160 million in a ferronickel mine and processing plant over the next three years.

FY 1970 PROGRAM

The proposed FY 1970 program includes $16 million in Development Loans and $5 million for Technical Assistance. In addition, a P.L. 480 Title I sales program of approximately $15 million is contemplated. It is hoped that P.L. 480 Title I assistance together with IMF drawings will be sufficient to eliminate the need for A.I.D. balance of payments Supporting Assistance loans in FY 1969 and FY 1970. However, there could be a requirement for such assistance if an economic-political crisis should occur. During FY 1969 A.I.D. authorized a Supporting Assistance grant of $355,000 for commodity assistance to the National Police forces. A similar grant is planned for FY 1970.

Assistance From Other Donors

In April 1968 the Inter-American Development Bank (IDB) authorized a $22.9 million loan to help finance the first stage of a long-range program to develop the hydroelectric and agricultural potential of the Yaque del Norte river valley. A.I.D. is supporting this loan with $7 million equivalent generated under an FY 1968 Supporting Assistance loan. The World Bank is considering financial assistance for an irrigation project in the area. Since 1962 the Ex-Im Bank has authorized credits totaling $34.1 million to finance power, transportation and communications facilities.

Agricultural Development

Accelerated agricultural production is the key to moving the Dominican economy toward self-sustaining growth. A dynamic agricultural sector will furnish employment, and supply local food needs, and improve the balance of payments situation by reducing imports and increasing export earnings. Accordingly, the Dominican Government and A.I.D. have given the highest priority to agriculture. The bulk of the FY 1970 program is devoted to it.

To achieve an overall annual growth rate of 2-1/2% per capita, agricultural production should reach an annual growth of 5-7%. With this target in mind A.I.D.-Dominican agricultural efforts are being focused on increasing the production of (1) traditional staple crops such as rice, beans, corn, and oil crops; (2) high protein foods, including beef, pork, poultry and milk, to improve the nutritional quality of the Dominican diet; and

(3) high-value export crops such as winter fruits and vegetables. These production efforts were set back last year by drought which caused a 6% drop in production. However, the effects of the drought were mitigated by farmer acceptance and application of improved production practices introduced by A.I.D. and Dominican technicians. Diversification, aided by careful selection of production priorities, is progressing. The increased output of garlic, onions, potatoes, and tomatoes is particularly noteworthy.

Supported by financial and technical help small farmers have formed cooperatives; membership has doubled in the last two years. A $2.65 million A.I.D. loan was recently signed which will provide additional financial resources for agricultural cooperative efforts. Small farmers are also being assisted through a major new supervised credit program.

There has been considerable success in unifying the planning, coordination and implementation of a national agricultural program. However, a number of structural and policy bottlenecks remain. A.I.D. is encouraging the following actions and measures which would contribute to the elimination of these barriers:

--provision of adequate operating budget support for Dominican agricultural agencies;

--establishment of offices in the Secretariat of Agriculture, including an agricultural export promotion office, to provide production and marketing information related to non-traditional export crops, and to develop systems of grades, standards and quality for raw and processed agricultural products;

--establishment of a national price stabilization program to maintain appropriate floor prices for designated commodities;

--implementation of a collection system for water-use fees in order to provide adequate funds for the operation and maintenance of irrigation canals.

Technical Assistance and the performance criteria established for Supporting Assistance, P.L. 480 Title I and Development Loans have been used to bring about these reforms. Following a thorough evaluation of progress in these and other aspects of agricultural development, and an analysis of the requirements for further technical and financial assistance, a $10 million agricultural sector loan is planned in FY 1970.

Another aspect of rural development--the community development program--has received significant support from A.I.D. including an $8.7 million development loan in FY 1967. Since July 1964 the residents of over 775 rural communities have participated in the implementation of 1,975 projects benefiting one and a half million people. A $3 million development loan is proposed for FY 1970 to assist the Dominicans in the continuation and expansion of this highly successful grass roots development effort.

Education

Technical assistance for teacher training, the development of comprehensive secondary schools and modernization of university education will be largely related to the implementation of the $12 million education sector loan authorized in FY 1968. The major focus will be to equip secondary schools to train middle-level manpower to meet the immediate demand for trained personnel in a variety of fields including farming, agro-business, industrial skills, practical nursing, laboratory technicians and primary school teachers. Another loan of $3.0 million is proposed in FY 1970 to expand the scholarship credit program of the Foundation for Educational Credit established in 1968 with A.I.D. loan assistance. The Foundation provides loans to university students for studies in areas related to development.

Industrial Development

The major emphasis of A.I.D. Technical Assistance in the industrial sector will continue to be the encouragement of policies designed to improve the investment climate, develop effective industrial and tourism promotion organizations, and establish complementary industrial plants in Puerto Rico and the Dominican Republic.

Health

Technical advisory services will be provided to the Secretariat of Health in connection with the implementation of a $7.1 million development loan authorized in FY 1968 to assist in the financing of a nationwide maternal and infant care program. This program includes the construction and remodeling of health facilties, procurement of equipment for clinics and training of health personnel.

Other

Technical assistance will also be provided in carrying out a country-wide population and housing census in 1970. Public Safety

advisors will continue to assist the National Police in improving their ability to control civil disturbances. In the field of public administration, technical assistance will be continued in tax and budget reform and in strengthening local government administration.

ECUADOR

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	-	0.6 a/	3.5 a/	5.2
Technical Assistance ...	3.9	3.0	2.6	3.1
Total A.I.D. Assistance	3.9	3.6	6.1	8.3

a/ Includes grants of $597,000 in FY 1968 and $509,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

In Ecuador A.I.D. plans to support such reforms as are undertaken by the government of President Velasco Ibarra. The objectives of the program are to (1) increase participation of lower income groups in the political, economic, and social life of the country, (2) promote more equitable and productive systems of land use and extend land ownership through development of selected crops and expansion of agricultural cooperatives and credit unions and (3) encourage Ecuador's participation in regional economic groups, such as the Latin American Free Trade Association and the Andean Sub-regional group.

PROBLEMS AND PROGRESS

During the last five years Ecuador has experienced political uncertainty and has had four different governments. The key event in 1968 was the return to popularly elected government on August 31. The new government has pledged itself to the development of Ecuador's resources and the solution of its grave social and economic problems. Improvements in administrative skills and increases in fiscal resources are necessary for significant accomplishments.

Ecuador's net international reserves stood at $24.2 million in mid-March 1969, a 60% drop from the December 1967 level of $53.9 million. Exports in 1968 were higher in value than in 1967 but declined toward the end of 1968. Meanwhile, imports continued at a high level. Given this situation, the need for fiscal restraint is urgent. On April 4, 1969, the International Monetary Fund approved an $18 million stand-by agreement for Ecuador in support of a recently adopted stabilization program.

The ability of the Velasco Government to intensify economic and social development programs will depend in large part upon its success in increasing budgetary revenues. For the first time a special tax has been levied on the large sugar exporters. This tax could yield up to $1.8 million. A commission has been appointed to study additional fiscal initiatives. The government has also expressed interest in obtaining U.S. advisers in tax administration.

Agriculture accounts for about 35% of the country's gross domestic product (GDP). In the 1950's, when the market outlook was good for Ecuador's three main agricultural export products--bananas, cacao, and coffee--A.I.D. supported increased production of these crops. A.I.D. assistance helped bring under control Sikatoka disease, which threatened the banana crop. A.I.D. also helped develop new varieties of higher yield cacao plants. However, there is now an uncertain market outlook for Ecuador's main crop, bananas, although the outlook for cacao and coffee remains good. By 1972 Ecuador hopes to become a petroleum exporter, but in the interim the balance of payments is likely to restrain economic growth.

Through both Technical Assistance and Development Loans, A.I.D. has made a major contribution to the industrial sector, and the country now possesses promising public and private industrial finance institutions. The A.I.D.-supported Industrial Development Center has promoted $125 million in new private industrial investment since 1962. The national handicrafts marketing agency established with A.I.D. assistance is now self-supporting.

The United States encourages Ecuadorean participation in Latin American economic integration movements, especially the proposed Andean Common Market.

THE FY 1970 PROGRAM

Development Loans of $5.2 million and Technical Assistance of $3.1 million are planned for FY 1970. The Development Loan program consists of a loan for land drainage in the extensive Guayaquil slum area and one to guarantee sales of agricultural land to poor farmers. The Inter-American Development Bank and the World Bank are considering increased lending to Ecuador in power, agriculture and development finance, in effect complementing the A.I.D. emphasis

on grass roots development. A P.L. 480 Title I sales agreement for approximately $4 million is also proposed as well as continuation of the P.L. 480 Title II program of approximately $2.2 million.

Grass Roots Activities. The distinctive characteristic of the A.I.D. program in Ecuador is the effort to achieve greater participation by the people in the development process. Much of the FY 1970 program will be used for this purpose.

A $2.2 million loan will be used to promote wider land ownership. The loan will guarantee payments to land owners who sell their land to low-income farmers.

In addition, numerous technical assistance projects to achieve greater participation in development will continue in FY 1970:

--A.I.D. funds totalling $356,000 will be used to accelerate the development of rural credit unions and production and marketing cooperatives, with emphasis on small and medium-size farmers. Eight rice cooperatives with over 300 members, 44 coffee marketing cooperatives with over 300 members and 237 credit unions with 36,500 members have already been formed.

--Assistance of $237,000 will help rural community groups to identify development requirements. Over 200 campesinos were trained under this project in FY 1968.

--A project to involve youth in the development process will receive A.I.D. assistance of $100,000. Three pilot community action projects were completed in the summer of 1968.

--A.I.D. will continue to support a nationwide family planning program being undertaken by private groups, university medical schools, and the Ministry of Health. Assistance of $528,000 will be provided for this purpose.

--Technical Assistance of $225,000 will support the American institute of Free Labor Development's organizational work and training among free trade unions. To date 226 unions have become affiliated with the Ecuadorean Confederation of Free Trade Unions.

--A.I.D. will provide $196,000 to continue primary education curricula and textbook development and school construction activities.

Other Activities. Additional A.I.D. activities will (1) provide continued technical assistance and communications and transportation equipment to the Ecuadorean National Police, (2) continue support to the Industrial Center to improve its expertise in productivity, marketing and investment promotion, and (3) seek greater involvement in activities directed toward Ecuador's participation in regional economic and trade partnerships.

GUYANA

PROGRAM SUMMARY
(In millions of dollars

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	8.1	4.7	14.1	6.4
Technical Assistance . . .	1.3	1.1	1.0	1.3
Supporting Assistance . . .	-	2.5	-	-
Total A.I.D. Assistance	9.4	8.3	15.1	7.7

U.S. AID OBJECTIVES

A.I.D. is attempting to assist the Government of Guyana in its efforts to promote the social and economic integration of its major racial groups and to lay the base of self-sustaining economic growth.

To accomplish this, A.I.D. is working to;

-- modernize the rice industry, to expand rice export earnings 4% annually and increase agricultural incomes; and

-- reduce the high rate of unemployment, through expanded vocational training, the promotion of new and expanded labor intensive enterprises and general economic growth.

PROBLEMS AND PROGRESS

Guyana has shown promising economic growth since the government of Prime Minister Burnham took office in December 1964. GNP has increased at an annual rate of about 8% at current prices since 1965. The return of business confidence and government incentives (including duty-free imports, tax holidays, tariff concessions and subsidized land sites) have stimulated both foreign and domestic private investment. A major expansion in the American and Canadian owned bauxite industry was the principal new investment. The completion of this expansion in 1968 led to a large

statistical drop in private investment for that year, but local private investment has continued to rise. Private investment increased from 14% of GNP in 1966 to 17% in 1967, but dropped somewhat in 1968.

The problem of unemployment (15-20%) has been attacked in several ways with A.I.D. assistance but still remains a serious problem. A technical training school built with A.I.D. funds opened in August 1968, and over 100 students are attending six-month and one-year courses in a variety of technical skills in demand. A P.L. 480 sales agreement signed in FY 1969 will generate local currency to continue labor intensive agricultural works projects.

FY 1970 PROGRAM

The proposed FY 1970 program includes $6.4 million for Development Loans and $1.3 million for Technical Assistance. A $500,000 P.L. 480 grant will be continued to assist community development, school lunch programs and maternal and child health centers. A new P.L. 480 credit sales agreement may be considered in the second half of FY 1970.

Guyana receives substantial assistance from the United Kingdom, Canada and the IBRD. The United States has provided an average of over $10 million a year since 1965 compared to annual averages of $7 million from the United Kingdom, $3.3 million from Canada (increased to $4 million in 1968). In addition, the IBRD provided a total of $10.8 million in FY 1968 and FY 1969 for education and the protection of coastal lands from erosion by the sea.

Agriculture.

In the next few years, the A.I.D. program will concentrate on modernizing Guyana's rice industry, which accounts for 14% of export earnings and provides a livelihood for about a fourth of the population. In FY 1969, A.I.D. authorized a $12.9 million Development Loan for construction of a rice research station and six rice processing plants. Guyana's contribution towards the rice modernization project will include $4.5 million to cover local costs, the rehabilitation of two government-owned rice mills, a supervised agricultural credit program for small farmers to help them convert to improved varieties, and reorganization of the Rice Development Corporation.

Technical Assistance in agriculture, amounting to $300,000 in FY 1970, will promote diversification, increased yields, and utilization of new lands in the interior of the country.

Other Assistance.

A.I.D. is planning a $4 million Development Loan in FY 1970 to construct the Georgetown-by-pass road, a key link for the existing road system. A $1 million loan is proposed to replenish the Private Investment Fund (PIF) which assists in financing the cost of U.S. equipment needed by Guayanese private enterprise. $160,000 in Technical Assistance will pay for advisors to assist the Guyana Development Corporation in industrial promotion. The remaining Development Loan of $1.4 million will be used for technical advisors to the government on taxation and other related programs. Other Technical Assistance projects include AIFLD industrial training and union leadership activities ($200,000), professional training ($90,000) and public safety ($208,000).

HAITI

PROGRAM SUMMARY
(In millions of dollars)

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	0.2*	0.1*	0.05*	-
Supporting Assistance...	1.4	2.0	1.8	1.5
Contingency Fund.....	0.4	-	-	-
Total A.I.D. Assistance	2.0	2.1	1.85	1.5

* Not new assistance. Represents only capitalization of interest on prior year loan.

A.I.D. assistance to Haiti is limited because administrative and institutional weaknesses hamper Haiti's ability to use assistance effectively. The A.I.D. Mission withdrew in 1963 because of inadequate Haitian cooperation.

A.I.D. has continued, however, to contribute funds to a malaria eradication project which has been proceeding satisfactorily under the auspices of the Haitian Government and the Pan American Health Organization (PAHO), with participation by UNICEF. It is believe that the malaria transmission cycle can be broken by FY 1970 and that the program which was begun in 1960, can be phased out by FY 1972.

OTHER LATIN AMERICA PROGRAMS

FY 1970 PROGRAM

A.I.D. proposes to provide $1.3 for malaria eradication in FY 1970; PAHO, UNICEF, and the Haitian Government are expected to contribute about $400,000. The malaria eradication network might be used to provide family planning services in the future.

In FY 1968 a Special Development Activities Fund of $25,000 was established to encourage small, local self-help projects throughout the country. Special Fund activities are continuing in FY 1969 and planned for FY 1970 at the level of $40,000 each year.

Since 1966, CARE Incorporated has administered a small community development and family planning program in Haiti's rural northwest. The CARE program has been supported by grants from A.I.D. An additional grant of $137 thousand is proposed in FY 1970.

Other international agency and third country efforts in Haiti include: (1) UN projects in agriculture, (2) Inter-American Committee on the Alliance for Progress (OAS/CIAP) technical assistance in education, natural resources, civil administration, tourism and fiscal reform, and (3) agriculture-related projects sponsored by Nationalist China, the German Federal Republic and Israel. A.I.D. contributed to the OAS/CIAP technical assistance mission in FY 1968 and may provide additional support to OAS efforts.

JAMAICA

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	-	0.3*	0.3*	-
Technical Assistance ...	0.7	0.7	0.8	0.5
Total A.I.D. Assistance	0.7	1.0	1.1	0.5

* Represents $275,000 in FY 1968 and $315,000 in FY 1969 in grants for population programs under Title X of the Foreign Assistance Act.

The A.I.D. program is designed to assist Jamaica to reduce the population growth, preserve law and order, and improve development policies and institutions. Although small, the program is significant when coupled with local efforts and other assistance from abroad.

Economic growth, spurred in part by sizeable U.S. investment has been impressive at over 5% a year (1962-67). Nevertheless, unemployment, rapid population growth and unequal distribution of income have tended to impede progress and contribute to social unrest.

FY 1970 PROGRAM

For FY 1970, A.I.D. proposes $535,000 in Technical Assistance. In cases where other sources of loan financing are not available, A.I.D. would be prepared to consider loans which would have a significant influence upon Jamaican development policies and the rate of Jamaican development.

A.I.D. housing guaranties support a $15 million housing construction program. Jamaica will also receive $3 million in P.L. 480 Title II food donations for maternal/child welfare and school lunch feeding.

Assistance from the United Kingdom, Canada, the United Nations, the IBRD and private foundations together with Export-Import Bank Loans may exceed $30 million in 1970.

Family Planning. A.I.D. will provide $290,000 in Technical Assistance in FY 1970 for advisory services, training and clinical equipment for family planning to help Jamaica reach its goal of reducing the birthrate from 39 to 25 per thousand by 1976. The number of family planning clinics has increased from 50 in April 1968 to 120 in March 1969. There is some evidence that the birthrate has started to decline in 1968.

Agriculture. A.I.D. expects to provide $40,000 in Technical Assistance in FY 1970 for consulting services to identify and analyze development policies and problems that are hampering production and creating an overdependence on food imports.

Police Assistance. $50,000 in Technical Assistance is planned for FY 1970 to continue to assist the Constabulary Force to enable it to cope more effectively with the threat of growing violence and crime. The A.I.D. program has been designed to assist the Jamaican Government in carrying out a major reorganization of the police force. Funds budgeted by the Jamaican Government for the force increased from $7.5 million in 1965 to over $9 million in 1969.

PANAMA

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	22.9	16.3 a/	6.3 a/	13.0
Technical Assistance ...	2.1	3.0	2.8	3.6
Supporting Assistance ...	-	0.2	-	-
Contingency Fund.....	10.2	-	-	-
Total A.I.D. Assistance	35.2	19.6	9.1	16.6

a/ Includes grants of $471,000 in FY 1968 and $400,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

In Panama, A.I.D. is attempting to assist the country's efforts to cope more successfully with its deep-rooted problems of rapidly increasing urbanization, inadequate school systems and low agricultural productivity. A.I.D. is also helping to improve public administration, so that the government of Panama can effectively manage a development program.

PROBLEMS AND PROGRESS

Despite the electoral campaign disorders of April and the October coup d'etat which replaced President Arias with a military junta, the economy proved resilient in 1968. Although political instability probably reduced the rate of growth somewhat, key indicators nevertheless show the strength of the economy: GNP growth of 5.4% in 1968--down only slightly from 1967; gross investment 22% of Gross Domestic Product (GDP), same as in 1967. The balance on goods and services improved somewhat over 1966, from a deficit of $39 million in 1966 to $31 million in 1967.

The Government was able to secure loans in 1968 and early 1969 to counter the adverse economic and financial effects of the political turbulence. To this end, the Government negotiated two standby agreements with the IMF for $3 million each, and obtained $9.5 million in short and medium-term credits from private banks (mostly U.S.). Despite cut-backs in spending, the Government had a deficit of $8 million in its 1968 ordinary budget of $129 million.

While the standard of living in Panama has improved somewhat in recent years, the country's progress continues to be impeded by some pressing problems: population growth rate is a high 3.3%; distribution of income is inequitable; productivity is low; unemployment and under-employment in both urban and rural areas are widespread. More than half the population of Panama City lives in sub-standard housing. Some 40,000 people inhabit heavily congested squatter areas that starkly contrast with the nearby Canal Zone.

FY 1970 PROGRAM

The proposed FY 1970 A.I.D. program is $16.6 million, composed of $13 million in Development Loans and $3.6 million in Technical Assistance. The World Bank is considering a $30 million loan for a 150 megawatt hydropower facility on the Bayano River to serve the growing needs of Panama City and the Canal Zone. The Inter-American Development Bank (IDB) may provide $5.5 million in loans for agricultural credit and vocational education.

Agricultural Development

Agriculture remains Panama's most neglected sector. Productivity and income are low. Although agriculture employs nearly 50% of the labor force, it accounts for only 22% of GDP. Poor agricultural incomes and living conditions are forcing a growing number of people into the cities. Since the rural poor are often unable to find employment and adequate housing in the cities, their presence adds little to the urban economy, represents a drain on already strained urban facilities and resources and adds to urban social tension.

A recently completed Rural Cadastral and Natural Resources Survey supported by an A.I.D. loan of $2.7 million ($2.4 million in FY 1965 and $0.3 million in FY 1968), is providing the data necessary to accelerate agrarian reform and improve tax collections from rural properties.

As part of a nation-wide program for mobilizing the resources of local communities and bringing the rural dweller more effectively into the economy, A.I.D. expects to extend a $1.5 million loan for Community Development in FY 1970. The rural segment of this loan will assist in the development of rural cooperatives and locally chosen community institutions or activities. Grant-funded technical assistance will finance advisory services in marketing, agro-business, and crop diversification.

Urban Rehabilitation and Development

Since FY 1967, the Government and A.I.D. have made major efforts to improve conditions and increase community participation in the urban areas. A.I.D. loans and grants of $25 million have supported public works, manpower training, community development, and slum rehabilitation programs, principally in Panama City. In FY 1969, A.I.D.'s urban activities continue with a second urban development loan ($4.6 million).

In FY 1970, A.I.D. plans to assist in extending urban improvement programs involving slum clearance, rehabilitation and resettlement to the country's second city, Colon ($2 million loan). Through this program and an intensified community development effort in low income urban and rural areas. A.I.D. hopes to encourage greater community participation and make improvements in the lot of Panama's poor. Grant funds will provide technical assistance to both public and private Panamanian institutions involved in community development, cooperative and self-help housing, and urban planning.

Human Resources Development

Although literacy in Panama is relatively high (78%), the country's development has been hampered by poorly trained managers and laborers as well as by poor planning and institutional deficiencies. A new National Educational Plan, formulated with A.I.D. assistance, will be implemented by the Government at a cost of $28 million over 11 years, and is to be financed in part by an international consortium composed of A.I.D., IDB and IBRD. The Plan provides for balanced and orderly development of new school facilities at all levels, administrative reform, and better planning and use of educational resources, principally by improving curricula, teacher training, testing and materials. A.I.D. expects to support this program in FY 1970 with a sector loan of $4 million. In FY 1969 a $1.3 million loan is expected to help the Santa Maria University with technical assistance and construction of laboratories and other facilities.

Vocational manpower training and a National Employment Service, linking training to employment opportunities, were initiated in FY 1968 with A.I.D. assistance. Some 800 unemployed heads of families have already been trained during the experimental phase of the project. An A.I.D. loan of $2 million to the Institute for Development of Human Resources will provide part of the cost of expanding this program in FY 1970.

Administrative Reform

The Government's capacity to mobilize the nation's resources for development and manage its own machinery efficiently are impaired by deficiencies in public administration. The present Junta Government professes a strong desire for sweeping administrative improvements, particularly in the areas of tax, civil service, and procurement. Accordingly a loan for Public Administration Reform ($3.5 million) is being considered for FY 1970. Grant-funded technical assistance will increase somewhat in order to continue successful earlier projects (e.g., tax administration assistance, which has been in part responsible for increases in revenue collections of about 15% annually since 1965).

PARAGUAY

PROGRAM SUMMARY
(In millions of dollars)

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	1.9	1.0	7.7a/	4.0
Technical Assistance . . .	2.2	1.7	1.8	2.4
Total A.I.D. Assistance	4.1	2.7	9.5	6.4

a/ Includes $145,000 in grants for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The two principal development objectives of U.S. collaboration with Paraguay are: (a) to increase production of agricultural, livestock and forestry products, and (b) to upgrade the quality of secondary and university education. Concurrently, A.I.D. is working with the international agencies--Inter-American Development Bank (IDB), IBRD and International Monetary Fund (IMF)--through the Inter-American Committee on the Alliance for Progress (CIAP) in encouraging and assisting the Paraguayan Government to revise its tax system and improve collection methods.

PROBLEMS AND PROGRESS

The Paraguayan economy has advanced slowly in recent years. While Paraguay has maintained stability, its fiscal inadequacy is a major roadblock to growth and development. Tax yields are inadequate to meet development requirements, and budgetary deficits

are increasing. At the same time foreign debt servicing is posing an increasingly difficult problem and there are continuing balance of payments pressures.

A series of measures have been enacted over the past two years to increase revenue and improve the allocation of government expenditures. Nevertheless, a shortage of public savings for development continues to be a problem. The principal income-producing measures enacted have been a sales tax and increased stamp taxes. Measures to be taken are a revaluation of real estate for tax purposes and the introduction of a personal income tax. There is not yet enough experience to evaluate the effectiveness of these measures.

Through the efforts of the National Wheat Commission, production has increased from 5,000 metric tons in 1965 to 20,000 in 1968, the latter being 20% of current wheat consumption. A.I.D.-sponsored research led to the development of a seed variety adaptable to Paraguayan conditions. A.I.D. has also provided technical assistance, and loans totaling $9 million (including a $5 million loan in FY 1969) to the National Development Bank for credit to wheat farmers to import agricultural equipment, tractors and fertilizers. Local currency generated from sales of approximately $2.5 million of P.L. 480 wheat has also been re-lent in support of the wheat program.

FY 1970 PROGRAM

The proposed program for FY 1970 totals $6.35 million, of which $2.35 million is for Technical Assistance and $4 million for Development Loans. Activities to be undertaken are as follows:

Agriculture. A.I.D. agricultural assistance concentrates on lowering costs of production, marketing and transportation to make Paraguayan products more competitive in world markets. Only in this way will Paraguay earn the foreign exchange needed to finance development. A.I.D. will provide technical assistance ($720,000) in agricultural planning, extension, marketing, cooperatives development, education and research. A road program backed by P.L. 480 counterpart funds has opened up previously inaccessible agricultural areas. A road financed by A.I.D. loans is spanning the country from west to east and will lower the transportation costs of both the inputs and products of agriculture. In FY 1970 we plan to finance commodity studies to promote agricultural production and the development of agro-industries, particularly non-traditional export products for which it appears that Paraguay may have a comparative advantage.

Education. Paraguay's educational system is marked by inadequate facilities, a paucity of trained personnel and a system of educational priorities which provides too little emphasis on practical skills needed for development. Over 75% of the students entering the first grade never get past the third grade.

A.I.D. technical assistance ($742,000) concentrates on improving secondary and vocational planning and curriculum through four regional education centers. A.I.D. also assists universities in administrative and curricular reform and plant improvement. A proposed $2.0 million loan would improve the facilities of the existing regional centers, finance the construction of 4 additional centers, provide vocational agricultural equipment and train vocational education instructors. These moves would contribute to Paraguay's program to decentralize its education system.

Public Administration. A.I.D. will assist Paraguay to modernize and coordinate its system of budgeting, accounting, taxation and planning ($136,000). The principal contribution will be made by a team from the Internal Revenue Service.

Private Enterprise. To expand the role of private enterprise, A.I.D. will continue to assist the Private Development and Productivity Center, with emphasis placed on cooperative efforts of the private sector and the Ministry of Industry and Commerce to foster export promotion ($211,000).

A loan of $2 million will furnish seed-capital for a savings and loan system.

Population. In support of Paraguayan efforts in research and action programs for population planning, A.I.D. will provide technical assistance ($200,000) for family planning and demography.

PERU

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	17.5	0.7 a/	0.2 a/	-
Technical Assistance ...	5.2	4.8	4.4	3.5
Total A.I.D. Assistance	22.7	5.5	4.7	3.5

a/ Includes grants of $595,000 in FY 1968 and $250,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act. Balance of $57,000 in FY 1968 is not new assistance, but represents capitalization of interest on prior year loan.

U.S. AID OBJECTIVES

President Belaunde's election in 1963 brought into office a democratically chosen government in Peru committed to accelerated economic and social progress and raised great hopes for the role that Peru might play in the Alliance for Progress. Once in power, the Belaunde Government concentrated on large investments in roads, power projects and other infrastructure projects. These programs, plus an extremely generous teachers' pay bill, resulted in public expenditures mounting far more rapidly than public revenues, creating a major fiscal problem. After several years of repeated frustration in trying to get the Peruvian Congress to pass needed revenue measures, Belaunde in the spring of 1968 received from the Congress special powers to adopt financial and economic measures by decree for a sixty-day period. After he had enacted a major fiscal reform program and had arranged a settlement of the long-standing dispute with the U.S.-owned International Petroleum Company (IPC), he was overthrown by the military on October 3, 1968. The military government in its first action on October 4 nullified the IPC settlement. On October 9 it expropriated major assets of the company.

The Peruvian Government has not yet discharged its obligation under international law to compensate IPC for the loss of its property, although the continuation of talks and an administrative process being used by IPC to challenge the $690 million debt permitted deferral of suspensory action under Section 620(e) of the Foreign Assistance Act of 1961 (the Hickenlooper Amendment) and Section 408(c) of the Sugar Act. If this problem is solved and the Peruvian Government can demonstrate its eligibility on other grounds, new development lending may be recommended to reinforce the objectives of the other U.S. programs.

PROBLEMS AND PROGRESS

Peru's economic growth, averaging 6.5% a year in real terms during 1960-66, compared very favorably with other Latin American countries. The growth in per capita GNP was significantly less, however, because of a rapid population growth rate of 3.1% a year. Although data are not current or comprehensive, they clearly support a badly skewed distribution of income. Economic growth from 1960-66 was due primarily to the outstanding performance of the private sector, which expanded export value at an average annual rate of about 10%. This dynamic export growth slowed in 1967 and 1968 because of adverse trends in the foreign markets for Peru's principal agricultural products.

The military government originally indicated that it would carry on the policies President Belaunde began in June 1968 to reduce the fiscal deficit, improve the balance of payments, refinance outstanding foreign debts, and sharply limit new external borrowings to only high priority investments on appropriate financial terms. It has now shifted to an expansionary policy of extending domestic credit for specific purposes which may complicate its economic future.

FY 1970 PROGRAM

The FY 1969 A.I.D. program includes a Technical Assistance program, implementation of previously approved loans, a Title II P.L. 480 food donation program, and an on-going housing guaranty program.

Subject to the legislative requirements of the Foreign Assistance Act, in FY 1970 A.I.D. proposes a $3.5 million Technical Assistance program concentrating on agriculture and rural or community development, with a secondary effort in housing. A.I.D. also will provide some foodstuff grants to continue on-going child feeding, reforestation and other humanitarian P.L. 480 programs. Peru's food situation is characterized by a growth in demand exceeding production growth, leading to rising imports estimated by the Government at $154 million in 1969. The junta has outlined a sectoral program to increase food crop production by providing lower-cost fertilizers, guaranteed price supports for basic foodstuffs, timely credit, an improved marketing system, and expanded storage and processing facilities. A.I.D. has financed the activities of North Carolina State and Iowa State Universities in Peru and provided related loan funds to support " commodity-in-depth" programs for key crops such as potatoes, beans, rice and livestock. A.I.D. has supported Peru's attempts to integrate the rural masses into the political and economic decision-making processes.

URUGUAY

PROGRAM SUMMARY (In millions of dollars	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	0.8	15.0	-	7.0
Technical Assistance ...	1.5	1.3	1.7	2.2
Contingency Fund.....	0.4	-	-	-
Total A.I.D. Assistance	2.7	16.3	1.7	9.2

U.S. AID OBJECTIVES

A.I.D. objectives in Uruguay are to: (1) assist Uruguay to implement an effective stabilization program; (2) help modernize agricultural production in order to increase exports; (3) promote development of non-traditional exports.

PROBLEMS AND PROGRESS

The economy of Uruguay steadily deteriorated during the last ten years. Per capita GNP decreased 14% since the mid-1950s. This deterioration took place in large measure because of the decline in world market prices of livestock products after the Korean War, divided authority in the Central Government, and increases in social programs which the government could not afford.

This situation continued until mid-1968 when a new government, under a new constitution, legislated and applied a combination of tight monetary and fiscal controls and wage and price restraints which reduced the rate of increase in the cost of living to 1.6% in the second half of 1968, a decline from 63.7% in the first half, and from 136%, a record for the country, in 1967.

The exchange rate was kept at a realistic level by a devaluation to 250 from 199 to the dollar in April 1968. That level has been maintained by imposition of a ceiling on commercial bank lending and a freeze on wages.

The government's program was carried out with the support of a standby agreement with the International Monetary Fund (IMF). The agreement for $25 million set targets on (a) improvement in net foreign reserves, (b) maximum allowable credit expansion, and (c) maximum allowable credit to the public sector. Performance under the standby was generally acceptable and $20 million of the $25 million was drawn.

Although the Government of Uruguay has taken the strenuous and difficult measures needed to break the inflationary spiral, it still faces the problem of restoring vigorous economic activity. A danger of the stabilization program is that expenditure restrictions required to maintain stability will restrict economic growth. Budgetary imbalances present a serious obstacle to stabilization. Uruguay's deficit reached 18% of expenditures in 1967; preliminary data indicate only a somewhat lower ratio for 1968.

In response to Uruguay's problems and efforts to meet them, A.I.D. has assisted in several sectors: with a loan of $15 million in FY 1968 for imports of U.S. agricultural equipment and for support of the Ministry of Livestock and Agriculture's extension services, farm credit operations and research activities; with two P.L. 480 Title I sales agreements signed in FY 1968; with technical assistance and equipment in support of educational television; and with assistance in tax administration.

The IMF standby agreement which ended on February 28, 1969, probably will be followed soon by another. Nevertheless, Uruguay will require additional external resources for export promotion, for credit available to the private sector, and for other development programs related to agricultural modernization.

FY 1970 PROGRAM

The proposed A.I.D. program for FY 1970 is $9.2 million, of which $2.2 million is for Technical Assistance and $7 million for project loans, mostly concentrated in agriculture.

Agriculture. The FY 1968 Agricultural Sector Loan of $15.0 million was conditioned, in part, on general macroeconomic and agricultural sector performance and specifically on eligibility to draw under the IMF standby agreement. Performance under this loan was deemed acceptable and two tranches totaling $11 million have been released.

In FY 1970, A.I.D. proposes to emphasize agricultural development and production with particular attention to the exporting of agricultural commodities such as fruits and vegetables, and frozen processed and pre-packaged meat to neighboring countries. Advice and training will be offered in research and production techniques, in the use of marketing and processing facilities, and in export promotion methods.

Project loans totaling $7 million will promote growth, particularly in non-traditional exports. A $4 million loan will support an Export Expansion Fund to be used by private enterprise for the import of equipment, materials and technical expertise needed for improvements in products for the export markets. Another loan of $3 million would partially finance a private development corporation, which would help mobilize local savings and promote foreign investment in Uruguay's private sector. Emphasis of the latter loan would be on agro-industry.

Labor. In order to strengthen the capabilities of the free labor movement, A.I.D. will continue to support the American Institute for Free Labor Development in its grassroots efforts in Uruguay to improve worker's education and union leadership methods.

Public Administration. A.I.D. technicians will provide advisory services to: (1) the Ministry of Industries and Commerce to stimulate investment in the private sector; (2) to the Ministry of Finance to improve tax administration, and (3) to the Office of Budget and Planning to develop trained economic development planners.

Public Safety. A.I.D. advisors to police forces will continue to provide technical assistance in police patrol and investigation. Selected police staff will receive training in the United States.

VENEZUELA

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	-	0.4 a/	0.1 a/	-
Technical Assistance ...	1.4	1.1	0.9	0.9
Total A.I.D. Assistance	1.4	1.4	1.1	0.9

a/ Represents grants for population program under Title X of the Foreign Assistance Act.

The small A.I.D. technical assistance program in Venezuela is not designed to assist in major economic change, but rather to provide U.S. technical knowledge where the need is critical and the multiplier effect will be greatest. The program concentrates on improving education and vocational training, increasing the availability of family planning assistance and low cost housing, and strengthening Venezuelan police capacity to maintain order. Because of Venezuela's ability to finance projects from other sources, no concessional A.I.D. loans have been made since FY 1963.

Because of oil, Venezuela is the wealthiest of the Latin American countries. Yet with a per capita personal income of only about $600, it might be termed the least poor.

The rate of both growth and investment depend heavily on petroleum production, which accounts for one-fourth of the GNP, two-thirds of government revenues and 90% of foreign exchange earnings. This dependence on a single export makes the Venezuelan economy susceptible to fluctuations in the world petroleum market and has contributed to the uneven growth and distribution of income.

Another problem is the 3.5% rate of population increase -- one of the highest in the world. As a result, per capita GNP increased an average of only 1.7% a year in 1962-67 despite a 5.3% increase in GNP.

FY 1970 PROGRAM

The proposed FY 1970 program consists of $900,000 in Technical Assistance primarily for public safety, housing, education, and family planning.

Public Safety

For seven years, the "Armed Forces of National Liberation", trained and financed by Cuba, have been engaging in terrorist activities in Venezuela. Since 1962, an A.I.D. public safety program has helped establish a unified command among police agencies, set up a modern national police records system, purchased modern equipment and trained some 14,000 Venezuelans in methods of maintaining civil order. The improved capabilities of Venezuelan internal security forces have curbed but have not eliminated persistent terrorist activities. In FY 1970, A.I.D. plans to provide $281,000 for advisors to law enforcement agencies and for the training of Venezuelan police officers in the United States.

OTHER LATIN AMERICA PROGRAMS

Housing.

The Venezuelan Government, helped by A.I.D. loans has constructed 83,600 low-cost dwelling units. This program is supplemented by A.I.D. guaranties which are expected to cover U.S. housing investments of $40 million by the end of FY 1969 and by a savings and loan system, established with an A.I.D. loan which is now used by 66,000 depositors having $62 million in savings. In FY 1970, A.I.D. expects to continue the guaranty program and provide $40,000 in Technical Assistance to provide a U.S. advisor and train Venezuelans on problems related to the guaranty and savings and loan program.

Education.

In FY 1969, the Venezuelan Government is distributing over 2,000,000 free elementary school textbooks, three-fourths of which were developed by A.I.D. consultants. Other consultants are developing Venezuela's first college-level curriculum designed to train secondary school teachers in industrial, commercial and agricultural skills and home economics. A.I.D. plans to provide $300,000 in Technical Assistance in FY 1970, primarily to continue services of these consultants in vocational and secondary education.

Family Planning.

In FY 1970, A.I.D. plans to provide $137,000 to sponsor demographic studies and family planning programs in conjunction with local groups.

EASTERN CARIBBEAN REGIONAL

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	-	-	-	6.0
Technical Assistance ...	-	0.05	0.05	0.1
Total A.I.D. Assistance	-	0.05	0.05	6.1

The Eastern Caribbean encompasses Barbados, which became independent in 1966, and the English-speaking Windward and Leeward Islands. A.I.D. does not have, nor does it foresee, any bilateral programs in this area. However, the United States strongly favors the regional cooperation required for the economic viability of the islands of the Eastern Caribbean. Our role is small relative to other donors such as the United Kingdom, Canada and the United Nations, whom we encourage to increase their assistance programs.

Early in 1968, the Governments of the area established a Regional Development Agency and employed a Secretariat as first steps toward coordinated regional development planning. During FY 1969, A.I.D., through a Census Bureau PASA, is helping the Regional Development Agency to improve the collection of data on tourism and external trade, to initiate household sample surveys of population and manpower, and to train local personnel in statistics and survey techniques. The first phase of an A.I.D.-financed tourism planning study is nearing completion. Follow-on technical assistance activities in FY 1970 will also be centered upon tourism, which is the principal expected source of economic growth in this area. A.I.D. investment guaranties covering investments in tourism are in effect and applications have been received.

With United Nations Development Program (UNDP) assistance, the English-speaking areas of the Caribbean are expected to organize a Caribbean Development Bank in 1969. The members of the Bank will be the eight islands of the Eastern Caribbean, Trinidad and Tobago, Guyana, and possibly Jamaica and the Bahamas, plus Canada and the United Kingdom. The Bank will be capitalized at about $50 million, with the countries of the area providing 60% of the capital and the United Kingdom and Canada together providing 40%.

In FY 1970, the United States proposes to lend the Bank approximately $6 million to provide additional funding. While the United States will not have an equity participation in the Bank this loan will provide the United States with an opportunity to advise on policies and operations of the key financial institution in the area. Additional subsequent loans over several years are expected, again paralleling U.K. and Canadian participation, for a total U.S. assistance of about $15 million.

OTHER LATIN AMERICA PROGRAMS

ARGENTINA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	1.3	-8.9	133.7	38.5	95.2
Loans	-	-10.7	118.9	38.5	80.4
Grants	1.3	1.8	14.8	-	14.8
FOOD FOR FREEDOM - TOTAL	-	-	18.2	0.4	17.8
Title I - Total	-	-	18.2	0.4	17.8
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	18.2	0.4	17.8
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(30.5)	(-)	(30.5)
Planned for Country Use	-	-	18.2	0.4	17.8
Economic Development Loans	-	-	18.2	0.4	17.8
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	-	-	-	-	-
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	-	-
VOLUNTARY RELIEF AGENCIES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	41.0	504.2 a/	388.5	115.7
OTHER U.S. ECONOMIC PROGRAMS	-	-	43.5	2.6	40.9
PEACE CORPS	-	-	-	-	-
SOCIAL PROGRESS TRUST FUND	-	-	43.5	2.6	40.9
OTHER	-	-	*	-	*
TOTAL ECONOMIC	1.3	32.1	699.6	430.0	269.6
Loans	-	30.3	684.8	430.0	254.8
Grants	1.3	1.8	14.8	-	14.8
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	10.3	13.7	80.4	10.7	69.7
Credit Assistance	3.5	2.8	37.6	10.7	26.9
Grants	6.8	10.9	42.8	-	42.8
(Additional Grants from Excess Stocks)	(0.7)	(0.7)	(3.2)	-	(3.2)
OTHER MILITARY ASSISTANCE GRANTS	-	-	37.0	-	37.0
TOTAL MILITARY	10.3	13.7	117.4	10.7	106.7
TOTAL ECONOMIC AND MILITARY	11.6	45.8	817.0	440.7	376.3
Loans	3.5	33.1	722.4	440.7	281.7
Grants	8.1	12.7	94.6	-	94.6

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	78.0	124.4	497.2
IBRD-World Bank	-	70.3	195.7
Int'l Finance Corp.	-	-	8.0
Inter-Am. Dev. Bank	77.4	52.1	270.0
UNDP-Special Fund	-	1.6	15.6
UNDP-TA (CY)	0.5	0.4	4.6
Other UN (CY)	0.1	*	3.3

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	54.0	48.2	365.4
Italy	6.5	22.0	133.9
Germany	12.8	24.0	126.1
United Kingdom	8.8	0.3	29.9
Other	25.9	1.8	75.4

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	5
Cumulative thru 1968	54

*Less than $50,000.

a/ Excludes refunding of $72.0 million in FY 1963; and $15.4 million in FY 1966.

b/ Annual data represent deliveries; total through 1968 is the cumulative program.

BOLIVIA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	14.3	7.8	335.5	5.3	330.2
Loans	10.9	4.5	111.5	5.3	106.2
Grants	3.4	3.3	224.0	-	224.0
FOOD FOR FREEDOM - TOTAL	1.5	10.6	82.4	2.3	80.1
Title I - Total	0.6	9.6	43.3	2.3	41.0
PAYABLE IN U.S. DOLLARS - LOANS	0.6	9.6	14.7	0.7	14.0
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	28.6	1.6	27.0
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(37.1)	(-)	(37.1)
Planned for Country Use	-	-	28.6	1.6	27.0
Economic Development Loans	-	-	26.1	1.5	24.6
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	2.4	0.1	2.3
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.9	1.0	39.1	-	39.1
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	0.4	20.1	-	20.1
VOLUNTARY RELIEF AGENCIES	0.9	0.6	19.0	-	19.0
EXPORT-IMPORT BANK LONG-TERM LOANS	10.1 a/	-	36.5	10.4	26.1
OTHER U.S. ECONOMIC PROGRAMS	2.2	1.7	38.0	1.1	36.9
PEACE CORPS	2.2	1.7	12.8	-	12.8
SOCIAL PROGRESS TRUST FUND	-	-	14.6	1.1	13.5
OTHER	-	-	10.6	-	10.6
TOTAL ECONOMIC	28.1	20.1	492.4	19.1	473.3
Loans	21.6	14.1	205.8	19.1	186.7
Grants	6.5	6.0	286.5	-	286.5
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	2.9	3.5	20.8	-	20.8
Credit Assistance	-	-	-	-	-
Grants	2.9	3.5	20.8	-	20.8
(Additional Grants from Excess Stocks)	(0.5)	(0.4)	(3.6)	-	(3.6)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	2.9	3.5	20.8	-	20.8
TOTAL ECONOMIC AND MILITARY	31.0	23.6	513.2	19.1	494.1
Loans	21.6	14.1	205.8	19.1	186.7
Grants	9.4	9.5	307.3	-	307.3

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	15.5	32.7	107.2
Int'l Dev. Association	2.0	-	17.0
Inter-Am. Dev. Bank	12.9	27.8	72.1
UNDP-Special Fund	-	4.0	8.1
UNDP-TA (CY)	0.6	0.5	7.1
Other UN (CY)	*	0.4	2.9

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	1.8	2.7	15.3
Germany	1.4	2.0	12.5
United Kingdom	0.3	0.2	1.7
Other	0.2	0.5	1.1

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative thru 1968	-

*Less than $50,000.

a/ Excludes refunding of $23.8 million.

b/ Annual data represent deliveries; total through 1968 is the cumulative program.

OTHER LATIN AMERICA PROGRAMS

DOMINICAN REPUBLIC

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	53.2	43.2	300.1	5.1	295.0
Loans	47.1	37.8	167.0	5.1	161.9
Grants	6.1	5.4	133.1	-	133.1
FOOD FOR FREEDOM - TOTAL	4.3	20.2	66.7	1.8	64.9
Title I - Total	-	15.3	28.2	1.8	26.4
PAYABLE IN U.S. DOLLARS - LOANS	-	15.3	28.2	1.8	26.4
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	4.3	4.9	38.5	-	38.5
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	-	0.4	5.6	-	5.6
VOLUNTARY RELIEF AGENCIES	4.3	4.5	32.9	-	32.9
EXPORT-IMPORT BANK LONG-TERM LOANS	-	6.3	29.9	4.3	25.6
OTHER U.S. ECONOMIC PROGRAMS	0.8	1.0	17.3	0.9	16.4
PEACE CORPS	0.8	1.0	6.4	-	6.4
SOCIAL PROGRESS TRUST FUND	-	-	10.3	0.9	9.4
OTHER	-	-	0.6	-	0.6
TOTAL ECONOMIC	58.3	70.7	414.0	12.1	401.9
Loans	47.1	59.4	235.4	12.1	223.3
Grants	11.2	11.3	178.6	-	178.6
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	3.4	2.3	21.4	-	21.4
Credit Assistance	-	-	-	-	-
Grants	3.4	2.3	21.4	-	21.4
(Additional Grants from Excess Stocks)	(0.3)	(0.1)	(2.9)	(-)	(2.9)
OTHER MILITARY ASSISTANCE GRANTS	-	-	1.0	-	1.0
TOTAL MILITARY	3.4	2.3	22.4	-	22.4
TOTAL ECONOMIC AND MILITARY	61.7	73.0	436.4	12.1	424.3
Loans	47.1	59.4	235.4	12.1	223.3
Grants	14.6	13.6	201.0	-	201.0

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	4.4	26.3	47.6
Inter-Am. Dev. Bank	3.0	24.8	39.0
UNDP-Special Fund	1.1	0.9	4.6
UNDP-TA (CY)	0.3	0.5	1.6
Other UN (CY)	*	0.1	2.4

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	0.4	0.3	0.9
Germany	0.2	0.2	0.6
Austria	0.1	0.1	0.2
Other	-	*	0.1

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative thru 1968	-

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

ECUADOR

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	0.4	3.2	126.1	11.5	114.6
Loans	-3.2	-0.1	78.6	11.5	67.1
Grants	3.6	3.3	47.5	-	47.5
FOOD FOR FREEDOM - TOTAL	3.0	1.4	36.8	5.3	31.5
Title I - Total	1.2	-	17.8	5.3	12.5
PAYABLE IN U.S. DOLLARS - LOANS	1.2	-	9.4	0.8	8.6
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	8.4	4.5	3.9
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(11.5)	(-)	(11.5)
Planned for Country Use	-	-	8.4	4.5	3.9
Economic Development Loans	-	-	7.2	3.6	3.6
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	1.2	0.9	0.3
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	1.8	1.4	19.0	-	19.0
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	-	-	1.4	-	1.4
VOLUNTARY RELIEF AGENCIES	1.8	1.4	17.6	-	17.6
EXPORT-IMPORT BANK LONG-TERM LOANS	-	7.5	42.1	26.2	15.9
OTHER U.S. ECONOMIC PROGRAMS	1.5	1.5	44.4	2.7	41.7
PEACE CORPS	1.5	1.5	12.9	-	12.9
SOCIAL PROGRESS TRUST FUND	-	-	27.8	2.2	25.6
OTHER	-	-	3.7	0.5	3.2
TOTAL ECONOMIC	4.9	13.6	249.4	45.7	203.7
Loans	-2.0	7.4	166.8	45.7	121.1
Grants	6.9	6.2	82.6	-	82.6
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	3.1	2.8	39.8	0.1	39.7
Credit Assistance	-	-	0.7	0.1	0.6
Grants	3.1	2.8	39.1	-	39.1
(Additional Grants from Excess Stocks)	(0.1)	(0.3)	(9.5)	(-)	(9.5)
OTHER MILITARY ASSISTANCE GRANTS	-	-	10.0	-	10.0
TOTAL MILITARY	3.1	2.8	49.8	0.1	49.7
TOTAL ECONOMIC AND MILITARY	8.0	16.4	299.2	45.8	253.4
Loans	-2.0	7.4	167.5	45.8	121.7
Grants	10.0	9.0	131.7	-	131.7

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	22.2	8.9	130.3
IBRD-World Bank	4.0	-	58.0
Int'l Dev. Association	-	5.1	13.1
Int'l Finance Corp.	-	-	2.0
Inter-Am. Dev. Bank	17.0	3.0	34.3
UNDP-Special Fund	-	-	10.9
UNDP-TA (CY)	0.6	0.6	7.5
Other UN (CY)	0.6	0.2	4.5

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	1.1	1.4	4.7
Germany	0.6	0.8	2.0
Austria	0.1	0.2	1.7
Other	0.4	0.5	1.0

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	5
1968 (Calendar Year)	-
Cumulative thru 1968	5

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

GUYANA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	9.4	8.2	39.3	*	39.3
Loans	8.1	7.2	24.8	*	24.8
Grants	1.3	1.0	14.5	-	14.5
FOOD FOR FREEDOM - TOTAL	0.1	0.1	2.8	-	2.8
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.1	0.1	2.8	-	2.8
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	0.1	1.1	-	1.1
VOLUNTARY RELIEF AGENCIES	0.1	*	1.7	-	1.7
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.2	0.2	0.6	-	0.6
PEACE CORPS	0.2	0.2	0.6	-	0.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	-	-	-
TOTAL ECONOMIC	9.7	8.5	42.7	*	42.7
Loans	8.1	7.2	24.8	*	24.8
Grants	1.6	1.3	17.9	-	17.9
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.)	-	-	-	-	-
Credit Assistance	-	-	-	-	-
Grants	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	9.7	8.5	42.7	*	42.7
Loans	8.1	7.2	24.8	*	24.8
Grants	1.6	1.3	17.9	-	17.9

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	0.3	0.2	7.7
IBRD-World Bank	-	-	0.9
UNDP-Special Fund	-	-	4.9
UNDP-TA (CY)	0.3	0.2	1.3
Other UN (CY)	*	*	0.6

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	7.4	6.6	51.7
United Kingdom	6.6	4.6	48.5
Canada	0.8	1.9	3.1
Other	*	0.1	0.1

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year) -
1968 (Calendar Year) -
Cumulative thru 1968 -

*Less than $50,000.

HAITI

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	2.0	2.1	63.9	1.4	62.5
Loans	0.2 a/	0.1 a/	5.6	1.4	4.2
Grants	1.8	2.0	58.3	-	58.3
FOOD FOR FREEDOM - TOTAL	0.7	1.6	16.5	-	16.5
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.7	1.6	16.5	-	16.5
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	3.5	-	3.5
VOLUNTARY RELIEF AGENCIES	0.7	1.6	13.0	-	13.0
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	28.0	9.3	18.7
OTHER U.S. ECONOMIC PROGRAMS	-	-	3.0	0.1	2.9
PEACE CORPS	-	-	-	-	-
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	3.0	0.1	2.9
TOTAL ECONOMIC	2.7	3.7	111.4	10.8	100.6
Loans	0.2	0.1	33.9	10.8	23.1
Grants	2.5	3.6	77.5	-	77.5
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	-	3.2	-	3.2
Credit Assistance	-	-	-	-	-
Grants	-	-	3.2	-	3.2
(Additional Grants from Excess Stocks)	(-)	(-)	(0.2)	(-)	(0.2)
OTHER MILITARY ASSISTANCE GRANTS	-	-	1.1	-	1.1
TOTAL MILITARY	-	-	4.3	-	4.3
TOTAL ECONOMIC AND MILITARY	2.7	3.7	115.7	10.8	104.9
Loans	0.2	0.1	33.9	10.8	23.1
Grants	2.5	3.6	81.8	-	81.8

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	2.3	0.4	20.1
IBRD-World Bank	-	-	2.6
Int'l Dev. Association	-	-	0.4
Inter-Am. Dev. Bank	1.3	-	7.2
UNDP-Special Fund	0.7	-	3.1
UNDP-TA (CY)	0.2	0.2	3.6
Other UN (CY)	0.1	0.2	3.2

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	0.2	0.4	1.3
Germany	0.2	0.3	1.0
Other	*	0.1	0.2

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year) -
1968 (Calendar Year) -
Cumulative thru 1968 -

*Less than $50,000.

a/ Represents capitalized interest only.
b/ Annual data represent deliveries; total through 1968 is the cumulative program.

OTHER LATIN AMERICA PROGRAMS

JAMAICA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	0.6	0.9	19.4	0.4	19.0
Loans	-	-	11.6	0.4	11.2
Grants	0.6	0.9	7.8	-	7.8
FOOD FOR FREEDOM - TOTAL	0.9	6.1	22.3	-	22.3
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.9	6.1	22.3	-	22.3
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	5.8	6.9	-	6.9
VOLUNTARY RELIEF AGENCIES	0.9	0.3	15.4	-	15.4
EXPORT-IMPORT BANK LONG-TERM LOANS	3.0	-	11.0	0.4	10.6
OTHER U.S. ECONOMIC PROGRAMS	0.6	0.7	3.2	-	3.2
PEACE CORPS	0.6	0.7	3.2	-	3.2
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	-	-	-
TOTAL ECONOMIC	5.1	7.7	55.9	0.8	55.1
Loans	3.0	-	22.6	0.8	21.8
Grants	2.1	7.7	33.3	-	33.3
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	0.3	0.3	1.1	-	1.1
Credit Assistance	-	-	-	-	-
Grants	0.3	0.3	1.1	-	1.1
(Additional Grants from Excess Stocks)	(-)	(-)	(*)	(-)	(*)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	0.3	0.3	1.1	-	1.1
TOTAL ECONOMIC AND MILITARY	5.4	8.0	57.0	0.8	56.2
Loans	3.0	-	22.6	0.8	21.8
Grants	2.4	8.0	34.4	-	34.4

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	11.2	0.4	43.1
IBRD-World Bank	9.5	-	37.0
Int'l Finance Corp.	-	-	0.2
UNDP-Special Fund	1.4	0.1	3.6
UNDP-TA (CY)	0.2	0.2	1.6
Other UN (CY)	0.1	0.1	0.7

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	5.8	5.3	40.7
United Kingdom	5.2	3.6	37.8
Canada	0.6	1.6	2.7
Other	*	0.2	0.3

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968..... -

*Less than $50,000.
a/ Annual data represent deliveries; total through 1968 is the cumulative program.

PANAMA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	33.9	18.8	133.4	6.9	126.5
Loans	27.5	15.3	90.6	6.9	83.7
Grants	6.4	3.5	42.8	-	42.8
FOOD FOR FREEDOM - TOTAL	0.6	0.3	9.6	-	9.6
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.6	0.3	9.6	-	9.6
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	-	-
VOLUNTARY RELIEF AGENCIES	0.6	0.3	9.6	-	9.6
EXPORT-IMPORT BANK LONG-TERM LOANS	-	0.5	30.3	17.1	13.2
OTHER U.S. ECONOMIC PROGRAMS	0.7	0.9	53.1	1.8	51.3
PEACE CORPS	0.7	0.9	4.8	-	4.8
SOCIAL PROGRESS TRUST FUND	-	-	12.9	1.8	11.1
OTHER	*	*	35.4	-	35.4
TOTAL ECONOMIC	35.2	20.5	226.4	25.8	200.6
Loans	27.5	15.8	133.8	25.8	108.0
Grants	7.7	4.7	92.6	-	92.6
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	0.5	0.3	2.9	-	2.9
Credit Assistance	-	-	-	-	-
Grants	0.5	0.3	2.9	-	2.9
(Additional Grants from Excess Stocks)	(*)	(*)	(*)	(-)	(*)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	0.5	0.3	2.9	-	2.9
TOTAL ECONOMIC AND MILITARY	35.7	20.8	229.3	25.8	203.5
Loans	27.5	15.8	133.8	25.8	108.0
Grants	8.2	5.0	95.5	-	95.5

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	11.9	0.4	52.1
IBRD-World Bank	-	-	18.0
Inter-Am. Dev. Bank	10.4	-	24.2
UNDP-Special Fund	0.9	-	5.0
UNDP-TA (CY)	0.4	0.2	2.3
Other UN (CY)	0.2	0.2	2.6

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	0.1	0.1	12.7
Italy	*	-	12.4
Germany	0.1	0.1	0.3
Other	*	*	0.1

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968..... -

*Less than $50,000.
a/ Annual data represent deliveries; total through 1968 is the cumulative program

PARAGUAY

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	3.9	2.4	61.6	8.3	53.3
Loans	1.9	1.0	30.6	8.3	22.3
Grants	2.0	1.4	31.0	-	31.0
FOOD FOR FREEDOM - TOTAL	0.6	3.1	25.1	1.7	23.4
Title I - Total	-	2.3	16.6	1.7	14.9
PAYABLE IN U.S. DOLLARS - LOANS	-	2.3	4.9	0.4	4.5
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	11.7	1.3	10.4
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(16.0)	(-)	(16.0)
Planned for Country Use	-	-	11.7	1.3	10.4
Economic Development Loans	-	-	7.2	1.2	6.0
Economic Development Grants	-	-	3.3	-	3.3
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	1.2	0.1	1.1
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.6	0.8	8.5	-	8.5
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	0.1	0.1	-	0.1
VOLUNTARY RELIEF AGENCIES	0.6	0.7	8.4	-	8.4
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	10.4	8.2	2.2
OTHER U.S. ECONOMIC PROGRAMS	0.3	0.4	11.3	0.3	11.0
PEACE CORPS	0.3	0.4	0.7	-	0.7
SOCIAL PROGRESS TRUST FUND	-	-	7.8	0.3	7.5
OTHER	-	-	2.8	-	2.8
TOTAL ECONOMIC	4.8	5.9	108.4	18.5	89.9
Loans	1.9	3.3	62.1	18.5	43.6
Grants	2.9	2.6	46.3	-	46.3
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	1.1	1.8	7.9	-	7.9
Credit Assistance	-	-	0.2	-	0.2
Grants	1.1	1.8	7.7	-	7.7
(Additional Grants from Excess Stocks)	(0.5)	(0.1)	(1.7)	(-)	(1.7)
OTHER MILITARY ASSISTANCE GRANTS	-	-	1.4	-	1.4
TOTAL MILITARY	1.1	1.8	9.3	-	9.3
TOTAL ECONOMIC AND MILITARY	5.9	7.7	117.7	18.5	99.2
Loans	1.9	3.3	62.3	18.5	43.8
Grants	4.0	4.4	55.4	-	55.4

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	6.7	16.9	88.4
IBRD-World Bank	-	-	11.5
Int'l Dev. Association	-	-	17.1
Inter-Am. Dev. Bank	6.2	16.0	48.3
UNDP-Special Fund	-	0.2	3.6
UNDP-TA (CY)	0.4	0.3	5.3
Other UN (CY)	0.1	0.4	2.6

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	1.2	4.7	12.1
Germany	1.1	1.5	4.8
Japan	*	0.1	4.0
Italy	-	3.0	3.0
Other	0.1	0.1	0.2

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... *
Cumulative thru 1968..... -

*Less than $50,000.
a/ Annual data represent deliveries; total through 1968 is the cumulative program.

PERU

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	22.1	3.9	160.0	5.9	154.1
Loans	17.5	-1.1	99.0	5.9	93.1
Grants	4.6	5.1	61.0	-	61.0
FOOD FOR FREEDOM - TOTAL	2.4	7.0	95.6	9.7	85.9
Title I - Total	-	-	29.4	9.7	19.7
PAYABLE IN U.S. DOLLARS - LOANS	-	-	1.8	0.9	0.9
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	27.6	8.8	18.8
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(39.9)	(-)	(39.9)
Planned for Country Use	-	-	27.6	8.8	18.8
Economic Development Loans	-	-	23.0	6.1	16.9
Economic Development Grants	-	-	0.2	-	0.2
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	4.4	2.7	1.7
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	2.4	7.0	66.2	-	66.2
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	0.6	3.8	35.5	-	35.5
VOLUNTARY RELIEF AGENCIES	1.8	3.2	30.7	-	30.7
EXPORT-IMPORT BANK LONG-TERM LOANS	5.7	4.7	261.7	238.4	23.3
OTHER U.S. ECONOMIC PROGRAMS	2.2	1.6	72.8	11.3	61.5
PEACE CORPS	2.2	1.6	17.0	-	17.0
SOCIAL PROGRESS TRUST FUND	-	-	45.2	4.4	40.8
OTHER	-	-	10.6	6.9	3.7
TOTAL ECONOMIC	32.4	17.2	590.1	265.3	324.8
Loans	23.2	3.6	440.6	265.3	175.3
Grants	9.2	13.7	149.5	-	149.5
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	6.7	9.9	170.9	20.2	87.7
Credit Assistance	0.1	1.2	20.1	20.2	-0.1
Grants	6.6	8.7	87.8	-	87.8
(Additional Grants from Excess Stocks)	(0.2)	(0.6)	(18.7)	(-)	(18.7)
OTHER MILITARY ASSISTANCE GRANTS	-	-	32.8	-	32.8
TOTAL MILITARY	6.7	9.9	140.7	20.2	120.5
TOTAL ECONOMIC AND MILITARY	39.1	27.1	730.8	285.5	445.3
Loans	23.3	4.8	460.7	285.5	175.2
Grants	15.8	22.4	270.1	-	270.1

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	40.5	41.1	358.5
IBRD-World Bank	10.0	17.5	214.2
Int'l Finance Corp	*	0.1	8.7
Inter-Am. Dev. Bank	27.2	21.6	110.1
UNDP-Special Fund	2.5	1.1	15.1
UNDP-TA (CY)	0.6	0.5	5.9
Other UN (CY)	0.2	0.3	4.5

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	20.4	22.5	66.0
Germany	17.2	17.5	54.4
Austria	1.2	0.4	3.5
Italy	0.8	1.6	2.7
Other	1.2	3.0	5.4

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968..... -

*Less than $50,000.
a/ Annual data represent deliveries; total through 1968 is the cumulative program.

OTHER LATIN AMERICA PROGRAMS

URUGUAY

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	2.4	13.2	45.0	3.3	41.7
Loans	0.8	12.0	35.6	3.3	32.3
Grants	1.6	1.2	9.4	-	9.4
FOOD FOR FREEDOM - TOTAL	0.6	23.9	52.0	3.0	49.0
Title I - Total	-	22.5	46.3	3.0	43.3
PAYABLE IN U.S. DOLLARS - LOANS	-	22.5	22.5	-	22.5
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	23.8	3.0	20.8
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(36.2)	(-)	(36.2)
Planned for Country Use	-	-	23.8	3.0	20.8
Economic Development Loans	-	-	14.9	1.0	13.9
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	8.9	2.0	6.9
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.6	1.4	5.7	-	5.7
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	0.8	0.8	-	0.8
VOLUNTARY RELIEF AGENCIES	0.6	0.6	4.9	-	4.9
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	9.5	3.8	5.7
OTHER U.S. ECONOMIC PROGRAMS	0.2	0.2	14.8	2.2	12.6
PEACE CORPS	0.2	0.2	1.9	-	1.9
SOCIAL PROGRESS TRUST FUND	-	-	10.5	0.3	10.2
OTHER	-	-	2.4	1.9	0.5
TOTAL ECONOMIC	3.2	37.3	121.3	12.3	109.0
Loans	0.8	34.5	103.4	12.3	91.1
Grants	2.4	2.8	17.9	-	17.9
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	1.6	2.0	40.0	*	40.0
Credit Assistance	-	-	0.3	*	0.3
Grants	1.6	2.0	39.7	-	39.7
(Additional Grants from Excess Stocks)	(0.1)	(0.1)	(7.3)	(-)	(7.3)
OTHER MILITARY ASSISTANCE GRANTS	-	-	0.1	-	0.1
TOTAL MILITARY	1.6	2.0	40.1	*	40.1
TOTAL ECONOMIC AND MILITARY	4.8	39.3	161.4	12.3	149.1
Loans	0.8	34.5	103.7	12.3	91.4
Grants	4.0	4.8	57.7	-	57.7

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	1.7	11.7	146.7
IBRD-World Bank	-	-	102.2
Inter-Am. Dev. Bank	1.5	10.4	36.7
UNDP-Special Fund	-	1.1	4.4
UNDP-TA (CY)	0.2	0.2	2.6
Other UN (CY)	*	*	0.8

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	1.6	0.9	6.1
Italy	-	0.1	2.7
Germany	0.7	0.8	2.4
Other	0.9	*	1.0

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	10
1968 (Calendar Year)	-
Cumulative thru 1968	10

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

VENEZUELA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	1.1	1.2	67.5	4.1	63.4
Loans	-	-	55.0	4.1	50.9
Grants	1.1	1.2	12.5	-	12.5
FOOD FOR FREEDOM - TOTAL	2.3	1.7	24.2	-	24.2
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	2.3	1.7	24.2	-	24.2
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	-	-
VOLUNTARY RELIEF AGENCIES	2.3	1.7	24.2	-	24.2
EXPORT-IMPORT BANK LONG-TERM LOANS	29.9	65.3	202.7	69.0	133.7
OTHER U.S. ECONOMIC PROGRAMS	2.4	2.0	88.1	16.5	71.6
PEACE CORPS	2.4	2.1	13.7	-	13.7
SOCIAL PROGRESS TRUST FUND	-	-0.1	72.9	16.5	56.4
OTHER	-	-	1.5	-	1.5
TOTAL ECONOMIC	35.7	70.2	382.5	89.6	292.9
Loans	29.9	65.2	330.6	89.6	241.0
Grants	5.8	5.0	51.9	-	51.9
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.)	10.7	9.4	92.8	46.6	46.2
Credit Assistance	9.7	8.1	85.2	46.6	38.6
Grants	1.0	1.3	7.6	-	7.6
(Additional Grants from Excess Stocks)	(-)	(-)	(0.3)	(-)	(0.3)
OTHER MILITARY ASSISTANCE GRANTS	-	-	11.3	-	11.3
TOTAL MILITARY	10.7	9.4	104.1	46.6	57.5
TOTAL ECONOMIC AND MILITARY	46.4	79.6	486.6	136.2	350.4
Loans	39.6	73.3	415.8	136.2	279.6
Grants	6.8	6.3	70.8	-	70.8

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	32.8	33.4	354.8
IBRD-World Bank	15.0	-	247.3
Int'l Finance Corp.	-	7.5	12.7
Inter-Am. Dev. Bank	17.2	23.5	77.1
UNDP-Special Fund	-	2.1	11.5
UNDP-TA (CY)	0.4	0.3	4.3
Other UN (CY)	0.2	*	1.9

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

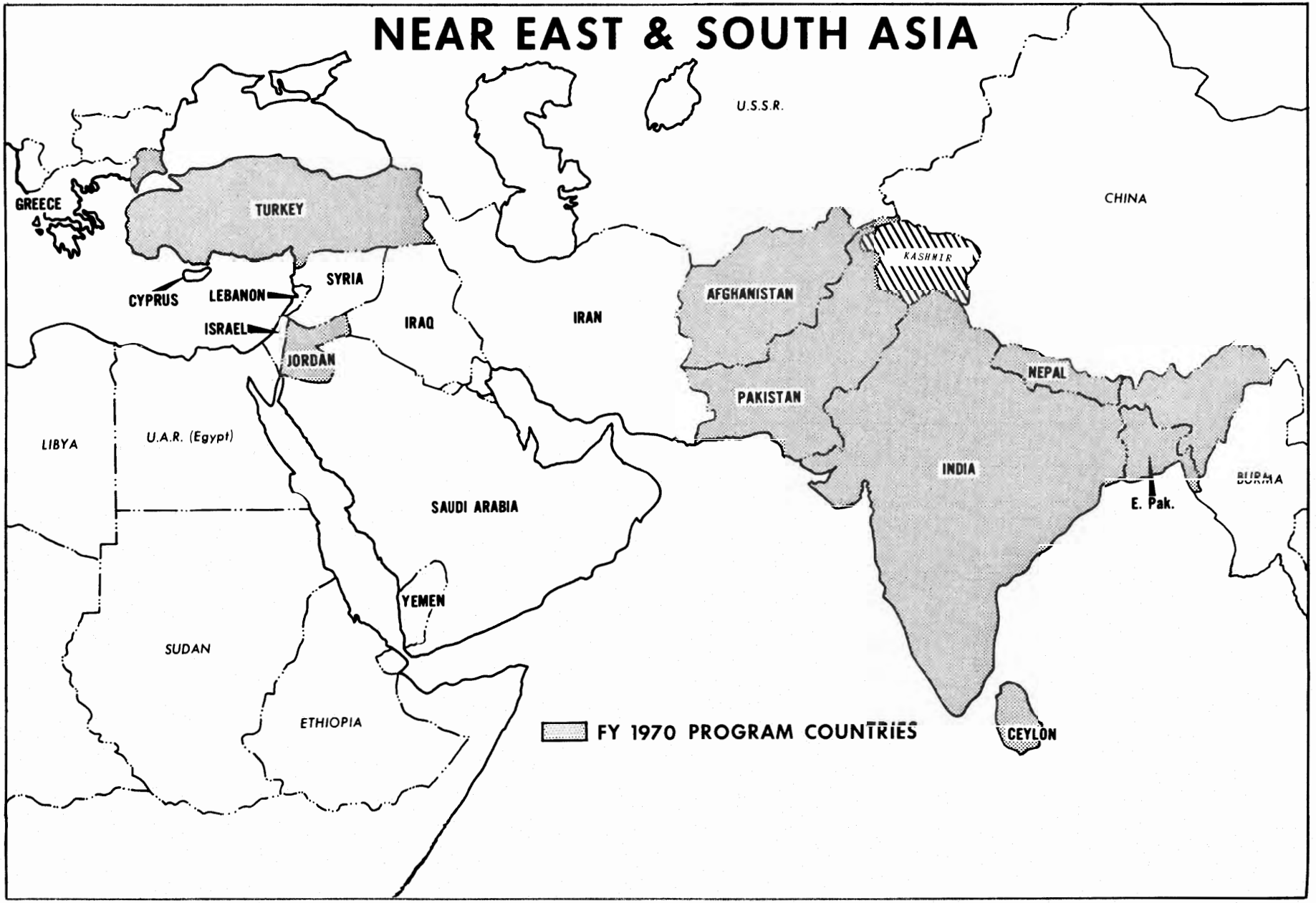
DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	1.8	2.6	39.1
Italy	0.8	1.0	34.9
Germany	0.8	1.1	3.3
Other	0.2	0.4	0.9

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative thru 1968	-

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.


NEAR EAST & SOUTH ASIA
U.S.S.R.
CHINA
GREECE
TURKEY
CYPRUS
LEBANON
SYRIA
ISRAEL
JORDAN
IRAQ
IRAN
AFGHANISTAN
KASHMIR
PAKISTAN
NEPAL
INDIA
BURMA
E. Pak.
CEYLON
LIBYA
U.A.R. (Egypt)
SAUDI ARABIA
YEMEN
SUDAN
ETHIOPIA
FY 1970 PROGRAM COUNTRIES

FY 1970 PROGRAM

(Thousands of Dollars)

Country	Type of Assistance			
	Total	Development Loans	Technical Assistance	Supporting Assistance
NEAR EAST AND SOUTH ASIA				
TOTAL	$624,745	$581,000	$43,745	--
Afghanistan	7,800	1,000	6,800	--
Ceylon.	5,000	5,000	--	--
India	399,500	385,000	14,500	--
Jordan.	1,600	--	1,600	--
Nepal	2,565	--	2,565	--
Pakistan.	148,700	140,000	8,700	--
Turkey.	54,235	50,000	4,235	--
CENTO[a]	350	--	350	--
Regional Programs . . .	4,995	--	4,995	--

a/Central Treaty Organization.

INDIA - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1968)*	524
Annual Growth Rate *(percent)*	2.5
Area *(1000 square miles)*	1,263
Population Density per square mile	417
Agricultural Land as % of Total Area	54
Percent of Labor Force in Agriculture	70
Life Expectancy *(years)*	50
People per Doctor	5,860
Literacy Rate *(percent)*	28
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	38

	Calendar Years				
	1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)**,a	40,460	38,920	39,510	43,650	45,480
Per Capita GNP *(1967 dollars)*	85	80	79	85	86
Investment – *millions of 1967 $*	6,764	6,200	5,632	6,643	6,270
– *percent of GNP* †	17	16	15	15	14
Domestic Savings – *millions of 1967 $*	5,445	4,853	4,260	5,343	5,025
– *percent of Investment* †	84	83	74	81	81
Agricultural Production Index *(1957-59 = 100)*	119	109	107	125	129
Index per Capita	104	93	89	101	102
Rice, milled (Million MT)	39.1	30.7	30.5	41.0	40.0
Wheat (1,000 MT)	9,853	12,290	10,424	11,393	16,567
Industrial Production Index (1963=100)	109	116	118	116	122
INTERNATIONAL TRADE *($ millions)*a					
Total Exports *(f.o.b.)*	1,714	1,692	1,542	1,598	1,750
Jute, Products	(351)	(381)	(332)	(311)	(320)
Tea	(259)	(241)	(211)	(240)	(245)
Total Imports *(c.i.f.)*	-2,833	-2,957	-2,770	-2,632	-2,600
Trade Balance	-1,119	-1,265	-1,228	-1,032	-850
GOLD & FOREIGN EXCHANGE *($ millions)*†† a					
Official Reserves	524	626	638	718	769
Commercial Bank Holdings	51	55	65	31	25(Sep)
COST OF LIVING INDEX *(1963 = 100)*	113	124	137	156	160

CENTRAL GOVERNMENT FINANCES*,a	– Million Dollar Equivalents –		
	1966	1967	1968(Est.)
Total Expenditures	6,413	6,733	6,853
(Defense Expenditures)	(1,400)	(1,520)	(1,587)
(Capital Outlays)	(2,653)	(2,467)	(2,520)
Total Domestic Revenues	4,373	4,733	5,000
As percent of GNP †	11.8	10.8	10.8
Deficit (–) or Surplus (+)	-2,040	-2,000	-1,853

* - Converted at 7.50 rupees per US $. a - Fiscal year beginning April 1.

†Based on data in current prices. ††Gross basis, end of year.

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INDIA

PROGRAM SUMMARY (In millions of dollars	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	203.3	285.0	194.0	385.0
Technical Assistance ...	8.4	8.6	9.0	14.5
Supporting Assistance ...	-	7.3*	2.9*	-
Total A.I.D. Assistance	211.7	300.9	205.9	399.5

* Represents amount for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The United States is seeking to help India:

--achieve self-sufficiency in food grain production in the early 1970's by continuing incentive prices to farmers and expanding the use of fertilizer, water and better seed;

--speed up and strengthen its family planning program to bring population into better balance with food and other limited resources;

--improve export performance, essential if India is to pay its own way;

--support and extend the growing industrial recovery.

In 1965, India began major economic policy reforms, encouraged by the World Bank-led India Consortium, in which other donors provide more than 50% of the aid. The thrust of the Indian reforms has been to reduce cumbersome administrative controls and substitute reliance on market forces as the major means of improving resource allocation, mobilizing individual initiative, and broadening competitive participation.

The Indians' stress on agriculture can bring a sustained rate of growth of agricultural production of 5% a year, nearly double the rate of the last decade. The new policies can also bring fuller and more economical use of India's existing industrial capacity. Industry has just recently pulled out of a recession induced largely by a fall-off in demand from the agricultural sector during the droughts of two and three years ago.

More foreign exchange is critical if India is to exploit its new capacity for growth and extend its reform program. Without substantially higher U.S. aid levels, India cannot sustain the high growth rate of the past two years.

PROBLEMS AND PROGRESS

Agriculture. India's current successes in agriculture are largely due to a reappraisal of its agricultural strategy triggered by rising food shortages in the mid-sixties and the simultaneous reduction of U.S. food stocks. With the help of the United States, the World Bank and other interested agencies and countries, India developed a new strategy which placed top priority on investment in agriculture and called for the use of market forces to direct inputs -- such as fertilizer, improved seeds, pesticides and better tools -- to the most efficient farmers. Government-supported incentive prices for producers of grain helped the farmers to buy these inputs. The new strategy also called for improved research and agricultural education as well as increased extension and irrigation services.

The return of normal or better rains in the last two years has reinforced the positive effect of these actions. With excellent rains in 1967/68, India produced 100 million metric tons of foodgrains. In 1968/69, with normal rains--good but below last year's record--the crop is still expected to be about 97-98 million tons, second highest in Indian history. This would be 8-9 million tons above the earlier high in 1964/65, a year of extremely favorable monsoons. A dramatic breakthrough in Indian agriculture resting on a solid technological and policy foundation is in the making.

Family Planning. The considerable progress during 1968 in food production has not been equaled by progress on the population side of the equation. Significant progress can be achieved in family planning only after a longer period of sustained effort. The urgency with which the Indian family planning program is being pursued reflects recognition of the extent to which past economic gains have been offset by population growth. The objective is to reduce the birth rate of about 41 per thousand to 22 per thousand by 1978. Family planning expenditures have risen from less than $2 million equivalent in 1963/64 to $48 million in 1968/69, supplemented by U.S. contributions.

Twenty-eight thousand planning centers are in operation, 384 mobile sterilization units have been set up, and 370 mobile units for insertion of the intra-uterine contraceptive device (IUD) are in operation. About 5 million sterilizations have been performed and over 2.6 million IUD's inserted since 1965. Sterilizations and IUD insertions declined in 1968 for reasons yet unclear. In September 1968 a large-scale effort was begun to sell condoms at low prices through commercial distribution channels.

Easier-to-motivate and easier-to-reach couples have participated in the program to date. More difficult problems of education, communication and distribution lie ahead. Family planning services have not yet reached many of the 500,000 villages of India. A UN team has been examining the Indian program, and will make its report in mid-1969.

Export Growth. Exports are estimated to have grown 9% in 1968, an increase which India cites as evidence of the effectiveness of the 1966 devaluation and other governmental inducements. India's growing ability to compete in world markets was reflected in the fact that only $14 million of the $150 million increase was in jute and tea, the country's traditional exports. The Indian Government hopes to sustain an export growth rate of 7-8% per year. We and our Consortium partners place high priority on reaching this target. A sustained flow of imports financed by program aid will be required for India to do so. The export situation will be watched closely to determine whether the current system of incentives is adequate to sustain the desired export growth. Increases in the imports of industrial raw materials and spare parts are needed to fuel the industrial recovery now under way.

Industrial Production. Production grew 5% in 1968 after two years of stagnation. India's policy reforms for industry are aimed at increasing its ability to compete in world markets and encouraging fuller use of existing capacity. India's import reforms have raised the price of imported industrial raw materials and components while making them more freely available, so that the market may direct them where capacity is used most efficiently.

Generally, the economic reforms are directed at freeing restrictions on the movement of goods and services, broadening markets, and using prices to replace the deeply entrenched system of allocating resources by administrative fiat.

Defense Spending. The Indian Government continues to recognize the need for restraint in defense spending, clearly seeing the dangers posed by an arms race with its neighbors. At the same time, India feels it must maintain a defense posture adequate to discourage possible Communist Chinese aggression in South Asia. The strict limits on defense expenditures are reflected in the budget for 1969/70. Defense spending is estimated at 3.6% of GNP in 1969/70 compared with 3.9% in 1966/67. Although the 1969/70 defense budget is some 5% higher than in 1968/69, this is partly the result of inflation and higher cost of living allowances. India's determination to give highest priority to development is reflected in the continuous increase of investment as a share of GNP from 10% in the early 1950's to over 15% in the 1960's. Except during the drought, over 80% of all investment in India has been financed from domestic sources.

FY 1970 PROGRAM

A Development Loan program of $385 million and a Technical Assistance program of $14.5 million is proposed for FY 1970. About $275 million in sales of P.L. 480 food and other agricultural products is also proposed. In addition, the Export-Import Bank may lend India about $55 million. At the proposed assistance level, and with International Development Association (IDA) replenishment, the Consortium would meet the World Bank's recommended level of roughly $1 billion of annual assistance (excluding food aid) needed for India to achieve an adequate rate of development. The A.I.D. share would be about 38%.

Food aid from Canada, Australia, the United Kingdom and other countries under the 1967 International Grains Agreement reflects the continuing U.S. effort to induce other countries to help meet India's food needs. Communist countries will also be making assistance available.

The FY 1970 Development Loan request totals $385 million of non-project assistance -- a loan of $200 million for agricultural inputs and $185 million for industrial inputs. This is about equal to the amount of U.S. assistance during India's FY 1966/67, the first year of the comprehensive economic reform program developed by India with Consortium help. At that time A.I.D. provided $382 million in program loans and $21 million in project loans. Reduced appropriations limited A.I.D. inputs to $275 million in program loans during India's FY 1967/68 and to about $220 million in program loans and $37 million in project loans during 1968/69.

The A.I.D. Technical Assistance program will continue to be closely coordinated with the over-all priorities of India's development program. Heavy emphasis on agriculture and family planning will continue, with smaller but important assistance for education and export promotion.

The aid levels proposed are needed to sustain the liberal economic policies that have been adopted, the pace of agricultural growth, and industrial recovery. Two years of unprecedented drought in 1965/66 and 1966/67, and the lack of sufficient aid from the United States and the IDA have forced India to pursue more restrictive fiscal and balance of payments policies than we would have liked to see. India slowed internal expenditure for fear of pushing drought-created high food prices even higher and because of concern that sufficient foreign

exchange was not available to finance a resurgence in industrial demand for imports and for other planned requirements, particularly fertilizer.

A continuation of external assistance at recent levels would force further slowdowns in industrial production and private investment. The momentum of the green revolution, heavily dependent on larger imports of fertilizer while domestic production is being built up, would be lost. With agriculture and industry operating at less than full capacity, profits and investment funds for future growth would be reduced. Jobs for the growing urban labor force would not be created. Finally, India could not maintain the more market-oriented strategy developed at some cost over the past few years. Under pressure to strengthen controls to avoid a foreign exchange crisis, India would be hard pressed to sustain recent policies which have improved the allocation of scarce resources.

The policy framework for more rapid development has been created. Agricultural growth of 5% a year, which will mean food self-sufficiency in the near future, can be achieved if foreign inputs are available. This can lift the whole economy and assure food supplies at reasonable prices to the volatile urban population. It can enable the Government to strike out on a more vigorous development course. A larger development effort is needed, and is possible, if adequate foreign exchange is available.

Industrial Production and Exports

About $185 million of the proposed program will be used to support increased levels of private industrial production. These imports of industrial machinery and spare parts, raw materials and chemicals will also continue to foster more efficient use of existing plant capacity. Rapid private industrial growth will generate the corporate savings needed to finance further industrial development.

Agriculture

Fertilizer. India's use of fertilizer must rise sharply if the new agricultural policies are to succeed. Every dollar's worth of fertilizer used means $4 worth of additional grain production.

Fertilizer use was quite small in 1960. India increased consumption to 650,000 nutrient tons in 1964/65 and more than 2 million tons in 1967/68. Consumption of 4 million tons is expected in 1970/71. India produced 556,700 nutrient tons of fertilizer in 1967/68 and plans to boost this to about 1.8 million tons by 1971. The Indian Government recognizes that so great an expansion of productive capacity calls for foreign private investors who can provide capital as well as production, management and marketing experience.

Numerous plants have been and are being constructed with outside help.

--The Coromandel Plant with a capacity of 160,000 nutrient tons of fertilizer a year started operations in December 1967. Owned in part by two U.S. firms, the plant was constructed with the help of an Export-Import Bank loan of $27 million and Cooley loans totaling $28 million. India has issued a letter of intent to another U.S. company--Occidental Chemical Company--for a 290,000-ton plant at the same location.

--A 285,000-ton project with American International Oil Company participation is now under construction in Madras with the help of A.I.D. Extended Risk Guaranties.

--Imperial Chemical Industries of the United Kingdom with their Indian collaborator are constructing a 200,000-ton plant in Kanpur, and a new wholly Indian-owned plant of 120,000 tons capacity, partly financed by commercial credits from Japanese suppliers, just started production at Kota.

--We expect that negotiations between Cooperative Fertilizers International of the United States and the Indian Farmers Fertilizer Cooperatives will be completed in the near future for constructing a 360,000-ton plant in Gujurat State. Dollar financing for this plant is being arranged by the Bank of America and will involve a consortium of U.S. financial institutions with an A.I.D.-Extended Risk Guaranty.

--A.I.D. has also provided a loan to expand the Government-owned Trombay Fertilizer Plant from 130 to 500 thousand tons capacity.

Despite these new plants, India is expected to produce only half of the planned consumption of 3.6 million tons by 1971. To help meet India's continuing heavy import requirements, we plan to make about half our FY 1970 non-project aid available for fertilizer and other agriculture inputs.

Price and Tax Policies. India's agriculture program calls for incentive support prices to farmers. The Indian Government offered to buy wheat at incentive prices during the bumper 1967/68 harvest. Despite shortages of warehouse space and other facilities, the

Government succeeded in acquiring, storing and shipping a large fraction of the record crop with minimal losses. One immediate result was an increase in farmers' confidence in the Government. With this stored grain and P.L. 480 wheat imports, India has begun to build up a buffer stock designed to limit price fluctuations and provide the foodgrain cushion needed to support further easing of domestic market arrangements.

The excellent 1967/68 harvest enabled India to relax zonal restrictions impeding domestic trade of foodgrains. The Government intends to eliminate these restrictions as foodgrain supplies and market conditions continue to improve. This will reduce price differentials between various parts of the country, help farmers in the high production areas and improve supply conditions in the cities as well as in rural food deficit areas. India is expected to request assistance in resolving administrative and financial problems.

Technical Assistance. The A.I.D. program will also help India deal with problems limiting expansion of agricultural production over the longer term. Technical Assistance totaling $3.3 million in FY 1970 will finance efforts by advisory teams from U.S. land grant colleges to improve the structure, administration, curricula, teaching methods and personnel of selected agricultural universities in India. This program also seeks to establish effective relations between the state governments and the Indian universities, improve research and extension, and generally meet farmers' needs for technical improvements.

India is placing greater emphasis on research to improve technology and adapt foreign technology to domestic needs. A.I.D. will provide almost $2.1 million in Technical Assistance in FY 1970 to test and adapt domestic and imported strains of rice and other crops, to develop means to protect the new strains from harmful pests and diseases, and to find the best combinations of seed and other inputs for Indian conditions.

Family Planning

A.I.D. is undertaking a family planning program of about $2.9 million for FY 1969. $1.6 million of this amount is for the purchase of contraceptives to continue support for the commercial distribution of condoms and for the pilot project to determine acceptability of the pill. Support will continue for demographic training and research, family planning training centers, improvement of mass communication through a direct mailing system, training of midwives, support of population education programs in the schools and in selected areas and intensive district programs.

For FY 1970, A.I.D. is planning to provide $4.2 million to support the family planning program. For the purchase of contraceptives until Indian production is sufficient, $1.1 million will be needed. An additional $1.3 million will be used for strengthening family planning activities in selected areas of the country and for intensified public information and education.

India

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS												REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD								TOTAL 1946-1968		
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	57.3	964.7 a/	465.5	397.2	336.5	264.6	308.8	202.5	241.5	2,216.6	3,238.5	357.4	2,881.1
Loans	-	-	676.4	445.9	392.3	330.6	255.8	299.4	194.9	228.7	2,147.6	2,823.9	357.4	2,466.5
Grants	-	57.3	288.3	19.6	4.9	5.9	8.8	9.5	7.7	12.8	69.2	414.6	-	414.6
FOOD FOR FREEDOM - TOTAL	-	0.6	1,414.4	252.2	251.2	268.3	391.2	567.7	363.4	323.2	2,417.2	3,832.1	196.6	3,635.5
Title I - Total	-	-	1,266.2	226.0	237.6	236.9	360.6	518.6	276.5	283.1	2,139.3	3,405.4	196.6	3,208.8
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	-	24.2	65.9	90.1	90.1	-	90.1
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	1,266.2	226.0	237.6	236.9	360.6	518.6	252.6	217.2	2,049.2	3,315.3	196.6	3,118.7
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(1,495.8)	(258.1)	(271.3)	(270.5)	(403.3)	(655.6)	(285.0)	(236.1)	(2,379.9)	(3,875.7)	(-)	(3,875.7)
Planned for Country Use	-	-	1,266.2	226.0	237.6	236.9	360.6	518.6	252.3	217.2	2,049.2	3,315.3	196.6	3,118.7
Economic Development Loans	-	-	710.4	126.1	136.5	135.7	325.0	490.0	210.1	205.4	1,628.8	2,339.0	166.5	2,172.5
Economic Development Grants	-	-	455.0	93.3	93.3	93.3	-	-	16.2	-	296.1	751.0	-	751.0
Common Defense Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cooley Loans	-	-	94.9	6.6	7.9	7.9	35.6	28.6	12.4	11.8	110.8	205.6	30.2	175.4
Other Grants	-	-	-	-	-	-	-	-	13.5	-	13.5	13.5	-	13.5
Assistance From Other Country Agreements	-	-	6.1	-	-	-	-	-	-	-	-	6.1	-	6.1
Title II - Total	-	0.6	148.2	26.2	13.6	31.4	30.6	49.1	86.9	40.1	277.9	426.7	-	426.7
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	5.2	3.4	-	6.9	2.8	19.0	49.2	2.2	83.5	88.7	-	88.7
VOLUNTARY RELIEF AGENCIES	-	0.6	143.0	22.8	13.6	24.5	27.8	30.1	37.7	37.9	194.4	338.0	-	338.0
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	244.9	25.7	35.5	57.2	38.1	-	14.8	45.0	216.3	461.2	208.3	252.9
OTHER U.S. ECONOMIC PROGRAMS	39.9	190.8	-	0.4	1.0	1.7	3.2	24.9	6.1	6.2	43.5	274.3	71.9	202.4
PEACE CORPS	-	-	-	0.4	1.0	1.7	3.2	8.9	6.1	6.2	27.6	27.6	-	27.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER b/	39.9	190.8	-	-	-	-	-	16.0	-	-	16.0	246.7	71.9	174.8
TOTAL ECONOMIC	39.9	248.7	2,624.0	743.8	684.9	663.7	697.1	901.4	586.8	615.9	4,893.6	7,806.1	834.2	6,971.9
Loans	39.9	190.2	1,726.6	604.3	572.2	531.4	654.5	834.0	456.4	556.8	4,209.6	6,165.9	834.2	5,331.7
Grants	-	58.5	897.6	139.5	112.8	132.3	42.6	67.5	130.4	59.1	684.2	1,640.1	-	1,640.1
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) c/	-	-	-	-					5.4	2.5				
Credit Assistance	-	-	-	-					3.3	2.3				
Grants	-	-	-	-	← DATA CLASSIFIED →				2.1	0.2	← DATA CLASSIFIED →			
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)					(2.3)	(-)				
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	-					5.4	2.5				
TOTAL ECONOMIC AND MILITARY	39.9	248.7	2,624.0	743.8					592.2	618.4				
Loans	39.9	190.2	1,726.6	604.3	← DATA CLASSIFIED →				459.7	559.1	← DATA CLASSIFIED →			
Grants	-	58.5	897.6	139.5					132.5	59.3				

a/ Excludes $20.0 million loan in FY 1958 financed by Asian Economic Development Fund. b/ Includes the utilization during FY 1946 of $29.2 million of lend-lease silver credits; Emergency Food Aid of $189.7 million in FY 1951; and Surplus Property Credits, $11.2 million. c/ Annual data represent deliveries.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	271.0	38.8	2,041.1
IBRD-World Bank	30.0	25.0	1,007.2
Int'l Development Association	215.0	-	887.4
Int'l Finance Corporation	12.6	-	20.6
UNDP-Special Fund	6.3	4.6	48.5
UNDP-TA (CY)	2.8	1.5	31.5
Other UN (CY)	4.3	7.7	45.9

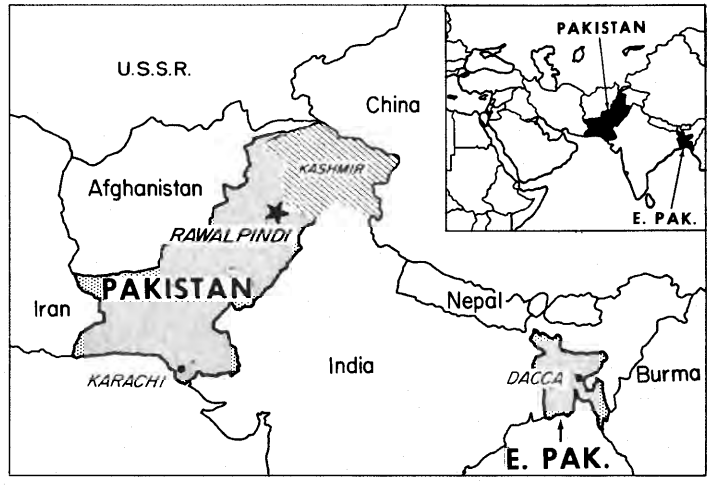
D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	415.4	378.5	2,236.6
Germany	85.5	76.1	737.3
United Kingdom	122.5	104.2	674.5
Canada	111.1	93.7	358.8
Japan	55.4	49.9	291.0
Other	41.0	54.6	175.0

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	25
1968 (Calendar Year)	-
Cumulative Thru 1968	1,948

PAKISTAN - GENERAL ECONOMIC DATA



BASIC DATA

Population *(millions – mid-1968)*	123
Annual Growth Rate *(percent)*	2.7
Area *(1000 square miles)*	366
Population Density per square mile	338
Agricultural Land as % of Total Area	27
Percent of Labor Force in Agriculture	74
Life Expectancy *(years)*	51
People per Doctor	6,780
Literacy Rate *(percent)*	20
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	25

	Calendar Years				
	1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)*★,a	11,580	12,110	12,800	13,725	14,550
Per Capita GNP *(1967 dollars)*	103	105	108	113	116
Investment – *millions of 1967 $*	2,132	1,444	1,799	2,058	2,200
– *percent of GNP* †	18	12	14	15	15
Domestic Savings – *millions of 1967 $*	1,430	917	1,083	1,393	1,447
– *percent of Investment* †	62	60	62	68	66
Agricultural Production Index *(1957-59 = 100)*	122	127	123	138	146
Index per Capita	105	107	100	110	113
Rice, milled (1,000 MT)	11,852	11,828	10,938	12,668	12,999
Wheat (1,000 MT)	4,197	4,626	3,768	4,394	6,477
Industrial Prod. Index (1963/64 = 100)	111	118	131	143	152
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	493	528	601	645	720
Jute, raw	(173)	(178)	(177)	(147)	(200)
Total Imports *(c.i.f.)*	-998	-1,043	-900	-1,101	-995
Trade Balance	-505	-515	-299	-456	-275
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	244	221	200	161	252
Commercial Bank Holdings	79	77	86	66	98
COST OF LIVING INDEX *(1963 = 100)* (Karachi)	104	108	119	127	127

CENTRAL GOVERNMENT FINANCES★,a	– *Million Dollar Equivalents* –		
	1966	1967	1968(Est.)
Total Expenditures	1,930	2,092	2,390
(Defense Expenditures)	(499)	(486)	(532)
(Capital Outlays)	(894)	(1,020)	(1,215)
Total Domestic Revenues	1,240	1,320	1,523
As percent of GNP †	9.2	9.6	10.5
Deficit (–) or Surplus (+)	-690	-772	-867

★ - Converted at 4.76 rupees per US $. a - Fiscal year beginning July 1.

†Based on data in current prices. ††Gross basis, end of year.

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PAKISTAN

PROGRAM SUMMARY (In millions of dollars	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	130.4	125.2	71.0	140.0
Technical Assistance . . .	6.2	6.2	6.1	8.7
Supporting Assistance . . .	-	0.8 a/	2.3 a/	-
Total A.I.D. Assistance	136.6	132.2	79.4	148.7

a/ Represents $782,000 in FY 1968 and $2,300,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The U.S. assistance objective is to encourage Pakistan to continue to give high priority to its economic development and to deal more effectively with social problems which have only been acknowledged in recent months.

By promoting economic growth, U.S. assistance gives Pakistan expanding opportunities to remedy the causes of social discontent. We expect the government which succeeded Ayub Khan in March 1969 to retain fundamental elements of past development strategy based on:

--increased agricultural production aimed at foodgrain self-sufficiency through wide availability and use of fertilizer, improved seed, irrigation and other modern inputs;

--reduced population growth rates through an effective and expanded family planning program;

--continued expansion of private industrial production, with a central role for the free market mechanism;

--priority expansion of export-oriented activity.

Continued progress in Pakistan's economic development supports the basic objective of channeling the energies of the major countries of the Sub-Continent -- India and Pakistan --into pursuits which will lessen regional conflicts that could be exploited by the Communist bloc. U.S. assistance is provided to Pakistan through a nine-nation Consortium coordinated by the World Bank. The average U.S. share of 45% in 1967 and 1968 is sharply reduced in 1969. The proposed program for 1970 would restore the U.S. share to prior levels.

PROBLEMS AND PROGRESS

Pakistan's development strategy of the past 8 years has produced a rapid increase in resources which should enable it to begin to deal effectively with the social problems it has recently identified.

Before the drive to build a strong resource base, the economy had stagnated. Between 1955 and 1960 GNP barely kept pace with population growth. Population grew faster than agricultural output. Between 1960 and 1965, however, the economy grew by 33%, well above the rate of population growth. For the period 1965-1970 agriculture is expected to increase by 21% contrasted to perhaps 15% for population, while overall economic growth will amount to as much as 35%. During FY 1968 Pakistan's GNP growth was 7.2% as compared to 4.2% and 5.7% in FYs 1966 and 1967. Foodgrain self-sufficiency by 1970-1971, which seemed impossible for a populous Asian country ten years ago, is now a reasonable objective for Pakistan.

Probably the most noteworthy feature of growth during FY 1968 occurred in wheat production which increased by 47% over the all-time high of the previous year. This gain was the result of good weather, expanded acreage and the application of modern inputs, particularly Mexipax wheat seed and fertilizer in West Pakistan.

Irrigation in the Punjab, where close to 70,000 private tubewells have been installed during the past eight years, offers a good example of the alacrity with which farmers have joined the Green Revolution. Overall agriculture production increased by 5%.

Industry too maintained a good record -- 6.3% growth -- which although lower than the increase of 9% in FY 1967, represented an appreciable gain. Industrial pace setters were jute textiles which increased 22% over the previous year; urea and ammonium sulfate fertilizer production which rose by 11% and 9% respectively; and synthetic cloth -- up 28%. Merchandise exports grew faster than GNP, increasing 12% in value, and totaled $720 million equivalent. Relatively conservative monetary and credit policies were pursued during this period.

Policy changes have played a major role in Pakistan's economic growth record. To make agricultural inputs more accessible, the distribution of fertilizer and pesticides is being transfered to private suppliers. Increases in the rupee cost of imports were announced during 1968. Heretofore many imported industrial raw materials and spare parts had been undervalued with the result

that they were not being channelled to the most efficient producers. The Government's administrative controls of imports were loosened and more reliance was placed on pricing and market forces to assure better use of imports.

During FY 1969 Pakistan's defense expenditures increased by 10%, thus partially offsetting the 20% decrease in FY 1967 and the 3% decrease in FY 1968.

As the performance of the past few years indicates, Pakistan is succeeding in building its physical resources and production capacity. Insufficient attention, however, has been given to the country's massive social problems. The discontent that bred the recent turmoil is in part a result of this neglect.

Pakistan recognized the need to address these social problems even before the recent civil disturbances. In the "Socio-Economic Objectives of the Fourth Five-Year Plan" published in November 1968, the Government acknowledged that in its drive for production gains certain social goals had been given secondary priority. In setting forth guidelines for the Fourth Plan, the Planning Commission made proposals for redressing this situation. Priority for education was to be elevated. Industrialists were encouraged to invest in the welfare and training of their labor force. For the first time public medical care and social security were being considered by the planners. Greater equality of opportunity and better distribution of income are announced objectives of the next Plan. Based on the increased awareness of social discontent and East Pakistan's disaffection resulting from the disturbances, it is likely that the new government will make a conscientious effort to deal with these problems.

Street demonstrations led by students and ultimately joined by a large segment of labor resulted in over five months of turmoil and prompted President Ayub in February 1969 to offer to negotiate a compromise of outstanding issues with his political opponents and to reinstate a directly elected parliamentary government. In East Pakistan the discontent centered on the longstanding charge against the Central Government of favoring West Pakistan and discriminating against Bengali interests. The Eastern Province demand for parliamentary representation based on population would have given them an advantage over the heretofore dominant West.

Faced with increased agitation and little prospect of either being able to control the situation or to reach a solution with discontented elements, President Ayub on March 25 turned the reigns of government over to Yahya Khan the Commander-in-Chief of the Armed Forces. Martial law was immediately declared and order restored. To assure continuity of authority, General Yahya assumed the Presidency. The civilian cabinet was dismissed and military administrators designated. The operation of government remains in the hands of the professional civil service.

As yet there are no indications that Pakistan's foreign policy or its priority to development will be altered appreciably. The new government has declared that it will move against any corrupt influences it finds in the bureaucracy. It has also advised entrepreneurs to grant some of the increases in wages demanded by the workers during the demonstrations. Guidelines for a new educational policy which is designed to permit more university autonomy, emphasize technical education and improve conditions for students have been announced. To alleviate looming food shortages in the East it has ordered the transfer of up to 850,000 tons of foodgrains from West Pakistan during the next seven months.

FY 1970 PROGRAM

For FY 1970 A.I.D. proposes a loan program of $140 million to finance industrial and agricultural raw material in support of private enterprise; as well as engineering services for water and power development, malaria eradication and industrial trades training. Technical assistance in support of agricultural research and extension, family planning, education and public safety is planned at the level of $8.7 million. Due to Pakistan's success in its foodgrain self-sufficiency program, P.L. 480 grain may not be required. In this case the Title I sales agreement will be $50 million for edible oils, tallow and cotton. Adverse weather, of course, could still restrict the anticipated gains and it may be September 1969 before we can be sure that wheat imports will not be required.

The prospect of lower levels of foreign assistance in FY 1969 prompted the government during the last two quarters of FY 1968 and the first quarter of FY 1969 to hold back foreign exchange support for the private sector. After determining that reserves were not falling into the danger area, the Government responded to demand and eased the temporary restrictions for the last half of FY 1969. By drawing heavily on aid commitments, Pakistan should be able to maintain a 6% growth rate in FY 1969 as compared to 7% in FY 1968. However, if consortium-financed imports do not increase in FY 1970, the growth rate is expected to decline again.

Industry.

Pakistan's industry has been one of the mainsprings of growth during the first four years of the current development plan period (1966-1970). Overall industrial output has increased an average of 7% annually, while large-scale manufacturing has grown at the rate of 10%. The government and business leaders recognized that industrial growth creates a demand for agricultural raw materials, contributes to export of manufactured goods, allows import substitution, provides a substantial portion of savings for future development and absorbs a part of Pakistan's growing labor force.

In FY 1968 agriculture still accounted for almost 50% of GNP as compared to 16% for industry and 34% for all other sectors. Nevertheless, industrial gains have been impressive and manufactured items have been an important source of foreign exchange. Since 1960 the value of industrial production has increased threefold. In terms of Pakistan's foreign exchange earnings, 44% of the value of exports were manufactured items, principally textiles. While non-textiles comprised only 8% of manufactured exports, these items increased at the rate of 17% in FY 1968 while overall exports rose by 9%.

While aggregate growth rates are good, a number of shortcomings exist in the industrial sector. Among these are the uncertainty of flows of materials (especially imports) for production, a lack of standardization, inadequate managerial and entrepreneurial skills, a lack of quality competition in the excessively protected domestic market and difficulties in obtaining risk capital. These shortcomings lead to uncompetitive industries and low productivity. The Government has indicated that it plans to re-examine the full range of industrial incentives and restructure them to give added encouragement to export-oriented industries and to promote new industries based on agricultural raw materials and other domestic resources.

During FY 1970 the approximately $100 million of A.I.D. commodity lending will support industrial raw materials, spare parts, and intermediates for the private industry. This will help achieve fuller utilization of existing plants and thus increase the rate of GNP growth. In return Pakistan is expected to modify its import policy with additional moves to raise the rupee cost of foreign exchange and thus direct imports toward the efficient producers who can afford to operate under a regime of higher--but more realistically--priced imported materials. In addition, Pakistan is also expected to formulate plans for modernization of existing plant and equipment on a selective basis during the 1971-1975 period.

Agriculture.

A.I.D. supports Pakistan's goal to achieve self-sufficiency in foodgrain production by the early 1970's. The Government's policy attacks the food deficit by making available to the farmers massive quantities of "miracle"seeds, pesticides and fertilizer, and by stimulating agricultural production with economic incentives for the farmers.

High-Yield Seeds. The critical component of the new strategy is the recent adoption of high yield wheat and rice seeds. What began as a movement among large farmers has rapidly extended to small cultivators. In 1965, 12,000 acres were planted in the new high yield wheat types in West Pakistan and by 1968 about 3 million acres were in the new wheat varieties. In 1969 the area is expected to reach 6 million acres. The government's target is to have all farmers in irrigated areas using the new seeds by 1971.

Farmers have been achieving average yields from the new varieties that are easily two to three times those of native wheat. It is largely as the result of the new inputs that wheat production in West Pakistan increased from 4.3 million tons in 1967 to 6.5 million tons in 1968.

Yields of rice, Pakistan's other major crop, have also been higher. The "miracle" rice has short straw, however, and is not suited for the deep water flooding that takes place in East Pakistan where most of the country's rice is grown. Consequently, the East relies principally on traditional varieties and the gains from the use of the new rice have occurred in West Pakistan. Rice production in West Pakistan has increased steadily from 1.3 million tons in FY 1967 to an estimated 2.1 million tons in FY 1969. Acreage in the new varieties over this period has built up from a few scattered plots to 700,000 acres. While yields are high, the quality of the new rice varieties has been disappointing because of breaking and excessive chalking during milling.

Fertilizer. Pakistan's agriculture strategy requires sharp increases in the use of fertilizer. Consumption has risen tenfold from the 65,000 metric tons used in FY 1960, to an estimated 620,000 metric tons in FY 1968. In FY 1969 fertilizer consumption is expected to rise to 870,000 metric tons, and in FY 1970 to 1.2 million tons. Over the past four years, A.I.D. has provided about $100 million in development loans for fertilizer imports with the understanding that Pakistan would move rapidly to expand domestic production and shift distribution to the private sector.

PAKISTAN

In FY 1970, we plan to finance up to $35 million for fertilizer, about half of Pakistan's import requirements. In an effort to increase domestic production as quickly as possible, Pakistan has authorized three projects for urea plants with private U.S. partners. The ESSO plant with a rated capacity of 173,000 metric tons is now in operation. With World Bank financing the Dawood-Hercules project is entering the construction phase. A proposalby Hyeson-Kaiser is also under consideration. A.I.D. has supported the ESSO and Dawood-Hercules projects with Cooley loans and is reviewing an application from Kaiser. Pakistan's urea output from the new U.S. private ventures will increase by more than 700,000 metric tons within the next four years, thereby meeting the country's requirement for nitrogenous fertilizer.

Irrigation. In East Pakistan, much more work still needs to be done to increase acreage under irrigation. In many areas the introduction of a small pump can make it possible for a farmer to plant an additional crop during the otherwise dry winter season when new short straw varieties can be cultivated. The number of pumps being utilized in East Pakistan has increased from 3,000 to 14,000 over the past four years and by 1970 the Government plans to have 24,000 in operation. A.I.D. has provided $3 million for pumps in 1967 and 1968 and is prepared to make up to $2 million available for additional pumps for the East Province in FY 1970.

Pesticide . In a normal year, Pakistan loses an estimated one-fifth of its potential agricultural output to various kinds of pests and diseases, and this problem may become more acute with the introduction of new seed varieties. In FY 1969 A.I.D. will provide $10 million for pesticides imports. Pakistan has accepted the recommendations of a U.S. pesticide study team and is moving pest control to the private sector where it will be more readily available to the farmer than under the limited government program. Continued A.I.D. financing of pesticides will be linked to the success of this change.

Research. Pakistan must strengthen its agricultural research effort for continued success with the new seed varieties. Research has suffered from a lack of coordination which prevents proper dissemination of results and adequate coverage of all pertinent areas of research. Following the advice of a U.S. team that visited Pakistan in 1968, the two provincial governments will establish priorities for their research activities, improve research project design and establish better communications among research facilities. As part of its $1.5 million technical assistance program in support of agriculture, A.I.D. will provide experts to assist with agricultural research.

Mechanization. Pakistan is considering steps to mechanize agriculture to enable large amounts of grains to be harvested and processed. In FY 1968 A.I.D. financed a $1.5 million sale of harvesters and in FY 1969 will provide an additional $1.3 million for this purpose. The possibilities for additional U.S. commercial sales are good in this area. Work is also underway to diversify agriculture to avoid grain surpluses and to improve the nutritional balance of diets. In FY 1969 we are also supporting a study of relative price incentives to determine how Pakistan might influence crop acreage and bring about greater diversification.

Family Planning.

Without a family planning program, Pakistan's population will double in about 20 years. In Pakistan 44% of the population is under 15 years of age, whereas the percentage in more developed countries is only 25%. Because these children are primarily consumers, an immense burden is placed on available resources which could nullify development efforts.

The national objective is to decrease the birth rate 20% between 1965 and 1970. During the first three years of activity about 2.9 million couples adopted family planning practices. This is over half the number required to meet the projected goal for the end of 1970. The program has had strong political support from the high levels of government. Monetary incentives are given to doctors, rural organizers, and individuals to participate in the program. More than 90,000 persons are working for the program.

An assortment of contraceptive methods is available. By mid-1967, after the first two years of the program, 840,000 women were reported to be using an I.U.D. By June 1968 this number increased to over 1.6 million. The program is rapidly approaching the target for 1970 of 80,000 insertions a month. While there is evidence of much forward movement in the program, it is probable that there will be a slower rate of acceptance as the program is extended to younger couples in the villages. Since FY 1965 the U.S. has provided $500,000 in loan funds for vehicles, $3.9 million in Technical Assistance grants for technician services, participant training and supplies and $168,000 rupee equivalent in Cooley loan funds for the construction of a pharmaceutical plant to manufacture oral contraceptives. The Government of Pakistan has planned a Family Planning budget for the Third Five-Year Plan totalling $59.6 million equivalent in rupees. The U.S. has contributed a total of $18.2 million equivalent in rupees to the program principally to finance portions of the incentive payments plan.

PAKISTAN

In FY 1970 A.I.D. plans to provide $2.7 million for technical advisors, contraceptive supplies, clinical and training equipment, and training of Pakistani personnel in the U.S. Pakistan is also receiving support from the Ford Foundation in research and training; transportation equipment from UNICEF; and contraceptive supplies and vehicles, as well as technical assistance in communications and training, from Sweden.

Pakistan

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	10.6	908.7	240.1	174.3	213.9	182.3	114.1	126.6	124.5	1,175.8	2,095.2	145.2	1,950.0
Loans	-	-	334.0	207.1	169.4	206.0	175.3	107.6	121.3	118.2	1,104.9	1,438.8	145.2	1,293.6
Grants	-	10.6	574.7	33.0	4.9	8.0	7.1	6.5	5.3	6.4	71.2	656.4	-	656.4
FOOD FOR FREEDOM - TOTAL	-	0.1	416.7	153.3	174.0	159.7	159.2	22.2	96.5	163.6	928.5	1,345.2	55.2	1,290.0
Title I - Total	-	-	334.9	150.7	142.0	142.0	142.0	20.1	93.1	163.4	853.5	1,188.1	55.2	1,132.9
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	-	-	38.5	38.5	38.5	-	38.5
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	334.9	150.7	142.0	142.0	142.0	20.1	93.1	124.9	814.8	1,149.6	55.2	1,094.4
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(376.6)	(155.6)	(146.1)	(146.1)	(146.1)	(25.1)	(111.4)	(136.6)	(867.0)	(1,243.8)	(-)	(1,243.8)
Planned for Country Use	-	-	334.9	150.7	142.0	142.0	142.0	20.1	93.1	124.9	814.8	1,149.6	55.2	1,094.4
Economic Development Loans	-	-	122.3	32.9	29.0	29.0	29.0	18.9	80.3	72.5	291.6	413.9	49.2	364.7
Economic Development Grants	-	-	118.3	112.2	107.9	107.9	107.9	-	3.9	38.4	478.2	596.4	-	596.4
Common Defense Grants	-	-	79.3	-	-	-	-	-	-	-	-	79.3	-	79.3
Cooley Loans	-	-	15.0	5.6	5.1	5.1	5.1	1.2	5.6	8.5	36.2	51.2	6.0	45.2
Other Grants	-	-	-	-	-	-	-	-	3.3	5.5	8.8	8.8	-	8.8
Assistance From Other Country Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total	-	0.1	81.8	2.6	32.0	17.7	17.2	2.1	3.4	0.2	75.2	157.1	-	157.1
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	48.6	-	28.2	10.7	12.2	-	2.8	-	53.9	102.5	-	102.5
VOLUNTARY RELIEF AGENCIES	-	0.1	33.2	2.6	3.8	7.0	5.0	2.1	0.6	0.2	21.3	54.6	-	54.6
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	12.9	22.8	-	-	-	4.8	9.3	65.5	102.4	115.3	26.4	88.9
OTHER U.S. ECONOMIC PROGRAMS	0.1	0.4	67.4	1.1	2.3	1.9	1.5	0.4	0.1	*	7.3	75.2	0.1	75.1
PEACE CORPS	-	-	-	1.1	2.3	1.9	1.5	0.4	0.1	*	7.3	7.3	-	7.3
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	0.1	0.4	67.4 a/	-	-	-	-	-	-	-	-	67.9	-	67.9
TOTAL ECONOMIC	0.1	11.1	1,405.7	417.3	350.6	375.5	343.0	141.5	232.5	353.6	2,214.0	3,630.9	226.9	3,404.0
Loans	0.1	-	484.2	268.4	203.5	240.1	209.4	132.5	216.5	303.2	1,573.6	2,057.8	226.9	1,830.9
Grants	-	11.1	921.5	148.9	147.1	135.5	133.7	9.0	16.0	50.5	640.7	1,573.1	-	1,573.1
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	-							*	2.3				
Credit Assistance	-	-							-	2.2				
Grants	-	-		←	DATA CLASSIFIED			→	*	0.1	←	DATA CLASSIFIED		→
(Additional Grants from Excess Stocks)	(-)	(-)							(-)	(-)				
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	3.0	4.8	-	-	-	-	7.8	7.8	-	7.8
TOTAL MILITARY	-	-							*	2.3				
TOTAL ECONOMIC AND MILITARY	0.1	11.1							232.5	355.9				
Loans	0.1	-		←	DATA CLASSIFIED			→	216.5	305.4	←	DATA CLASSIFIED		→
Grants	-	11.1							16.0	50.6				

a/ Represents PL 77 wheat to Pakistan.
b/ Annual data represent deliveries.

* Less than $50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	71.5	51.8	863.9
IBRD-World Bank	35.0	35.0	459.9
Int'l Development Association	27.8	10.0	331.1
Int'l Finance Corporation	5.2	*	17.7
UNDP-Special Fund	0.9	3.5	24.1
UNDP-TA (CY)	1.0	0.8	15.3
Other UN	1.6	2.5	15.8

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	131.0	142.3	741.2
Germany	39.4	34.1	236.0
United Kingdom	30.1	32.9	204.7
Canada	32.1	30.1	153.6
Japan	21.3	28.4	111.7
Other	8.1	16.8	35.3

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	7
1968 (Calendar Year)	42
Cumulative Thru 1968	343

TURKEY - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1968)*	33.5
Annual Growth Rate *(percent)*	2.5
Area *(1000 square miles)*	301
Population Density per square mile	111
Agricultural Land as % of Total Area	70
Percent of Labor Force in Agriculture	72
Life Expectancy *(years)*	48
People per Doctor	2,860
Literacy Rate *(percent)*	47
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	40

	Calendar Years 1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)**	8,670	9,070	10,000	10,600	11,200
Per Capita GNP *(1967 dollars)*	285	291	313	324	334
Investment – *millions of 1967 $*[a]	1,288	1,421	1,729	1,866	2,100
– *percent of GNP* †	15	16	18	18	19
Domestic Savings – *millions of 1967 $*	1,199	1,401	1,634	1,792	1,967
– *percent of Investment* †	91	94	90	94	92
Agricultural Production Index *(1957-59 = 100)*	119	117	130	135	134
Index per Capita	102	98	106	107	104
Wheat (1,000 MT)	7,000	7,430	8,200	9,000	8,400
Barley (1,000 MT)	2,800	3,100	3,500	3,800	3,500
Industrial Production Index (1963=100)	123	135	159	170[E]	185
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	411	464	490	523	496
Tobacco	(90)	(89)	(107)	(118)	(93)
Total Imports *(c.i.f.)*	-542	-577	-725	-691	-770
Trade Balance	-131	-113	-235	-168	-274
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	142	141	131	119	123
Commercial Bank Holdings	-	-	-	-	-
COST OF LIVING INDEX *(1963 = 100)* (Istanbul)	103	107	116	133	140

CENTRAL GOVERNMENT FINANCES* (FY Beginning March 1)	– Million Dollar Equivalents – 1966	1967(Est.)	1968(Est.)
Total Expenditures	1,878	2,064	2,353
(Defense Expenditures)	(451)	(522)	(594)
(Capital Outlays)	(463)	(561)	(733)
Total Domestic Revenues	1,511	1,869	2,130
As percent of GNP †	15.9	17.6	18.5
Deficit (–) or Surplus (+)	-367	-195	-223

* - Converted at 9 lira per US $. E - Estimate.
a - Fixed investment only, does not include change in stock.
†Based on data in current prices. ††Gross basis, end of year.

TURKEY

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	134.9	68.0	40.0	50.0
Technical Assistance ...	4.6	4.2	4.0	4.2
Total A.I.D. Assistance	139.5	72.2	44.0	54.2

U.S.AID OBJECTIVES

A.I.D. is working with the other members of the Organization for Economic Cooperation and Development (OECD)-led Turkey Consortium--who now provide about two-thirds of all Consortium aid--to help Turkey become an economically self-sustaining nation within a free and democratic society. Turkey hopes to accomplish this by 1973--the end of Turkey's Second Five-Year Plan.

The A.I.D. program will help Turkey concentrate on the major problems now impeding economic self-sustaining growth. We plan to help Turkey:

--maintain financial stability through sound monetary and fiscal policies which realistically relate domestic savings and foreign exchange availabilities to planned expenditures;

--increase foreign exchange earnings from tourism and exports, particularly forest products, livestock and fresh fruits and vegetables;

--increase agricultural output to provide for domestic needs and realize the export potential of the country's varied agricultural resources;

--modernize management in business, industry, and government by introducing new managerial and organizational techniques, providing U.S. training to private and governmental leaders, and assisting educational institutions and other organizations to train a labor force needed for continued industrialization.

PROBLEMS AND PROGRESS

The Turkish economy has done remarkably well in recent years. The record since the early 1960's sharply contrasts with Turkish performance in the late 1950's when rampant inflation and political turmoil retarded economic growth. The Turkish Government's determination to bring about social and economic improvements took form in the First Five-Year Plan (1963-1967). With greater political stability, economic development progressed at a rapid rate and private enterprise began to grow. The Government tackled the problems facing the Turkish people by expanding health care, improving education and assisting the farmers. As a result of legislation to allow collective bargaining enacted in July 1963, the trade union movement has grown rapidly. The confederation of free trade unions currently has almost 800,000 members.

The Second Five-Year Plan, which places heavy emphasis on private enterprise, continues the work begun under the First Plan. Preliminary figures for 1968 (the first year of the Second Five-Year Plan) show that Turkey is sustaining the high rate of economic progress achieved during the First Five-Year Plan.

--Gross investment rose 12-1/2%, which is approximately the average rate of increase of the First Plan.

--Domestic savings rose to 17% of GNP and financed 92% of gross investment, whereas at the start of the First Plan domestic savings were only 12% of GNP and financed only 73% of gross investment.

--Government revenues increased by 14%, rising to 18% of GNP, while in 1964 they were only 15% of GNP.

--Industrial production increased 9% compared to the First Plan average of 9.6%.

--GNP increased almost 6% in 1968 compared to the First Plan average of 6-1/2% per year.

Despite this rate of progress, some stubborn economic problems persist. They are largely the product of such rapid growth. Although inflation rose only a modest 4.4% annually between 1962-1967, Government efforts to realize the Plan's investment target are straining domestic resources and could produce severe inflationary pressures. New tax legislation increasing import and corporation taxes was passed in March 1969 to reduce the budget deficit. However, the investment program may still need to be reduced or additional revenue raised to avoid inflation.

TURKEY

As the domestic investment program has gained momentum, the shortage of foreign exchange has become a major deterrent to continued economic progress. Imports must increase at a relatively rapid rate for Turkey to sustain a high rate of economic growth, but foreign exchange earnings have not been keeping pace with the country's demand for imports. As a result, in November 1968, the Turkish Government had to suspend issuance of import licenses on a variety of items in order to finance licenses which had already been issued.

According to preliminary estimates for 1968, Turkish imports increased 42% from $542 million to $770 million, between 1964 and 1968. Exports rose by only 21% from $411 million to $496 million during the same period. However, remittances from Turkish workers employed in Europe increased from $9 million to $107 million, and tourism receipts remained negligible throughout the period.

Turkish export performance is disturbing not only because exports failed to increase rapidly, but because Turkey increasingly depends on a small number of agricultural commodities for its export earnings. Cotton, tobacco, hazelnuts and raisins have historically accounted for about 55% of Turkish exports. By 1967 these four commodities accounted for 68% of Turkish exports.

Efforts to expand and diversify agricultural exports are just beginning.

Since workers' remittances are unlikely to continue to increase as rapidly as they have in the past, Turkey must increase foreign exchange earnings from exports and tourism to solve its balance of payments problems.

Efforts to increase exports. The principal export incentive program of the Turkish Government is a system of tax rebates for industrial exporters. Over the years, the rebates have been increased, and the coverage has been broadened. In 1968, Turkey intensified its efforts to stimulate exports and new tax and credit incentives to encourage investment in export industries were adopted. In addition, the Government of Turkey initiated a tourism rebate system which provides a 33-1/3% premium on foreign exchange converted by tourists.

These steps have been accompanied by the ambitious efforts of senior government officials to encourage the Consortium members to finance, and private foreign investors to invest in, export industries. A number of U.S. companies have shown interest, and we anticipate project lending possibilities in these areas.

FY 1970 PROGRAM

For FY 1970 a Development Loan program of $50 million and a Technical Assistance program of $4.2 million are planned. The Development Loan program is $10 million less than was requested for FY 1969 and will consist of a $40 million production loan and $10 million in project loans.

As in the past our assistance will be a part of the multilateral effort of aid donors in the OECD-sponsored Consortium and will relate to Turkish efforts to promote relatively stable prices and to increase export earnings.

The proposed $40 million production loan will provide imports of essential raw materials, spare parts and investment goods, including chemicals, non-ferrous metals, lube oils and a variety of industrial and electrical equipment needed by industry. This loan, added to similar assistance from other donors and to the expected increase in Turkey's own earnings, will support the increase in essential imports needed to use to best advantage Turkey's growing industrial and agricultural capabilities. The loans will be critical to growth and stability. Without it, imports would not expand sufficiently to meet growth needs for both production and investment. The pace of development would diminish and Turkey's progress toward independence of outside aid would be delayed. An inadequate level of imports could create severe inflationary pressures. The extra resources supplied by the loan will provide a critical margin that Turkey needs to contain this problem.

Although the other Consortium members, particularly the IBRD, are giving increased attention to project assistance, some U.S. project lending continues to be necessary. Loans for forestry and tourism development and to intermediate credit institutions to support Turkish private sector development will be considered.

The proposed Technical Assistance program will continue to emphasize agriculture and education. In agriculture, greater emphasis will be given to increasing production, while in education emphasis will be on longer term manpower development.

Agriculture

Uneven performance in the agricultural sector continues to be one of the critical restraints on Turkish development. A.I.D. concentrates on increasing cereals output and diversifying and expanding agricultural exports by developing new farming

techniques, increasing farmer participation in development programs and encouraging agro-business enterprises.

The outstanding results of the A.I.D.-assisted Mexican wheat program vividly demonstrated to thousands of farmers the potential benefits of adopting new agricultural inputs and techniques. The new agricultural technology which has been introduced to Turkey will permit a self-sufficiency in food grains despite population growth and rising consumption.

In the fall of 1967 on only 2% of Turkey's wheat growing area, 17,000 tons of Mexican wheat seed were planted in the coastal region. Yields averaged 52 bushels per acre compared to 22 bushels for native wheat, resulting in an additional output of 337,000 tons. However, the most severe weather conditions in 30 years reduced yields on the Anatolian Plateau and resulted in a fall in total wheat production of about 400,000 tons.

The lessons learned under the Mexican wheat seed project by farmers and government agencies will have a lasting effect on Turkish agricultural development. Credit policies were revised, fertilizer usage was increased, new equipment was introduced and an intensive educational campaign by the Extension Service was directed toward the 60,000 participating farmers. In the Fall of of 1968, nearly 200,000 farmers planted approximately 70,000 tons of the Mexican wheat varieties in the coastal regions. In 1969, participation should be even greater and a successful harvest will have a major impact on total output.

In FY 1970, A.I.D. Technical Assistance will focus on the challenging problems of the Anatolian Plateau, which represents 80% of Turkey's wheat growing area. A three-man Oregon State University contract team will work with A.I.D. advisors and Turkish agriculturists in adapting new wheats to the Plateau. Primary emphasis will be on experimenting and adopting new techniques and equipment to conserve moisture and control weeds.

If successful, a program of improved practices and better seeds could revolutionize Turkish wheat production by making it possible to produce a wheat crop annually in many parts of the Plateau where farmers now leave fields fallow for a year between crops. This Technical Assistance activity, which will cost $266,000 in FY 1970, will be coordinated with long-range research programs of the regional wheat breeding center which the Rockefeller Foundation is planning to establish in Turkey.

Efforts to increase private enterprise and farmer participation in development also characterize the On-Farm Water project, which will cost $205,000 in Technical Assistance in FY 1970. This activity focuses on training Turkish technicians to help farmers prepare their fields for optimum use of irrigation water. A.I.D. technicians have developed prototypes of required land-shaping equipment, and a number of private firms have begun to manufacture and sell this machinery. This successful stimulation of private enterprise will save foreign exchange by eliminating the need to import such equipment. Farmers participate in both the planning and application of these new techniques which have reduced land-levelling costs by almost two-thirds.

Stimulation of private enterprise is also the focus of A.I.D.'s efforts to diversify and increase agricultural exports, particularly fresh fruits and vegetables, and forest products. One of Turkey's highest ranking officials completed a recent visit to the United States to interest U.S. firms in developing agro-industries in these fields. One major U.S. firm is undertaking a feasibility study. A.I.D. experts are helping Turks to develop the technical production standards, the production facilities and the transportation and marketing operations necessary to increase the sale of fruits and vegetables in foreign markets. Several private groups are being formed in Turkey to develop these industries.

Development of forest industries requires changes in government policy on usage of forestry resources as well as on private participation. The Turkish Government has approached a number of U.S. forest products companies as to their interest in investing in this sector. A.I.D.'s efforts to stimulate private investment to develop Turkish forest resources is supplemented by a major forestry inventory being conducted by the Government of Turkey with the assistance of The Food and Agriculture Organization (FAO).

The Turkish Government is also increasing its efforts to improve livestock, which accounts for one-third of total agricultural output and has a significant export potential to the Middle East. The Government is requesting assistance in this field from the World Bank and the UN Development Fund. Consequently, A.I.D. is limiting its participation to the development of new feed grains as a part of the cereals production project and a demonstration feedlot program.

TURKEY

Manpower Development

Increasing productivity requires a growing supply of skilled manpower, development of new and improved managerial techniques and strengthening of the institutional apparatus. Technical Assistance funds will provide foreign training, consultants and contract services.

The primary emphasis is on developing professional and technical skills by assisting education on the university level. The Middle East Technical University and Hacettepe University, both progressive institutions, will continue to receive assistance to train faculty, develop curriculum and improve facilities. These universities are a major source of technical, scientific, and medical manpower. To date A.I.D. Development Loans totaling $9 million and Technical Assistance grants of $1,338,000 have been provided to these institutions to cover the foreign exchange costs of advisory services, visiting professors, training of Turkish staff in the United States and procurement of books and equipment. In FY 1970, an additional $650,000 of Technical Assistance is proposed to continue this program.

The Academies of Economics and Commerce, similar to U.S. business schools, will also continue to receive Technical Assistance amounting to $520,000 in FY 1970, with the emphasis shifting to faculty development through training in the United States. The Academies are almost the only source of middle-level managerial talent in Turkey. This assistance will strengthen the efforts of all these institutions to continue their innovative roles in Turkish education.

A.I.D. is helping improve the Government's capacity to guide manpower development through a project focused on developing new planning and budgeting techniques within the Ministry of Education. Technical Assistance totaling $175,000 is proposed for this purpose in FY 1970.

Training of private business and industrial leaders will be supported by broadening government participant training programs to include more private participants selected by the Turkish Educational Foundation. A.I.D. will help the Foundation provide U.S. training in various business fields for young Turks who will return to assume management positions. Other leadership training programs, including trade union leadership, will continue. In FY 1969, these training programs received $796,000 in Technical Assistance and in FY 1970, $810,000 is planned.

A major portion of the Technical Assistance program is also concentrated on strengthening the managerial capacity of governmental agencies. Increased emphasis will be given to improving budget processes. Tax administration improvement will continue. In addition, A.I.D. will continue to support the State Institute of Statistics in its effort to apply modern techniques of data gathering and evaluation.

Turkey

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	225.1	909.1	70.8	128.7	130.9	156.3	139.3	133.9	56.4	816.3	1,950.6	99.0	1,851.6
Loans	-	85.0	240.8	10.0	72.3	122.5	152.6	135.3	130.3	52.5	675.5	1,001.3	99.0	902.3
Grants	-	140.1	668.3	60.8	56.4	8.4	3.8	4.1	3.6	4.0	141.1	949.2	-	949.2
FOOD FOR FREEDOM - TOTAL	-	*	159.1	113.3	33.2	36.8	32.9	19.3	8.5	12.6	256.6	415.4	54.2	361.2
Title I - Total	-	-	142.3	97.7	28.4	28.4	28.4	12.0	-	-	194.9	337.1	54.2	282.9
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	142.3	97.7	28.4	28.4	28.4	12.0	-	-	194.9	337.1	54.2	282.9
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(241.0)	(122.1)	(35.9)	(35.9)	(35.9)	(17.2)	(-)	(-)	(247.0)	(487.9)	(-)	(487.9)
Planned for Country Use	-	-	142.3	97.7	28.4	28.4	28.4	12.0	-	-	194.9	337.1	54.2	282.9
Economic Development Loans	-	-	39.9	51.5	22.6	22.6	22.6	8.6	-	-	127.9	167.9	26.1	141.8
Economic Development Grants	-	-	2.2	-	-	-	-	-	-	-	-	2.2	-	2.2
Common Defense Grants	-	-	77.9	26.0	-	-	-	-	-	-	26.0	103.9	-	103.9
Cooley Loans	-	-	20.4	20.1	5.8	5.8	5.8	3.4	-	-	40.9	61.3	28.2	33.1
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	1.8	-	-	-	-	-	-	-	-	1.8	-	1.8
Title II - Total	-	*	16.8	15.6	4.8	8.4	4.5	7.3	8.5	12.6	61.7	78.3	-	78.3
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	12.2	12.7	-	2.3	1.4	1.1	4.1	0.5	22.1	34.1	-	34.1
VOLUNTARY RELIEF AGENCIES	-	*	4.6	2.9	4.8	6.1	3.1	6.2	4.4	12.1	39.6	44.2	-	44.2
EXPORT-IMPORT BANK LONG-TERM LOANS	32.3	-	32.0	-	-	-	-	-	7.1	-	7.1	71.4	63.2	8.2
OTHER U.S. ECONOMIC PROGRAMS	12.2	-	-	0.1	0.7	1.6	3.0	3.4	2.4	1.6	12.8	25.0	14.7	10.3
PEACE CORPS	-	-	-	0.1	0.7	1.6	3.0	3.4	2.4	1.6	12.8	12.8	-	12.8
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER. a/	12.2	-	-	-	-	-	-	-	-	-	-	12.2	14.7	-2.5
TOTAL ECONOMIC	44.5	225.1	1,100.2	184.2	162.6	169.3	192.2	162.0	151.9	70.6	1,092.8	2,462.4	231.1	2,231.3
Loans	44.5	85.0	333.1	81.6	100.7	150.9	181.0	147.3	137.4	52.5	851.4	1,314.1	231.1	1,083.0
Grants	-	140.1	767.0	102.5	61.9	18.4	11.3	14.8	14.5	18.2	241.6	1,148.2	-	1,148.2
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	146.1	1,519.5	156.4	172.2	101.6	118.4	100.5	118.5	130.9	898.5	2,770.6	-	2,770.6
Credit Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	146.1	1,519.5	156.4	172.2	101.6	118.4	100.5	118.5	130.9	898.5	2,770.6	-	2,770.6
(Additional Grants from Excess Stocks)	(-)	(21.3)	(58.3)	(4.9)	(7.9)	(6.1)	(13.1)	(38.8)	(77.2)	(51.9)	(199.9)	(319.5)	(-)	(319.5)
OTHER MILITARY ASSISTANCE GRANTS. c/	68.8	89.8	34.4	-	-	-	-	-	-	-	-	193.0	-	193.0
TOTAL MILITARY	68.8	235.9	1,553.9	156.4	172.2	101.6	118.4	100.5	118.5	130.9	898.5	2,963.6	-	2,963.6
TOTAL ECONOMIC AND MILITARY	113.3	461.0	2,654.1	340.6	334.8	270.9	310.6	262.5	270.4	201.5	1,991.3	5,426.0	231.1	5,194.9
Loans	44.5	85.0	333.1	81.6	100.7	150.9	181.0	147.3	137.4	52.5	851.4	1,314.1	231.1	1,083.0
Grants	68.8	376.0	2,320.9	258.9	234.1	120.0	129.7	115.3	133.0	149.1	1,140.1	4,111.8	-	4,111.8

* Less than $50,000. a/ Represents Surplus Property Credits. b/ Annual data represent deliveries; total through 1968 is the cumulative program.
c/ Includes Greek-Turkish Aid, $158.6 million.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	42.2	46.0	294.4
IBRD-World Bank	10.0	-	70.7
Int'l Development Association	15.0	-	80.5
Int'l Finance Corporation	0.3	-	2.6
EEC-EIB Loans	13.6	35.5	103.3
UNDP-Special Fund	2.1	3.3	20.4
UNDP-TA (CY)	0.8	0.7	9.2
Other UN	0.4	0.5	7.7

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	65.2	71.1	383.0
Germany	17.2	21.3	196.5
United Kingdom	19.3	16.4	71.5
Italy	11.4	17.8	59.0
France	7.5	7.1	20.7
Other	9.8	8.4	35.3

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	200
1968 (Calendar Year)	-
Cumulative Thru 1968	218

OTHER NESA - BASIC DATA

BASIC DATA	UNIT	AFGHANISTAN	CEYLON	JORDAN	NEPAL
POPULATION					
Total (Mid 1968)	Millions	16.1	12.0	2.1	10.7
Annual Growth Rate	Percent	2.3	2.4	3.0	1.9
AREA					
Total	1,000 Sq.Mi.	250	25	38	54
Agricultural Land	Percent of Area	19	29	14	30
GROSS NATIONAL PRODUCT					
Per Capita (1967 Est.)	Dollars	85	154	286	76
TRADE					
Total Exports (1967)	$ Millions	61[P,a]	348	32	65[E,b]
Main Exports	Item	Fruit & Nuts	Tea	Fruits & Veg.	Rice & Jute
HEALTH AND EDUCATION					
People Per Doctor	Persons	21,360	5,800	3,870	41,180
Literacy Rate	Percent	8	70-80	35-40	5-10

a - Fiscal Year beginning March 22.

b - Fiscal Year beginning July 16.

E - Estimated.

P - Preliminary.

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AFGHANISTAN

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	17.0	0.7a/	1.2	1.0
Technical Assistance	8.3	7.9	7.6	6.8
Supporting Assistance	-	-	0.1b/	-
Total A.I.D. Assistance	25.3	8.6	8.9	7.8

a/ Loan amendment only
b/ Represents $87,000 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

U.S. economic assistance to Afghanistan has three major objectives: 1) increased agricultural productivity, 2) improved and expanded education, particulary at the elementary level and in vocational and technical schools, and 3) improved economic planning and financial management. The program also seeks to expand private investment by encouraging Afghans to organize and develop small businesses. The U.S. aid program provides an alternative to excessive reliance on the Soviet Union.

PROBLEMS AND PROGRESS

Afghan leaders face two major development problems: public and private resources have been only partially mobilized, and individual government agencies have only limited capability to shape and accelerate the rate of change.

National growth is slowed by the lack of trained technicians and experienced managers, but the crash effort to grow more wheat shows that a successful program is possible when human and financial resources are concentrated on a clear objective.

The country's political institutions continue to develop after the adoption of a new Constitution in 1964 that established a national parliament and an independent judiciary. These efforts at democratic rule mean delays in legislation to raise revenues and achieve administrative reforms to facilitate social and economic growth.

Foreign aid still remains the source of most development expenditures. However, the government recently levied new taxes and is attempting to improve revenue collection to pay for planned public services and development.

A new law provides tax incentives and eases regulations for private investors. Entrepreneurs have submitted 138 investment proposals to qualify for advantages under the new law. Proposals range from textile plants to a small iron products mill, and include 15 businesses with export potential. Construction has begun on 35 plants and several are in operation. To stimulate foreign trade volume and profits, the Government reduced export taxes on karakul fur, wool and fiber.

FY 1970 PROGRAM

A Technical Assistance program of $6.8 million and a Development Loan of $1 million for fertilizer are proposed for FY 1970 to support the Afghanistan development program.

Of this amount, $1.9 million in Technical Assistance will be used for agriculture, primarily to support and expand the current wheat production program. Agriculture, the mainstay of the nation's economy, is the principal source of foreign exchange earnings and provides a livelihood for more than 80% of the population. However, the country has been importing agricultural products at an annual rate of nearly $8 million, representing about 10% of its yearly trade deficit. Accordingly, the United States will attempt to help Afghanistan become self-sufficient in wheat, a principal agricultural import during the past decade. Introduction of improved Mexican wheat varieties by U.S. technicians has been accompanied by widespread adoption of new farm practices, including the use of balanced fertilizer mixes and increased irrigation. In FY 1969 A.I.D. extended a $1.25 million fertilizer loan for procurement of phosphates.

The proposed FY 1970 loan of $1 million will not cover all of the requirement. A major portion of Afghanistan's fertilizer requirement is being met by the USSR. Although technical and organizational problems persist, the national wheat program already is bringing significant numbers of previously subsistence farmers into the commercial market. The purchasing power of these new commercial farmers will help promote industrial growth.

About $2.2 million will be provided to strengthen the capacities of educational institutions, including the Ministry of Education, in fields of elementary teacher education, agriculture, technical and engineering training, and university administration. The Government's efforts to extend the benefits of public education are based on a strong national drive for learning that has created a

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new awareness of the need for trained teachers and more and better educational facilities. Three U.S. universities and a consortium of U.S. engineering faculties provide professional teachers and administrators who work with Kabul University on general administration and on development of Faculties in Agriculture, Education and Engineering. Work will proceed under a fourth university contract to complete development of the secondary-level Afghanistan Institute of Technology.

A.I.D. plans to provide $550,000 to help Afghanistan: a) expand industrial development through work of a new investment advisory center and through direct advice to new businesses, b) strengthen technical skills needed by the Ministry of Planning to formulate and carry out development policies, and c) improve government administration, including expansion of revenue collection through customs and land taxes.

Slightly over $100,000 will be provided to help the Government develop its modest family planning program.

CEYLON

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	7.5	-	-	5.0

U.S. AID OBJECTIVES

The A.I.D. program in Ceylon is designed to support the country's development efforts, particularly in agriculture, and to ease the foreign exchange constraint on agricultural and industrial growth. Assistance is provided in the context of a multilateral aid-donor effort organized by the IBRD to support Ceylon's economic reform program.

PROBLEMS AND PROGRESS

Since taking office in 1965, the Government of Dudley Senanayake has reversed the disorderly economic policies of its predecessor. Under the previous Government, the importation of basic consumer goods to the virtual exclusion of capital goods imports for domestic production had resulted in wholesale depletion of foreign exchange reserves. In addition, a system of rigid price controls served to discourage domestic production.

The economy is growing again at a healthy rate--about 6-7% in 1967 and 8% in 1968--compared to the average rate of 3% for the period 1960-1966. This growth in GNP has been spurred largely by the Government's program to increase food production, particularly rice, the major food crop. To achieve this, the Government has reduced the rice ration by 50%, permitted the domestic market price to rise, shifted scarce foreign exchange from rice imports to fertilizer imports, and stepped up technical assistance and irrigation works programs which have been underway for several years. Primarily because of these efforts, milled rice production in 1967 was 765 thousand metric tons, an increase of 20% over 1966, and a further increase of 17% was achieved in 1968, with production of 895 thousand metric tons.

A number of critical problems yet remain. Agricultural production must be raised further and crop diversification is needed. Export earnings of major agricultural exports (tea, rubber and coconuts) continue to be depressed, partly due to declining world market prices, but also because little new capital investment has been made in processing facilities or in more productive varieties. Non-agricultural exports must be expanded, and import-substitution industries encouraged through increased incentives and by provision of additional foreign exchange to import necessary raw material and capital goods.

FY 1970 PROGRAM

Ceylon's short-term foreign exchange crisis has been eased by stabilization loans from the International Monetary Fund (IMF) and through flows of assistance from the nearly $200 million committed by the aid donors since 1965. Of the $200 million, the United States has contributed $55 million, $7.5 million in development loans each year for the two years, 1966 and 1967, and the rest through P.L. 480 programs.

A currency devaluation of 20% in November 1967 and the adoption in 1968 of a preferential exchange rate, about 44% higher than the official rate, for certain export transactions are stimulating further growth of foreign exchange earnings.

To help support the development efforts of the Government of Ceylon, particularly in expanding agricultural production, A.I.D. is currently considering extending a $5 million development loan in FY 1969 to help meet a portion of Ceylon's fertilizer import requirements. Another loan of $5 million in FY 1970 will finance essential raw materials and capital goods, including fertilizer, to increase agricultural and industrial production. The loan will supplement projected FY 1970 P.L. 480 sales of wheat flour valued up to $15.0 million.

JORDAN

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	1.8	-	-	-
Technical Assistance ...	3.9	2.0	1.5	1.6
Supporting Assistance ...	30.0	10.2	-	-
Contingency Fund.....	2.0	-	-	-
Total A.I.D. Assistance	37.7	12.2	1.5	1.6

U.S. AID OBJECTIVES

A moderate, stable Jordan is basic to U.S. efforts to achieve a constructive resolution of problems stemming from the 1967 Arab-Israeli War. Jordan lost its West Bank, which represented nearly half its economy. Many Jordanians fled to the east and the country now has the burden of supporting 700,000 displaced persons and refugees -- almost half the population.

The A.I.D. program encourages Jordan to continue its development program to the extent feasible in present circumstances. It will concentrate on helping Jordan use effectively the substantial resources available to it. In FY 1970 the program emphasis will be on identification of investment opportunities, increased agricultural production, improved planning for the design of educational facilities, and training of technical personnel.

PROBLEMS AND PROGRESS

Prior to the 1967 war, Jordan's economy was growing at a rate of over 10% a year. The war and occupation of the West Bank by Israel have retarded economic development and created a serious distortion in the East Bank economy.

The loss of the West Bank tourist industry together with disruption of agricultural production in the Jordan Valley sharply reduced the volume of economic activity. A proposed major project for recovering potash from the Dead Sea has been postponed.

The government receives payments of over $100 million a year from Saudi Arabia, Kuwait and Libya under the Khartoum Agreement of 1967. These payments help make up for the loss of West Bank tourism and other foreign exchange earnings and have covered Jordan's budget deficit. They were sufficiently large that the United States and the United Kingdom were able to terminate budget support in FY 1967. Foreign exchange reserves have continued to increase partly because of the Khartoum payments but also because the security situation has impeded imports and development activities.

East Bank development has begun to revive somewhat. Housing construction has resumed, and limited industrial plant expansion is occurring. Public works projects in urban and rural development have also been mounted to stimulate economic activity and provide employment. U.S. - supported activities include completion of a road in the Jordan Valley, improvement of the telecommunications system, review of power requirements and expanded programs in agricultural production and marketing.

Feasibility studies to probe the prospects for expanded activity in agriculture and water resource development, school building and private sector industry are under way.

FY 1970 PROGRAM

A $1.6 million Technical Assistance program will emphasize increased agricultural production, improved school building design and construction and strengthened development administration capabilities. Jordan will also be eligible for development lending. P.L. 480 Title II support of voluntary agency activities will supplement government efforts to alleviate unemployment. Depending on the crop situation and supply of food from other sources, a Title I program may also be needed.

Agriculture

With the loss of West Bank agricultural land and sporadic armed conflict in the Jordan Valley, the focus in agricultural development activities has shifted to increasing production on the higher lands, concentrating on wheat needed for domestic consumption and on agricultural products for export.

Two new projects will be started, one to develop in the Ministry of Agriculture a staff trained to carry out agricultural economic analysis and planning, and a second to develop and improve vegetable varieties for home and foreign markets. The potential exists to increase vegetable production by 50% in five years. Marketing problems are being studied by a Marketing Center established by the Government with assistance from the United Nations.

U.S. assistance will continue to emphasize dryland farming practices to increase wheat production in the non-irrigated highlands.

OTHER NESA PROGRAMS
Successful experiments with summer fallow techniques will be expanded in FY 1970.

Education

Jordan puts a high priority on improvement of its educational system and its facilities. About 80% of its primary school age children are in school. In FY 1970, the United States will provide assistance in planning, designing and managing an accelerated school building program. The program will help meet expanding requirements and provide employment for refugees and displaced persons.

Public Administration

In this period of limited development opportunities in Jordan, we are continuing to train personnel in the United States who will be needed in the future to staff and supervise development activities. Current plans call for training in economic planning, public administration and water resource development.

NEPAL

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Technical Assistance . . .	3.4	2.3	2.7	2.6
Supporting Assistance . . .	-	0.05 a/	0.2 a/	-
Total A.I.D. Assistance	3.4	2.4	2.9	2.6

a/ Represents $45,000 in FY 1968 and $222,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The objectives of U.S. assistance are to help Nepal build the institutions and skills needed for development of its resources, and to expand mutually beneficial economic ties with India. The A.I.D. program is designed to stimulate greater agricultural production, improve and expand education at all levels, and increase communication with and development of outlying hill regions.

PROBLEMS AND PROGRESS

Nepal has increased food production, educated more of its youth, raised domestic revenues and stimulated new industries, but much remains to be done. The Panchayat system of local government has permitted popular participation in community affairs at the village level. While not yet fully functioning, this administrative system is a first small step toward broader involvement of the Nepalese peasant in local and national government. Past efforts to provide better teachers and educational materials have caused students and teachers alike to focus on the inadequacies of the present school system and to face the need for fundamental improvements.

The country's growth continues to be restrained by its single greatest shortage--trained manpower. The Government continues to rely heavily on external assistance for revenue--approximately 40% in FY 1969 from foreign donors. More needs to be done to improve communications between Kathmandu, the center of commerce and government, and the farm and hill areas, where over 90% of the people live.

FY 1970 PROGRAM

The A.I.D. program will concentrate on building institutions and training individuals in a variety of short-supply skills.
The proposed $2.6 million A.I.D. technical assistance program for FY 1970 will finance advisory services of U.S. technicians, commodities (mainly DDT for the malaria program) and training of Nepalese participants in the United States. In addition, about $8 million equivalent of U.S.-owned Indian rupees, generated by previous P.L. 480 sales, will be provided for joint U.S.-Nepalese development projects, including the construction of basic roads and airstrips to open isolated hill areas for development.

Nepal must increase food production to meet the needs of a growing population and to expand exports. A.I.D. assistance to agriculture will concentrate on improving research facilities and extension services, and developing sources for credit and other inputs to the farm community. A.I.D. plans $430,000 plus $2.5 million equivalent in rupees to support the agricultural effort. Assistance in the amount of $600,000, plus $400,000 equivalent in rupees, is planned for improving the educational system, with concentration on the College of Education, the National Vocational Training Center and the Educational Materials Organization. In the field of public administration, U.S. advisors will work with government officials to train village-level government workers and to assist local-level development projects financed largely with local currency. For

these public administration projects, $3.5 million, of which the dollar element will be $250,000, is proposed. Other Technical Assistance funds will be devoted to improving and expanding manpower training at all levels, malaria control, family planning and the formulation of new incentives for private sector industrial growth.

CENTO AND REGIONAL PROGRAMS

PROGRAM SUMMARY
(In millions of dollars)

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Technical Assistance . . .	1.3	3.6	2.9	5.3
Supporting Assistance . . .	-	0.7a/	1.2a/	-
Contingency Fund.	0.3	-	-	-
Total A.I.D. Assistance	1.6	4.3	4.0	5.3

a/ Represents $655,000 in FY 1968 and $1,185,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

The objective of the regional Technical Assistance program is to encourage nations of the region to cooperate by discussing matters of mutual interest, solving problems through joint action and making it possible for students from the various countries to live and study together.

A.I.D. also provides regional advisors who conduct surveys, studies, and research and pilot programs to test the effectiveness of projects for the region. Many activities are channeled through the Central Treaty Organization (CENTO) and the American University of Beirut (AUB).

Advanced Training. The United States has financed training at the AUB for 18 years. In recent years, A.I.D. has funded a scholarship program for 400-500 students which has helped to fill the need for trained manpower and has encouraged the use of AUB as a regional institution of higher education. The scholarship program enables many future leaders of the region to meet and work with each other. Courses of study offered at AUB are of higher quality than those available in most other universities in the region. The United States has encouraged AUB, with good results, to offer courses in fields of study that are critical for development such as agriculture, education, engineering and public administration.

Over the past few years, one-fifth of A.I.D.-financed training for students from the region was for study at AUB. In the 1969 school year, the Near East-South Asia regional program is financing 432 students from Jordan, Pakistan, Afghanistan, Turkey, Iran, Lebanon and Cyprus. Over half the students are being trained as public school teachers and agricultural scientists. The remainder are studying engineering, public health and public administration.

During the FY 1967-1969 period, uncertainties resulting from the Middle East War caused delays in obligating funds for AUB. Thus, the pipeline of funds was drawn below the level which permits orderly planning by AUB for participants. The FY 1970 level of $2.25 million will permit an earlier commitment date so AUB can estimate its resources and properly plan its yearly activity.

Regional Studies. A.I.D. conducts pilot programs in one or two countries to test ideas which may also prove useful in other countries of the region. One of these is a study of the feasibility of using new learning techniques in education. The first phase of this program is a study now underway in cooperation with the Government of India. If results are favorable, an experimental program will be established in India and Pakistan.

Another pilot study will determine the effectiveness of working through non-governmental organizations to encourage family planning. A.I.D. also proposes to conduct selected studies on resources of the region such as minerals and water and the application of new technology to resource development. Such studies could include desalting, improved uses of land and water and the use of new seeds and agricultural techniques. A.I.D. provides short-term consultants in water resource development, nutrition, nuclear laboratories, agro-business, and for special studies preceding loan or technical assistance negotiation.

Regional Health Activity. A.I.D. encourages international cooperation in preventing the spread of communicable diseases across national borders. The services of consultants in immunization, vaccine production and quality control and other health activities, are provided. From FY 1966 through FY 1968 A.I.D. assisted with massive inoculation programs to combat the spread of cholera. In addition to specialized consultants, A.I.D. supplied vaccine, inoculation equipment and other supplies to help combat the disease.

A regional public health advisor was provided to assist Ministries of Health in solving other specific health problems, such as an outbreak of plague in a mountain village in Nepal and the 1968 poliomyelitis epidemic in Turkey.

R

OTHER NESA PROGRAMS

During FY 1969 the pandemic spread of cholera in the Near East abated and a gradual reduction of the stockpile of emergency supplies was begun.

A limited Regional Communicable Diseases project to assist Ministries of Health in the region will continue to strengthen health facilities and organizations in developing serum for epidemics, disease identification techniques, and laboratory practices.

Regional Family Planning Activities. For regional assistance to family planning, $1.6 million is proposed, compared to $1.2 million programmed for FY 1969. A.I.D. cooperates with the Colombo Plan's population program in Ceylon by providing a U.S. population advisor.

A Middle East survey of population dynamics and a research project on reversible sterilization are being designed. These activities are in addition to bilateral activities funded in country programs.

A.I.D. also financed some of the activities of voluntary organizations in support of family planning in the region. The Population Council is continuing its program of disseminating family planning information to new mothers at hospitals in India and its to begin one in Pakistan and perhaps Ceylon. The Pathfinder Fund will increase its assistance to voluntary organizations in India and begin a similar program in Afghanistan, and the Planned Parenthood Association of Chicago will train NESA participants.

For FY 1970 A.I.D. plans to continue the regional family planning activities started in FY 1969, and, in addition, to undertake research on motivation to practice family planning.

CENTO Programs. A.I.D. proposed to contribute $350,000 to CENTO part of which is for the CENTO Multilateral Technical Cooperation Fund and the Multilateral Science Fund. These funds are administered by the CENTO countries in the region, the United States and the United Kingdom. The CENTO Multilateral Technical Cooperation Fund finances the exchange of experts from within the CENTO countries, provides scholarships for study at universities in the region, and supports regional technical cooperation programs for geological mapping and training in farm mechanization. CENTO conducts conferences, family planning seminars, and training.

The Multilateral Science Fund was established in the spring of 1967. Among initial projects undertaken were regional inventories of scientific facilities and a summer institute held in the Turkish nuclear training and research center. Proposed activities for FY 1970 includes the provision of equipment to each regional country to improve earthquake data as a basis for building codes and guidelines for construction siting in earthquake-prone areas.

OTHER NESA PROGRAMS

AFGHANISTAN

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	23.9	7.4	219.4	3.6	215.8
Loans	17.0	-0.1	44.5	3.6	40.9
Grants	6.9	7.5	175.0	-	175.0
FOOD FOR FREEDOM - TOTAL	6.8	6.1	116.5	*	116.5
Title I - Total	2.0	6.1	8.7	*	8.7
PAYABLE IN U.S. DOLLARS - LOANS	1.4	4.3	5.7	*	5.7
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	0.6	1.8	3.0	-	3.0
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(1.0)
Planned for Country Use	0.6	1.8	3.0	-	3.0
Economic Development Loans	-	-	0.6	-	0.6
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements a/	0.6	1.8	2.4	-	2.4
Title II - Total	4.8	*	107.8	-	107.8
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	4.8	-	106.1	-	106.1
VOLUNTARY RELIEF AGENCIES	-	*	1.7	-	1.7
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	39.3	32.9	6.4
OTHER U.S. ECONOMIC PROGRAMS	1.3	1.6	6.7	-	6.7
PEACE CORPS	1.3	1.6	6.6	-	6.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	0.1	-	0.1
TOTAL ECONOMIC	32.0	15.1	381.9	36.5	345.4
Loans	19.0	6.0	92.5	36.5	56.0
Grants	13.0	9.1	289.5	-	289.5
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	0.1	0.3	3.5	-	3.5
Credit Assistance	-	-	-	-	-
Grants	0.1	0.3	3.5	-	3.5
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	0.1	0.3	3.5	-	3.5
TOTAL ECONOMIC AND MILITARY	32.1	15.4	385.4	36.5	348.9
Loans	19.0	6.0	92.5	36.5	56.0
Grants	13.1	9.4	293.0	-	293.0

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	4.0	4.6	37.1
Int'l Dev. Association	-	-	3.5
UNDP-Special Fund	2.4	2.9	14.3
UNDP-TA (CY)	1.1	0.9	11.9
Other UN (CY)	0.5	0.8	7.4

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	18.3	11.7	67.3
Germany	17.5	10.6	62.5
United Kingdom	0.4	0.8	3.1
Other	0.5	0.3	1.7

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... 5
1968 (Calendar Year).....127
Cumulative thru 1968.....737

*Less than $50,000.
a/ Data represent loans from Pakistani rupees generated under earlier fiscal years' sales agreements.
b/ Annual data represent deliveries; total through 1968 is the cumulative program.

CEYLON

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	7.5	-	37.0	3.1	33.9
Loans	7.5	-	20.7	3.1	17.6
Grants	-*	-	16.3	-	16.3
FOOD FOR FREEDOM - TOTAL	2.7	27.2	98.0	1.8	96.2
Title I - Total	-	25.0	43.8	1.8	42.0
PAYABLE IN U.S. DOLLARS - LOANS	-	25.0	25.0	-	25.0
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	18.8	1.8	17.0
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(31.5)	(-)	(31.5)
Planned for Country Use	-	-	18.8	1.8	17.0
Economic Development Loans	-	-	13.5	1.8	11.7
Economic Development Grants	-	-	4.9	-	4.9
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	0.5	-	0.5
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	2.7	2.2	54.2	-	54.2
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	9.3	-	9.3
VOLUNTARY RELIEF AGENCIES	2.7	2.2	44.9	-	44.9
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.2	0.2	1.0	-	1.0
PEACE CORPS	0.2	0.2	1.0	-	1.0
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	-	-	-
TOTAL ECONOMIC	10.4	27.4	136.0	4.9	131.1
Loans	7.5	25.0	59.7	4.9	54.8
Grants	2.9	2.4	76.4	-	76.4
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	*	0.3	-	0.3
Credit Assistance	-	-	0.3	-	0.3
Grants	-	*	*	-	*
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	-	*	0.3	-	0.3
TOTAL ECONOMIC AND MILITARY	10.4	27.4	136.3	4.9	131.4
Loans	7.5	25.0	60.0	4.9	55.1
Grants	2.9	2.4	76.4	-	76.4

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	1.9	10.7	63.7
IBRD-World Bank	-	4.0	41.3
Int'l Dev. Association	-	2.0	2.0
UNDP-Special Fund	0.8	3.4	9.1
UNDP-TA (CY)	0.8	0.6	8.3
Other UN (CY)	0.3	0.7	3.0

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	29.0	35.6	99.5
Canada	6.0	8.4	29.4
United Kingdom	7.7	12.4	27.4
Germany	7.0	10.8	26.5
Other	8.4	4.0	16.2

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... n.a.
Cumulative thru 1968..... 123

*Less than $50,000. n.a. - not available
a/ Annual data represent deliveries; total through 1968 is the cumulative program.

OTHER NESA PROGRAMS

JORDAN

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	37.2	11.0	484.4	2.5	481.9
Loans	1.8	-0.7	13.1	2.5	10.6
Grants	35.4	11.6	471.3	-	471.3
FOOD FOR FREEDOM - TOTAL	8.0	6.6	90.8	0.1	90.7
Title I - Total	4.8	2.0	7.4	0.1	7.3
PAYABLE IN U.S. DOLLARS - LOANS	1.7	2.0	3.7	*	3.7
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	3.1	-	3.7	0.1	3.6
(Total Sales Agreements, including U.S. Uses)	(4.4)	(-)	(5.9)	(-)	(5.9)
Planned for Country Use	3.1	-	3.7	0.1	3.6
Economic Development Loans	3.1	-	3.7	0.1	3.6
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	3.2	4.6	83.4	-	83.4
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	2.3	2.6	61.5	-	61.5
VOLUNTARY RELIEF AGENCIES	0.9	2.0	21.9	-	21.9
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	1.6	0.5	1.1
OTHER U.S. ECONOMIC PROGRAMS	-	-	1.3	-	1.3
PEACE CORPS	-	-	-	-	-
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	1.3	-	-
TOTAL ECONOMIC	45.2	17.6	578.1	3.1	575.0
Loans	6.6	1.3	22.1	3.1	19.0
Grants	38.6	16.2	556.0	-	556.0
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	18.8		DATA CLASSIFIED		
Credit Assistance	6.9				
Grants	11.9	2.1	52.7	-	52.7
(Additional Grants from Excess Stocks)	(3.7)	(0.3)	(12.6)	(-)	12.6
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	18.8		DATA CLASSIFIED		
TOTAL ECONOMIC AND MILITARY	64.0		DATA CLASSIFIED		
Loans	13.5				
Grants	50.5	18.3	608.7	-	608.7

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	6.7	1.7	25.5
Int'l Dev. Association	3.0	-	10.0
UNDP-Special Fund	2.9	0.9	7.3
UNDP-TA (CY)	0.6	0.4	5.4
Other UN (CY)	0.2	0.4	2.8

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	8.6	9.6	74.7
United Kingdom	7.3	5.9	60.9
Germany	1.2	3.5	13.1
Other	0.1	0.2	0.6

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968..... -

*Less than $50,000.
a/ Annual data represent deliveries; total through 1968 is the cumulative program.

NEPAL

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	2.7	1.9	45.5	0.1	45.4
Loans	-	-0.3	1.0	0.1	0.9
Grants	2.7	2.2	44.5	-	44.5
FOOD FOR FREEDOM - TOTAL	2.7	7.5	72.7	0.3	72.4
Title I - Total	2.4	7.2	66.9	0.3	66.6
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	2.4	7.2	66.9	0.3	66.6
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	2.4	7.2	66.9	0.3	66.6
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements 3/	2.4	7.2	66.9	0.3	66.6
Title II - Total	0.3	0.3	5.8	-	5.8
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	0.3	0.3	5.8	-	5.8
VOLUNTARY RELIEF AGENCIES	-	*	*	-	*
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	1.7	1.7	7.5	-	7.5
PEACE CORPS	1.7	1.7	7.5	-	7.5
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	-	-	-
TOTAL ECONOMIC	7.1	11.1	125.7	0.4	125.3
Loans	-	-0.3	8.2	0.4	7.8
Grants	7.1	11.4	117.5	-	117.5
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	0.5	0.5			
Credit Assistance	-	-			
Grants	0.5	0.5	DATA CLASSIFIED		
(Additional Grants from Excess Stocks)	(-)	(*)			
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	0.5	0.5	DATA CLASSIFIED		
TOTAL ECONOMIC AND MILITARY	7.6	11.6			
Loans	-	-0.3	DATA CLASSIFIED		
Grants	7.6	11.9			

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	0.6	1.0	10.8
UNDP-Special Fund	-	-	3.6
UNDP-TA (CY)	0.5	0.5	3.8
Other UN (CY)	0.1	0.5	3.4

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	2.3	2.1	9.6
United Kingdom	1.1	1.2	5.6
Switzerland	0.4	0.3	1.7
Germany	0.6	0.4	1.6
Other	0.2	0.2	0.7

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... 2
Cumulative thru 1968..... 82

*Less than $50,000.
a/ Data represent grants and loans from Indian and Pakistani rupees generated under earlier fiscal years' sales agreements.
b/ Annual data represent deliveries.

CENTO (Regional)

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	0.2	0.3	53.4	0.1	53.3
Loans	-	-	18.3	0.1	18.2
Grants	0.2	0.3	35.0	-	35.0
FOOD FOR FREEDOM - TOTAL	-	-	-	-	-
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	-	-	-	-	-
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	-	-	-	-	-
VOLUNTARY RELIEF AGENCIES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-
PEACE CORPS	-	-	-	-	-
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	-	-	-
TOTAL ECONOMIC	0.2	0.3	53.4	0.1	53.3
Loans	-	-	18.3	0.1	18.2
Grants	0.2	0.3	35.0	-	35.0
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	0.1	0.3	0.7	-	0.7
Credit Assistance	-	-	-	-	-
Grants	(0.1)	(0.3)	(0.7)	-	(0.7)
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	0.1	0.3	0.7	-	0.7
TOTAL ECONOMIC AND MILITARY	0.3	0.6	54.1	0.1	54.0
Loans	-	-	18.3	0.1	18.2
Grants	0.3	0.6	35.7	-	35.7

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	-	-	-
IBRD-World Bank			
Int'l Dev. Association			
Int'l Finance Corp.			
Inter-Am. Dev. Bank			
UNDP-Special			
UNDP-TA (CY)			
Other UN (CY)			
EEC Dev. Fund			

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

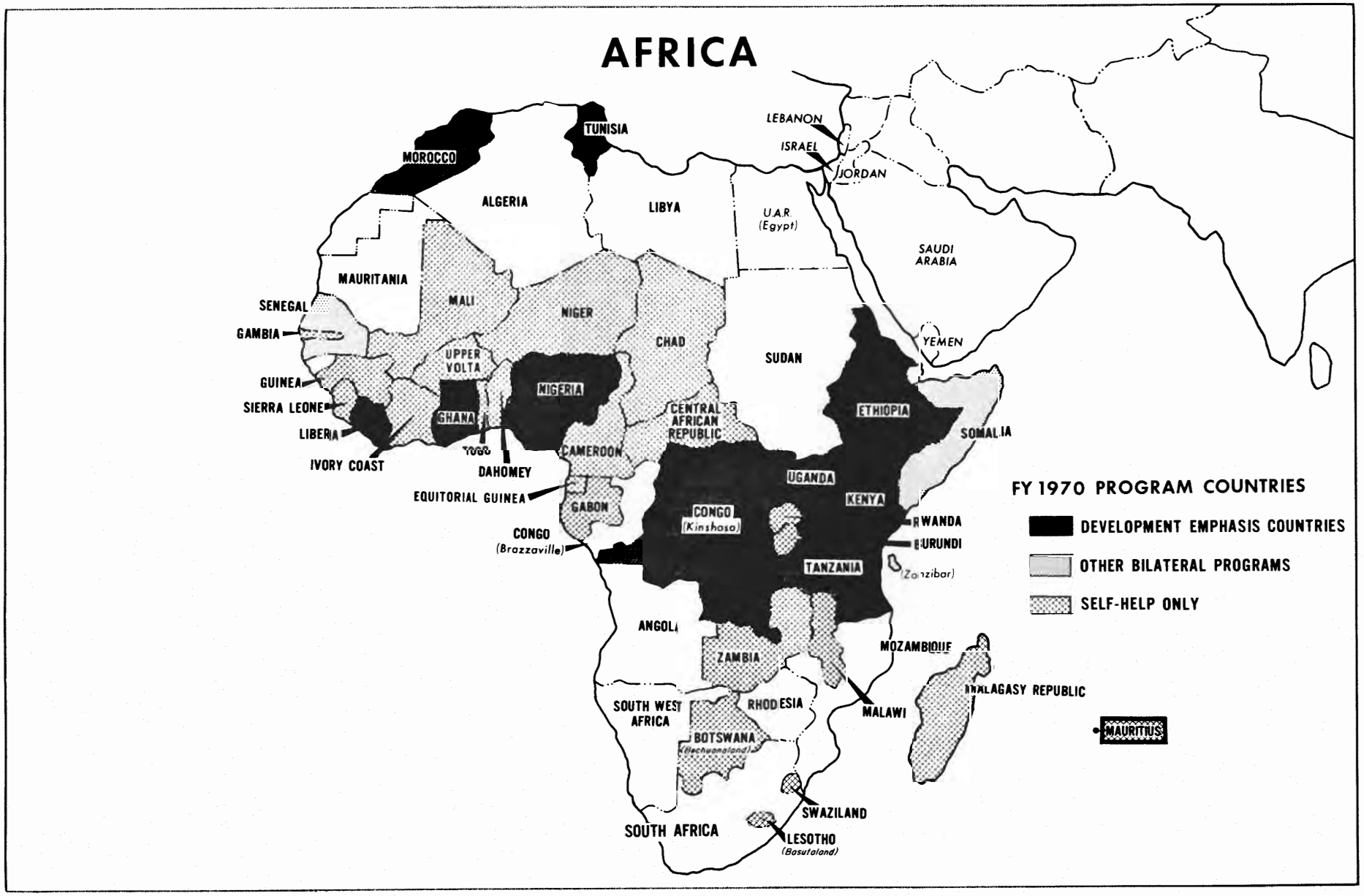
DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	-	-	-

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year) -
1968 (Calendar Year) -
Cumulative thru 1968 -

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.


AFRICA
MOROCCO
TUNISIA
ALGERIA
LIBYA
U.A.R. (Egypt)
LEBANON
ISRAEL
JORDAN
SAUDI ARABIA
YEMEN
MAURITANIA
SENEGAL
GAMBIA
MALI
NIGER
CHAD
SUDAN
UPPER VOLTA
GUINEA
SIERRA LEONE
LIBERIA
IVORY COAST
GHANA
TOGO
DAHOMEY
NIGERIA
CAMEROON
CENTRAL AFRICAN REPUBLIC
ETHIOPIA
SOMALIA
EQUITORIAL GUINEA
GABON
CONGO (Brazzaville)
CONGO (Kinshasa)
UGANDA
KENYA
RWANDA
BURUNDI
TANZANIA
(Zanzibar)
ANGOLA
ZAMBIA
MOZAMBIQUE
MALAGASY REPUBLIC
MALAWI
SOUTH WEST AFRICA
RHODESIA
BOTSWANA (Bechuanaland)
MAURITIUS
SWAZILAND
SOUTH AFRICA
LESOTHO (Basutaland)
FY 1970 PROGRAM COUNTRIES
DEVELOPMENT EMPHASIS COUNTRIES
OTHER BILATERAL PROGRAMS
SELF-HELP ONLY

AFRICA REGIONAL SUMMARY

FY 1970 PROGRAM (Thousands of Dollars)				
Country	Type of Assistance			
	Total	Development Loans	Technical Assistance	Supporting Assistance
AFRICA				
TOTAL.	$186,300	$92,200	$73,500	$20,600
REGIONAL & MULTIDONOR PROG.	(69,563)	(35,700)	(33,263)	(600)
Africa Regional.	62,493	33,700	28,193	600
(East Africa Regional) .	(7,070)	(2,000)	(5,070)	--
DEVELOP. EMPHASIS COUNTRIES:				
East Africa.	(14,712)	(3,500)	(11,212)	--
East Africa Regional .	7,070	2,000	5,070	--
Kenya.	2,405	500	1,905	--
Tanzania	3,072	1,000	2,072	--
Uganda	2,165	--	2,165	--
Ghana.	17,535	15,000	2,535	--
Tunisia.	11,015	9,000	2,015	--
Ethiopia	10,900	6,000	4,900	--
Liberia.	5,254	500	4,754	--
Morocco.	14,716	13,000	1,716	--
Nigeria/Economic Development Program . .	23,750	2,500	11,250	10,000
Nigeria/International Relief Effort	10,000	--	--	10,000
Congo (Kinshasa)	10,975	9,000	1,975	--
OTHER BILATERAL AID COUNTRIES:				
Senegal.	225	--	225	--
Somali Republic.	2,375	--	2,375	--
SPECIAL DEVELOP. AUTHORITY a/	600	--	600	--
SELF-HELP FUND PROJECTS b/.	1,750	--	1,750	--

a/ Special development authority up to $50,000 for bilateral country programs.

b/ Self-Help funds ranging from $50,000 to $100,000 for Botswana, Burundi, Cameroon, Central African Republic, Chad, Dahomey, Equatorial Guinea, Gabon, Gambia, Guinea, Ivory Coast, Lesotho, Malagasy Republic, Malawi, Mali, Mauritius, Niger, Rwanda, Sierra Leone, Swaziland, Togo, Upper Volta, and Zambia.

The $186.3 million proposed for A.I.D. programs in Africa will enable the United States to provide a reasonable share of Free World development assistance to several major African states and to continue support of Africa's budding regional development institutions and programs. The amount requested--less than one-tenth of the total proposed A.I.D. appropriation--is barely sufficient to demonstrate U.S. concern for the welfare and the peaceful development of the continent.

U.S. INTEREST IN AFRICA

The foreign assistance program in Africa is directed towards the basic goals of supporting our security interests; demonstrating by the political act of participating in development programs, our support for the aspirations of the African countries; and accelerating their economic development. The way we have pursued these goals in Africa reflects the nature of our interests in the continent. Our security interests are less substantial and our political interests are less structured by treaty commitments than in many other parts of the world, although in a few countries they do involve the continued availability of facilities. Our aid program has therefore been small, currently less than one-quarter of total Free World aid to Africa. Most aid to Africa is being provided by European countries, which have had much greater economic and political ties with the continent. Our political interest in the orderly evolution of African states requires demonstration of support of African aspirations. Our interest in accelerating African economic progress reflects our concern that the independent African states, which account for about half of the world's less developed countries, overcome the barriers to their growth. The U.S. foreign assistance program is the primary means of expressing U.S. interest in Africa.

--U.S. development assistance in Morocco and Tunisia has played a significant role in their economic development, facilitating their recovery from the debilitating droughts during the mid-1960's and stimulating their initiation of development plans which offer promise of good growth rates and progress towards food self-sufficiency. These two countries have excellent relations with Western Europe and follow a moderate, independent policy within the Arab world. The United States provides less than half of the overall aid to these two countries. IBRD-led Consultative Groups coordinate Western aid and provide a useful forum in which the United States has successfully encouraged its aid partners to increase their share of

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economic assistance in light of the self-help records of the two countries.

--Ghana and Congo (K) are major Black African states demonstrating economic progress with U.S. assistance which represents less than a third of total aid to these two states. Each is now moving out of International Monetary Fund (IMF)-guided stabilization programs and preparing new development programs designed to use their considerable capacities for economic growth. The return to civilian rule of a post-Nkrumah Ghana and the stabilization of a unified, developing Congo should exercise a constructive influence in Africa.

--In Nigeria, the United States has taken the lead as the major contributor to the relief effort for civilian victims of the Civil War on both sides of the fighting line. Depending on the outcome of the war, resumption of development programs throughout Nigeria, in which a fifth of Black Africa's population lives, should permit the country to regain its earlier momentum. The economic factors underlying favorable pre-war growth projections remain fully valid, and oil production gives promise of economic self-sufficiency in the mid-to-late 1970's.

--Ethiopia and Liberia have longstanding relationships with the United States. This is reflected by our role as principal bilateral aid donor and by the presence of U.S. facilities and privileges in these countries. Although modest, aid programmed for Liberia and Ethiopia helps to demonstrate our interest while supporting their economic development efforts.

--The three East African states of Kenya, Tanzania and Uganda can achieve a higher rate of economic development working together through membership in the East Africa Community than they can individually. The Community--which includes a common market, joint air, rail and water transportation systems, unified tax collection, and a regional development bank--has created a market of sufficient scope to support sustained economic growth and steadily increasing private investment. The United States furnishes less than a fifth of the assistance from Western and international agencies. Yet we have played a major role within the IBRD Consultative Group in supporting the East African Community as the most advanced example of the potential benefits of regional integration and cooperation--a major theme of U.S. aid policy in Africa.

A.I.D.'s POLICY IN AFRICA

About two-thirds of A.I.D. assistance to Africa continues to go to the preceding ten nations. Among the twenty-five other aid-recipient African countries, it was decided over two years ago to phaseout bilateral programs and concentrate on strengthening their regional and sub-regional economic links. In FY 1970, orderly phaseout requires regular bilateral assistance in only two of these countries.

Thus, in the past two years, A.I.D. has expanded assistance to African regional and sub-regional economic organizations and to economic development projects benefiting two or more African countries. These complement the Africans' own economic cooperation efforts--e.g., agricultural research, specialized schools, transport and power development, major disease control--shared by neighboring countries.

Some African countries are not in a position to cooperate easily with their neighbors for geographic or political reasons. To continue to assist in their development and to strengthen donor coordination, A.I.D. has been working cooperatively with other Free World nations in multidonor projects in individual countries by joining in the financing of important projects.

Finally, as a modest demonstration of our genuine interest in the development of local resources in all friendly developing African nations, A.I.D. has provided limited assistance-- averaging less than $100,000 per country per year--for small rural and urban self-help activities requiring a modest "outside" increment.

The Africans have made an encouraging start on the road to modernization and nation-building with a broadly pro-Western orientation. Private sector development plays a leading role in the growth process. Foreign private investment is encouraged. Foreign aid is welcomed from former metropoles, other Free World nations and the United States. Reducing the role of the United States in African development would restrain growth and would lead to reduction in support from other Western donors. By contrast, this year's A.I.D. request for Africa will allow us to carry a share of the responsibility and to sustain Western involvement in Africa's development.

AFRICA REGIONAL SUMMARY

FY 1970 stands as a critical year for our assistance program in Africa. The foundations painstakingly laid over the past two years for both significant regional strides and more substantial development progress in such countries as the Congo, Ghana, Morocco and Tunisia are beginning to bear fruit. New or revitalized African organizations are getting ready to assume greater responsibilities. International organizations, e.g. the World Bank and the United Nations Development Program (UNDP) are increasingly moving toward an expanded leadership role but they count on active U.S. participation. For these reasons, a start towards increasing the relatively small flow of American development assistance to Africa is most important.

AFRICAN ECONOMIC PERFORMANCE AND SELF-HELP

In most cases, economic and development policies of African governments have been prudent and realistic. Most of them have maintained monetary stability. There has been relatively little inflation; deficit spending has been kept under control. Foreign borrowing has remained within reasonable limits. During the 1960's the slower pace of development was largely the result of depressed world market prices for African exports (which account for about one-quarter of African economic output) and of inadequate skilled manpower. In addition, most of the development investment in newly independent Africa, mainly devoted to the creation of essential infrastructure, will produce returns in the form of increased production and earnings only over the longer term. These factors explain in large part why the continent's estimated overall annual GNP growth rate of 4% since 1960 appears to be the lowest of any major region in the world, in aggregate or per capita terms. Moreover, many African countries have lacked the institutional capacity to mount a development effort approaching that of the older established states in Latin America and Asia. Nevertheless the major African recipients of U.S. assistance are undertaking impressive self-help measures. Encompassing nearly half of the 250 million people in independent, developing Africa, the major "development emphasis" countries are entering a critical period in which continuing substantial concessional assistance is essential to their achieving meaningful progress toward self-sustaining growth. Each of these countries (Morocco, Tunisia, Ghana, Nigeria, Congo(K), and the East African Community states) now has or soon will have an IBRD-led Consultative Group associated with its development effort.

Here are some specific examples of what Africans have done to help themselves:

--Morocco's GNP increased more than 8% in 1967 and over 12% in 1968 following drought-caused stagnation earlier in the 1960's. Its fixed investments in 1967 increased 26% from the 1966 level and approached 15% of GNP.

--Tunisia's balance of payments problems have been somewhat eased as a result of decreased imports and increased foreign exchange earnings. At the same time, savings are expected to reach 15% of GNP in 1969.

--Ghana, which benefitted from major medium-term debt rescheduling in 1966 and 1968 has now balanced its operational budget and maintained reasonable domestic price stability.

--The Congo has closely followed IMF stablization guidance in 1967 and 1968, and held its debt burden to modest proportions. As a result, inflation was arrested, exports increased, and the budget balanced. The IBRD now plans to begin major loan activities in the country.

--Ethiopia and Liberia are believed to have maintained GNP increases of 4-6%. The Ethiopian 1968-73 development plan allows a major role for the private sector, which is to account for half of the projected $1.2 billion in development investments.

--Average annual increases in real GNP in the East African Community (EAC) approached 6% during 1962-66. The domestic savings rate exceeded 15% of GNP. Kenya has made important concessions to its two economically less-advanced partners looking toward the balanced growth and development of the area--and several neighboring countries have expressed interest in negotiating association with the Community.

By and large, Africa is not now or likely to be a chronic food deficit area. Assuming political stability and adequate foreign aid, Africa should develop into a net food exporter. For example, North Africa, despite periodic droughts, may achieve self-sufficiency in wheat production by the mid-1970's. The annual net population growth rate for the continent as a whole is among the lowest of the developing areas. But it is still over twice the 1.1% rate of the advanced countries, with Morocco, Kenya and several smaller African countries reaching 3% or more annually.

PRIVATE ENTERPRISE AND U.S. INVESTMENT

Almost all African private enterprise is broadly free of government restrictions and generally plays a leading role in the growth process. Development plans typically anticipate that half of projected investments will stem from the private sector--domestic and foreign. Special financial incentives to attract foreign as well as domestic investment capital are common.

The factors limiting an even larger private sector role in African development are more economic than political. Where profit incentives exist, private capital, almost entirely expatriate, has been available. Most foreign private investment in Africa has been in the extractive industries. The disincentives to substantial increases in non-extractive foreign investments are familiar--limited internal and external markets; inadequate local infrastructure essential to support modern industry; more attractive financial and investment markets outside Africa. For U.S. private investors there are further constraints--the continuing predominance of ex-metropoles in most African economies; the European trade orientation of African economies; and the relatively small scale of non-extractive investment projects (usually not requiring more than one half to one million dollars in foreign capital for each project)--limiting the scope of interest by most large potential investors in the U.S. private community.

Expansion of African participation in modern private enterprise is limited by many of the same factors influencing foreign investors, plus such factors as social values favoring more traditional uses of savings, absence of local capital markets to secure liquid capital and a very small entrepreneurial or skilled class of Africans.

In such situations, the immediate prospects for significant impact of U.S. private capital in non-extractive industries are poor. Only 16% of U.S. private investment in Africa in 1967 went into the manufacturing sector. Net private U.S. capital outflow to developing Africa in 1966 was only $67 million; in 1967 this outflow doubled to $143 million, almost entirely due to investments in petroleum exploration and production. Nevertheless, A.I.D. is making special efforts to stimulate and encourage U.S. private investors in African industry and agriculture. The use of investment guaranties (over $300 million in investments covered by 390 Specific Risk Guaranties issued since January 1961), investment promotion efforts with American Edge Act corporations, and cost-sharing with potential investors in large-unit agriculture are some of the means being used.

A.I.D. STRATEGY IN AFRICA

Technical assistance represents a proportionately larger share of the A.I.D. program in Africa than of our programs in Latin America or Asia. This reflects the less developed African human resource base and the consequent heavy emphasis during the past decade on institutional development--e.g., educational systems and public services. A skilled manpower base vital to national development is gradually being created, partly as a result of the fact that education receives more than 20% of the typical African government's budget.

Universities in the larger African countries are now beginning to meet the public sector demand for educated manpower. Nigeria, which had one university at independence in 1960, subsequently developed four new universities. Each state in the East African Community now has its own fully-operating college; their secondary schools are providing most of the middle-level non-technical workers. Post-secondary schools in the Congo are beginning to fill the tremendous void left by the daparture of the Belgians. A.I.D. has contributed to these and similar educational developments. Until those institutions reach their full stride, however, and until there has been enough time to educate cadres of teachers engineers, health workers, agricultural specialists and administrators, there will continue to be a critical need for foreign teachers, managers and technicians. Some 80% of all public and private professional positions are still filled by non-Africans. The development of African professionals, therefore, may possibly be the principal developmental challenge of the 1970's.

A major part of A.I.D.'s activities in Africa is to support key capital projects which provide the foundations for modern agricultural and industrial production facilities. Several of the African "development emphasis" countries now have much of the physical infrastructure necessary to absorb higher levels of production-oriented capital. Basic national transportation systems, power complexes and communications networks have been largely established. Reconstruction and renovation of infrastructure will be necessary, however, in the Congo and Nigeria if they are to recover from the damage and lack of maintenance which have resulted from domestic upheavals. Other priority aid allocations center on (1) national efforts to increase agricultural productivity through irrigation schemes (especially in North Africa) and through improved marketing and secondary transportation facilities and (2) inter-country transport and communications networks and river basin development needed to link African countries more closely.

FY 1970 PROGRAM

The proposed A.I.D. program for Africa in FY 1970 includes Development Loans which attack critical constraints to development by providing improved transportation systems in the Congo and East Africa, basic agricultural facilities and services in Morocco, Tunisia, and Ethiopia, and a broad range of transportation and communications links and related projects to promote closer economic cooperation among African countries.

In addition, production loans totaling $15 million and $5 million respectively are planned for Ghana and Tunisia. While their infrastructure has grown satisfactorily, both countries now require increasing imports of machinery and raw materials in order to fully utilize existing productive capacity. Further, during FY 1970, a modest contribution to the African Development Bank is being considered under the authority of the Foreign Assistance Act of 1961, as amended, Section 205 (proposed Section 401a(2)).

Technical Assistance activities will continue to concentrate primarily on developing the manpower base, through assistance to selected university facilities and teacher training institutions and on modernizing the rural sector, through agricultural extension, research, educational, cooperative and credit schemes. Family planning activities in Morocco and Tunisia will continue to assist those countries in reducing the rate of population growth. In addition to the continuing Supporting Assistance activity to assist Southern Africa refugee students during FY 1970, a $10 million SA production loan will be made to Nigeria to finance postwar reconstruction of roads, bridges, airports and schools destroyed by the war. The loan will be provided in conjunction with assistance from other donors for the common purpose of assisting Nigeria to finance economic recovery programs. Assuming the civil war extends into FY 1970, while precise disaster relief costs cannot be determined at this time, Supporting Assistance of up to $10 million may be required.

The Congo(K), now becoming one of the "development emphasis" countries, has been a major recipient of Supporting Assistance for short-term security and stabilization purposes since 1961. Its substantial progress has made possible the beginning of a more development-oriented aid program. Supporting Assistance will end and a modest level of Development Loans is proposed.

The FY 1970 program for Africa allocates $69 million or 41% of the development assistance total to regional and multidonor activities, as compared to 16% before A.I.D.'s policy was changed two years ago.

Participation in multidonor financing of specific projects is an aspect of the new policy that has so far been limited in its application. It is an important mechanism, however, for extending aid not only for sizeable projects in any of the developing African countries but also for stimulating greater aid contributions from other donors.

As regional development activities expand, increased A.I.D. allocations will be required. New international institutions are being established which will plan and direct future regionally oriented development programs. While our regional programs are largely in the form of Technical Assistance, during the 1970's an increasing proportion will be in the form of Development Loans directed toward more production-oriented projects.

Finally, limited Technical Assistance funds are proposed to augment local resources for small, priority projects supported by private or local organizations in the African countries eligible for A.I.D. assistance. A sum of $600,000 is earmarked for this purpose under the regular Technical Assistance program in the 12 countries receiving other bilateral assistance from A.I.D. in FY 1970. An additional $1.8 million is proposed for a Special Self-Help Fund of $50,000 to $100,000 in each of the 23 African countries where we do not have a regular bilateral A.I.D. program.

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African Regional and
Multidonor Programs

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AFRICA REGIONAL AND MULTIDONOR PROGRAMS

PROGRAM SUMMARY
(In millions of dollars)

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.	7.2	13.0	10.6	33.7
Technical Assistance . . .	21.3	16.2	18.7	28.2
Supporting Assistance . . .	1.1	1.0	1.8 a/	0.6
Contingency Fund.	-	0.2	-	-
Total A.I.D. Assistance	29.6	30.4	31.1	62.5

a/ Includes $1,062,000 for population programs under Title X, Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D.'s Regional Program in Africa seeks economic and social development through regional and inter-state planning and programs aimed at obtaining more efficient use of scarce resources A.I.D. seeks to (a) strengthen African regional organizations and assist them in carrying out viable development activities; (b) support activities benefiting two or more countries such as transport links, river basin development, and training institutions; and (c) support other organizations and activities directed to long-term economic integration.

The regional and multi-national approach is a major aspect of the A.I.D. program in Africa, which aims at building cooperation between African countries by assisting them to share with others in programs of mutual economic benefit. The limited size of national markets and the small budgets of the many small nations make it important for African countries to avoid duplication of facilities and services where a common effort would be less costly. The use of regional organizations as a vehicle for project development and implementation increases coordination of country programs and donor activities. A.I.D. is participating jointly with other donors and international organizations in financing development projects which otherwise would not be as effectively administered or as adequately supported.

PROBLEMS AND PROGRESS

Of the 35 African countries which have achieved independence since 1957, many do not have sufficient human and natural resources for meaningful separate economic and social development. For most of the African states, progress towards full participation in the modern world can be accelerated by cooperative inter-African development activities possibly leading to some form of economic interdependence or full-scale economic integration. Cooperative activities designed to expand and serve regional markets for industrial and agricultural production, transport and power services, and education and research needs are directly beneficial.

Africans have long recognized these advantages and have been trying to organize suitable arrangements, but many problems remain. Financial and skilled manpower resources are extremely scarce and national programs often demand priority in their allocation. Regional development or integration often requires some surrender of national control which is difficult for new and fragile nations. Decisions on location of industrial and other development projects are difficult. Cooperation among states with different colonial heritages is hindered by their diverse languages and economic, legal, financial and administrative systems.

Despite these obstacles, African regional cooperation continues to progress in many forms. These include project collaboration, forming and strengthening regional development agencies, common services, and joint marketing. The African nations have set up a variety of regional organizations directed to economic, social and technical development. Financing of regional organizations by African states is progressing. For example, the five African countries participating in the Entente Fund have contributed some $2 million and the 31 members of the African Development Bank (ADB) paid in $55 million from which five loans to member countries have been made.

Continent-wide cooperation occurs where the interests of the various geographic and linguistic regions coincide. For example, an educational scholarship program, in conjunction with the Association of African Universities, has coordinated placement of close to 500 students from African countries for undergraduate study in selected universities in other African countries. The UN Economic Commission for Africa (ECA) has promoted planning and carried out numerous resource surveys to provide African states with a better inventory of their assets. The Scientific, Technical and Research Commission (STRC) of the Organization of African Unity has been primarily engaged in agricultural development programs such as the campaign against rinderpest, a killer disease of cattle.

Regions of Africa have proceeded at varying rates to form cooperative arrangements. The East African nations--Kenya, Uganda and Tanzania--have made the most progress. Regional cooperation in Central and West Africa ranges from activities designed to develop

the resources of river basins and broad health improvement projects to cooperative development of agriculture and industry.

In North Africa, progress towards formation of regional organizations has been limited because of political differences between Algeria on the one hand and Tunisia and Morocco on the other. However, a gradual improvement of relations has increased the prospects for growing cooperation in the area. In Southern Africa the black-white confrontation and the isolation of black states have severely limited the growth of regional ties.

African nations have also participated in ad hoc regional development activities benefiting two or more countries. These activities include the Tanzania-Zambia highway, the agreement among Ghana, Togo and Dahomey in 1968 for power distribution from the Volta River Dam, and the Uganda-Kenya agreement in 1968 for coordinated development of hydro-electric power.

Basically, the viability of the regional approach to economic development in Africa depends upon the existence of common economic needs and interests and a recognition by African nations that they lack the natural or financial resources necessary to obtain growth independently. Faced with similar problems and the inability to resolve them effectively alone, the African nations have, in many cases, decided to attack them cooperatively. However, such efforts need assistance from the United States and other donors both as a stimulus and as a source of needed external resources.

FY 1970 PROGRAM

For FY 1970, A.I.D. proposes a program of $62.5 million--$28.2 million of Technical Assistance, $33.7 million in Development Loans, and $0.6 million of Supporting Assistance--to meet regional and multidonor goals and objectives in Africa, exclusive of East Africa activities. This recommended increase over total estimated FY 1969 obligations of $31.1 million reflects the continued priority which A.I.D. gives to regional and multidonor activities. An increasing sum will be programmed in conjunction with multilateral arrangements, including the United Nations Development Program (UNDP), the ECA and the ADB. A concerted effort is being made by A.I.D. and African organizations for multidonor support to key projects such as rice production, disease control, regional education centers, scholarships, and textbook production.

In FY 1970 also, A.I.D. is considering a contribution to the Special Fund of the ADB to provide concessional aid for African agriculture, education and other projects. The amount will depend on the plans and actions of other projected donors.

The FY 1970 U.S. aid program seeks to provide assistance through selected continent-wide and regional African organizations to carry out development programs in disease control, agricultural research and demonstration, manpower training, nutrition, and population. It is also designed to contribute to viable regional infrastructure development projects which support trade and commerce, use of natural resources, river basin development and similar cooperative activities. It provides further for aid from private U.S. groups in priority areas of family planning and population analysis, labor development, scholarships to U.S. universities, and other continent-wide activities.

Agriculture. A.I.D.'s proposed regional efforts in agriculture--requiring $1.3 million in Technical Assistance funds and $5.5 million in Development loan funds--are directed toward meeting Africa's increasing needs for food. Research and adaptive field trials on cereals and grain legumes will be expanded. A.I.D will help West African countries, in cooperation with other donors, to establish research facilities to stimulate rice production. Similar efforts in North Africa will be directed toward an increase in wheat production. The Association for the Advancement of Agricultural Sciences in Africa will be assisted to promote agricultural research.

In addition, three loan projects, totaling $5.5 million, are proposed for FY 1970 in the fields of agricultural diversification, storage and marketing. New projects are also being developed in Central and West Africa in the fields of livestock, poultry and fisheries to exploit these food sources both for domestic consumption and for export.

Two on-going projects related to animal health will be continued in FY 1970. The Rinderpest Control project, under which 78 million head of cattle will have been vaccinated by June 1969, is being extended to East Africa. The second animal health project--Bovine Pleuro-pneumonia Research, through which simple diagnostic tests and an effective vaccine for treatment of the disease are being developed--will be completed in FY 1970.

Infrastructure. Development Loans of $15.7 million are planned for telecommunications and transportation infrastructure in FY 1970. Two loans are proposed for communications systems connecting French-speaking countries with their English-speaking

neighbors. Loans totaling over $14 million in the transportation sector will provide assistance in the planning and implementation of principal regional road links and equipment to insure proper maintenance of inter-country routes. The largest will be $7.5 million for an additional segment of the Great North Road in Tanzania; together with the World Bank's assistance this will complete construction of major sections of the road linking the Zambia copper belt to Dar es Salaam.

A.I.D. will also participate in several multidonor projects possibly requiring over $10 million in Development Loan funds. These include: a major dam for large-scale irrigation development and, secondarily, hydro-electric power in Morocco; development of the Shasi River in Botswana to provide water for large-scale mining operations, some irrigation and electric power generation; costs of new port facilities at Mogadiscio; and commercial livestock development in the Malagasy Republic.

Proposed Technical Assistance for the transportation sector in FY 1970 totals $2.4 million. This will provide for expansion of the Regional Heavy Equipment Training Center in Lome, Togo, under the sponsorship of the Entente Fund, and the training center in Fort Archambault, Chad, under the sponsorship of the Trans-Equatorial Communications Agency (ATEC). A road maintenance training program for eastern Africa is also under consideration. The balance is for studies for transport and communications systems which will advance regional economic growth.

Public Health and Nutrition. The principal project in the field of public health continues to be measles control and smallpox eradication activity being implemented by the U.S. Public Health Service. This project now covers 19 countries in Central and West Africa where over 68.4 million people have been vaccinated against smallpox and 11 million children vaccinated against measles as of January 1969. The FY 1970 program includes $6 million of Technical Assistance for continuing this project.

Nutrition activities totaling $640,000 planned for FY 1970 include support to the Joint Nutrition Commission in Accra, development of a food testing laboratory, and educational workshops.

Population and Family Planning. Programs were developed in FY 1969 for the demographic analysis required to assess the incipient population problems of Africa. These programs, along with a number of studies on family planning, will be continued in FY 1970. Funds totaling about $650,000 are proposed for studies and training in these areas, including a series of demographic survey workshops to be run by the Bureau of Census. In addition, $350,000 is proposed for contracts with the Pathfinder Fund and Population Council for family planning activities, which are tied in primarily with maternal and child health programs.

Education. Education activities under the Africa Regional Program account for about $6.2 million of the Technical Assistance program for FY 1970.

The African Higher Education Program (AHEP) is designed to help supply the trained manpower needed for development. One part assists selected African universities to upgrade particular departments and develop their facilities to accommodate more students from other African countries. Two centers, Njala University College in Sierra Leone and Ahmadu Bello University in Nigeria, have been approved for A.I.D. assistance. A loan for engineering and design work for expanding Ahmadu Bello University is under consideration.

The scholarship phase of AHEP which is operated in cooperation with the Association of African Universities (AAU) provides for selection and placement of African students in African universities outside their home countries. In FY 1970, $1.5 million of Technical Assistance will be for 225 new scholarships, plus continuation of 479 students already enrolled under the program. Advisory services to assist African governments to develop sound regional education programs to meet priority development needs will be continued under a contract with the Overseas Liaison Committee of the American Council on Education.

The number of African undergraduate students sent to the United States by A.I.D. is being decreased as educational opportunities in Africa increase. In FY 1970, the proposed funds of $966,000 will provide for continuation of students enrolled, 50 fully funded new students, and only administrative costs for another 50 new students. Graduate training under the African Graduate Fellowship Program (AFGRAD) will be increased because African institutions are not yet fully able to meet needs for advanced training. In FY 1970, $1 million is proposed to provide for 155 continuing students and 125 new fellowships. Support to the West Africa Examinations Council will be continued, and a similar project is planned for a testing center in East Africa. Technical and vocational training opportunities will be expanded in such fields as repair and maintenance of telecommunications equipment, para-medical training and subprofessional and technical training. Finally, $600,000 in Supporting Assistance funds will provide for operation of schools for Southern African refugees.

Private Enterprise. A.I.D. is financing exploration by American companies for suitable opportunities in agricultural production and processing in Africa. Results of this agro-business program have been encouraging enough to warrant an experiment in other fields with the techniques applied in that program. Three hundred thousand dollars is proposed in FY 1970 for this activity as well as to finance a reduced number of pre-investment activities of American financial institutions which are designed to acquaint their clients with African investment opportunities.

A.I.D. is also continuing its efforts to assist Africa in upgrading managerial and technical skills. In order to train Africans for industry, A.I.D. is utilizing the Reverend Leon H. Sullivan's Philadelphia-based organization, which has successfully cooperated with American business in providing job training for the unskilled and in establishing businesses with Black management. Based on a survey recently carried out in four African countries, it is expected that one or more centers will be established to train African entrepreneurs and skilled workers.

EAST AFRICA

BASIC DATA	Kenya	Tanzania	Uganda
Population (thousands - mid-1968) ...	10,245	12,520	8,135
Annual Growth Rate (percent)	3.0	2.9	2.5
Area (1,000 sq. mi.)	225	363	91
Population Density per sq. mi.	46	34	89
Agricultural Land as % of Total Area.	10	60[a]	16
% of Labor Force in Agriculture ...	88	95	89
Per Capita GNP (1967; dollars)[b]	119	73	93
Life Expectancy (years)	43	38	44
People per Doctor	10,200	21,000	8,900
Literacy Rate (percent)	20-25	15-20	20
Students as % of 5-19 Age Group ..... (Primary and Secondary)	43	18	23

a - Over one-half is rough grazing land.
b - In 1967 prices; converted at 7.14 shillings per US dollar.

INTERNATIONAL TRADE ($ Millions)	Kenya	Tanzania	Uganda
1966			
Exports (f.o.b.)	259	250	217
Imports (c.i.f.)	-346	-226	-166
Trade Balance	-87	+24	+51
1967			
Exports (f.o.b.)	239	233	219
Imports (c.i.f.)	-336	-221	-160
Trade Balance	-97	12	59
Major Exports and percent of 1965-1967 Domestic Exports	Coffee - 22% Tea - 10%	Cotton - 19% Sisal - 16%	Coffee - 51% Cotton - 24%

CENTRAL GOVERNMENT FINANCES* (Million Dollar Equivalents)	Kenya		Tanzania		Uganda	
Fiscal Year Ending June 30	1968	1969**	1968	1969**	1968	1969**
Total Expenditures	242.8	263.8	170.2	206.6	149.9	176.4
(Defense Expenditures)	(15.7)	(15.1)	(12.5)	(13.2)	(14.9)	(16.9)
(Capital Outlays)	(49.3)	(69.7)	(61.0)	(64.7)	(41.1)	(44.5)
Domestic Revenues	216.7	214.8	150.6	173.6	128.6	138.0
Deficit (-) or Surplus (+)	-26.1	-49.0	-19.6	-33.0	-21.3	-38.4

TRENDS FOR EAST AFRICA

	1964	1965	1966	1967	1968(Est)
Population (millions - mid-year) ..	27.3	28.1	28.9	29.7	30.5
Gross Nat'l. Prod. ($ millions)*[a] .	2,396	2,458	2,659	2,773	2,884
Per Capita GNP (dollars)	88	88	92	93	95
Investment as % of GNP[b]	12	14	15	18	n.a.
Production:					
Agricultural Index (1957-59=100).	124	126	135	135	141
Electricity Prod. (mill. KWH) ...	1,219	1,304	1,437	1,567	1,700
Trade: ($ millions)					
Exports	649	630	726	691	n.a.
Intra-Community	114	125	125	119	n.a.
Imports	-543	-630	-738	-717	n.a.
Trade Balance	105	-	-12	-26	n.a.
Gold & Foreign Exch. ($ millions)[c]					
Official Reserves	155	143	239	206	241(Jun)
Commercial Bank Holdings	38	93	69	63	65(Jun)

* - Converted at 7.14 shillings per US dollar. ** - Budget.
a - In 1967 prices. b - Fixed investment only. c - Gross basis; end of period.

NOTE: "Trends for East Africa" generally excludes Zanzibar for which data not available.

EAST AFRICA

PROGRAM SUMMARY * (In millions of dollars	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.	6.4	0.6	8.6	3.5
Technical Assistance . . .	8.8	9.8	9.4	11.2
Supporting Assistance . . .	-	-	0.4	-
Total A.I.D. Assistance	15.2	10.4	18.4	14.7

* Totals may vary from sum of components due to rounding.

EAST AFRICA REGIONAL	DL	0.1	0.6	5.4	2.0
	TA	2.3	2.7	4.3	5.1
	Total	2.5	3.3	9.7	7.1
KENYA	DL	0.4	-	-	0.5
	TA	2.5	2.6	1.9	1.9
	SA	-	-	0.2	-
	Total	2.8	2.6	2.2	2.4
TANZANIA	DL	0.9	-	-	1.0
	TA	2.2	2.5	1.4	2.1
	Total	3.1	2.5	1.4	3.1
UGANDA	DL	5.0	-	3.2	-
	TA	1.8	2.0	1.8	2.2
	SA	-	-	0.2	-
	Total	6.8	2.0	5.2	2.2

U.S. AID OBJECTIVES

The primary A.I.D. objective is to support the economic and social development of the East African Community (EAC) and its members--Kenya, Tanzania and Uganda. Representing a growing interest in regional economic development, the East African Community symbolizes a basic element in A.I.D.'s Africa policy: the importance of regional cooperation in maximizing development resources. A.I.D. assistance is primarily in the fields of agriculture, education, institution building and the development of Community infrastructure. A.I.D. also encourages other donors in the IBRD-led East Africa Consultative Group to plan their assistance within a regional context.

PROBLEMS AND PROGRESS

The East African Community Treaty was signed on December 1, 1967 and, although it includes some new institutions such as the East African Development Bank, the Community consists largely of a strengthened and reorganized system of traditional economic ties that originated during the colonial period. These include: generally free regional trade; unified common services such as railways, harbors, airways, posts, telecommunications, and income tax collection; and a wide variety of regional research organizations.

Formation of the East African Community was made possible only because of the willingness of the three countries, after a long period of negotiation, to subordinate some degree of sovereignty and nationalism for the benefits of cooperative development. For example, Kenya agreed in the Treaty to the taxes on her manufactured exports to Uganda and Tanzania in order to protect their less-developed industry. Recently, Uganda has agreed to postpone construction of a hydro-electric power plant in the interest of more rational Community power development.

One of the main objectives of the Community is to permit a more nearly equal distribution of development throughout the region. To accomplish this, the Community headquarters have been located in Arusha, Tanzania, rather than in one of the three national capitals. Also, headquarters for various Community institutions have been apportioned among the three capitals to avoid concentration in Nairobi as their predecessors were during the colonial period. While major problems such as the training of African staff and coordination with national ministries remain to be solved before developing a really effective organization, the base has been established for a regional organization designed to serve the needs of independent African countries rather than to meet the demands of a colonial power.

The new Community will now be tested. Factors favoring the Community include: the region's size (679,000 square miles), the market potential (30 million people), a basic regional transportation network, rich farmland and livestock areas, rapidly growing commercial and industrial sectors (about one-third of GNP), an expanding tourist industry, commitments to strong self-help measures, and the absence of serious balance-of-payments and debt-servicing problems.

During 1968, development progress as measured by growth in real GNP was estimated at 4% in Kenya, 5% in Tanzania and 3% in Uganda

in contrast to an average 5.7% rise for the region during the years 1962-66. This less-than-desirable overall performance was largely due to poor weather and, in Kenya, to coffee disease problems which prevented expansion of agricultural exports. In Uganda, newly imposed restrictions on imports, which limited growth in commerce, also contributed to the slow growth of GNP. Growth in other sectors of the national economies was for the most part satisfactory.

All three countries have performed reasonably well in mobilizing financial resources for development, but all continue to have serious difficulties in planning and implementing development activities. The Community and its members are faced with major problems in rural/agricultural development, training and utilization of manpower, and expanding and improving Community services. While there are some differences in the nature of the problems in the three countries, they are by-and-large associated with the need to diversify and expand commercial agricultural production, to reorder education to meet employment needs, and to strengthen and expand development oriented institutions and services.

FY 1970 PROGRAM

For FY 1970, as in the past, the proposed $14.7 million A.I.D. program for East Africa contains both regional and country elements. Of $11.2 million requested for Technical Assistance, $5.1 million is earmarked for East Africa Regional activities, with the remaining $6.1 million being allocated in approximately equal shares to country programs for Kenya, Tanzania, and Uganda. The proposed $3.5 million Development Loan program contains $2 million for East Africa Regional; $0.5 million for Kenya; and $1 million for Tanzania. The portion of A.I.D. program funds devoted to regional projects will average about 50% in 1969 and 1970. There are other projects of an Africa-wide nature or which involve one or more of the three East Africa states and neighboring countries which are covered in the section on Regional and Multidonor Projects--one major example is the Great North Road project in Tanzania.

During FY 1970, other donors--the United Kingdom in particular, but also the World Bank, the United Nations, Germany, the Scandinavian countries and the Communist countries--are expected to continue significant assistance. U.S. aid will fall within the range of 15-20% of total concessional assistance to East Africa, but we will continue our position as a major donor to the East African Community, pressing for increasing assistance thereto by other Consultative Group members.

Agriculture. A.I.D. assistance in FY 1970--$4.3 million in Technical Assistance and $1 million in Development Loan funds--is directed toward training agricultural technicians, building strong support institutions such as cooperatives and extension services, and conducting specific studies to find ways of diversifying and increasing agricultural production. A.I.D. projects will also assist in identifying new crops for commercial production and in bringing greater numbers of small farmers into the cash economy.

In FY 1970, A.I.D. will continue regional technical assistance to the veterinary and agriculture departments of the University of East Africa. A.I.D. assistance to the three governments will also be directed at introducing agriculture into the secondary school curriculum. A pilot program along these lines has been successful in Kenya. An A.I.D. regional project will provide research personnel to the East African Agriculture and Forestry Research Organization (EAAFRO). These technicians will conduct research on social and economic barriers to more efficient agriculture. A.I.D. will also continue support for agriculture extension, range management and livestock development work in Kenya and Uganda.

In Tanzania, A.I.D. plans follow-up activities to a recent series of agriculture production surveys, a significant element of which will be a proposed agriculture sector loan of $1 million to finance imports from the United States of a variety of equipment, materials and services required to support increased agricultural production. In addition, existing projects such as fisheries improvement in Kenya, agriculture cooperatives in Uganda and rural development in Kenya and Tanzania, as well as Community projects in seed multiplication, grain storage and marketing, and rural development will be continued.

Education and Manpower. The FY 1970 Technical Assistance request for East Africa includes $3.8 million for non-agricultural education and related manpower training. A.I.D. also proposes a $0.5 million Development Loan for commodities for the National Youth Service project in Kenya to provide spare parts and replacements for worn out construction equipment.

The A.I.D. education projects are helping to train primary and secondary school teachers and various technicians and administrators needed for replacing expatriate personnel. Even with expanded facilities, no more than 5-10% of East Africa's children will enter secondary school in the foreseeable future. Those leaving primary schools have limited skills and little prospect for gainful employment outside agriculture; therefore, we will give special attention to helping devise agriculture and rural development

curricula, as well as other education programs, which prepare students for agricultural employment and alleviate the pressures of urban migration and unemployment.

The largest A.I.D. education project in East Africa in FY 1970 will be the regional teacher education program. A $2 million contract will provide nearly 100 educators--recruited by Teachers College, Columbia University--who will teach at teacher training schools and similar institutions providing in-service training, graduate courses, and improvement of school curricula.

By FY 1970 all University of East Africa projects, other than those in the agricultural field, will have ended. A.I.D. will, however, continue to provide U.S. university education and special training for 34 East African participants at a cost of $205,000. A proposed regional assistance program will train members of the East African Examinations Council to produce and administer standardized examinations.

A joint Community-A.I.D. project will provide secondary education to adult East Africans through secondary school correspondence courses. This effort is supported by the Government of Kenya through three to five hours of supplementary radio instruction each week on the Voice of Kenya. More than two thousand primary school teachers who have never had the opportunity to complete secondary school are taking these courses without interrupting their teaching careers.

A Tanzanian technical college, largely staffed by a California Polytechnic Institute contract group, is training over 180 young Tanzanians in mechanical, electrical and civil engineering. At the same time, 14 members of the Tanzanian staff are being trained in the United States as replacements for expatriate staff.

Nearly 60 regional and national government administrators come to the United States each year for short courses and study tours. A.I.D. will continue such assistance to strengthen the administrative skills of those officials who are working to establish sound management and organization in the institutions of their countries and in the Community.

Institutional Development. The largest project in institutional development is in Tanzania where assistance totaling $0.5 million will provide for training and staffing of key government departments charged with primary responsibility for implementing new national development policies. These policies emphasize popular participation in urban and rural development.

Most of the remaining technical assistance for institutional development is associated with the East African Community and is directed toward administration, management and organization of the Community headquarters, Income Tax Department, Development Bank, Harbors Corporation, and Railway Corporation. Loan funds of $2 million are planned as loan capital for the East African Development Bank. In addition, A.I.D. is considering a loan for development of transportation, power, and communications facilities to support the relocation of the Community organizations.

Other Projects. A total of $370,000 is proposed for population and feasibility studies in FY 1970. Kenya and Uganda have embarked on a demographic program, which includes a national census. Kenya plans an educational program in family planning. A.I.D. will supply advisors and commodity assistance for these efforts.

In addition, feasibility studies of technical and capital assistance projects for the East African Community will be undertaken by A.I.D. to identify specific industrial and agricultural development projects. Many of these projects are expected to be attractive to both East African and foreign private investors.

EAST AFRICA[a]

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968	1946-1968	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	13.8	8.3	100.9	0.9	100.0
Loans	6.4	-0.4	29.9	0.9	29.0
Grants	7.5	8.6	70.9	(-)	70.9
FOOD FOR FREEDOM - TOTAL	2.9	3.7	60.4	4.5	55.9
Title I - Total	-	-	15.6	4.5	11.1
PAYABLE IN U.S. DOLLARS - LOANS	-	-	15.6	4.5	11.1
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-			
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	2.9	3.7	44.8	-	44.8
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	0.1	0.6	29.7	-	29.7
VOLUNTARY RELIEF AGENCIES	2.8	3.1	15.1	-	15.1
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	2.8	3.1	15.8	-	15.8
PEACE CORPS	2.8	3.1	15.8	-	15.8
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	-	-	-
TOTAL ECONOMIC	19.5	15.1	177.1	5.4	171.7
Loans	6.4	-0.4	45.5	5.4	40.1
Grants	13.2	15.4	131.5	-	131.5
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.)	-	-	-	-	-
Credit Assistance	-	-	-	-	-
Grants	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	19.5	15.1	177.1	5.4	171.7
Loans	6.4	-0.4	45.5	5.4	40.1
Grants	13.2	15.4	131.5	-	131.5

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	39.6	36.0	168.2
IBRD-World Bank	-	5.2	23.8
Int'l Dev. Association	25.9	24.2	84.0
Int'l Finance Corp.	2.9	0.1	10.7
UNDP-Special Fund	8.0	3.3	30.5
UNDP-TA (CY)	1.6	1.7	9.6
Other UN (CY)	1.2	1.5	9.6

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

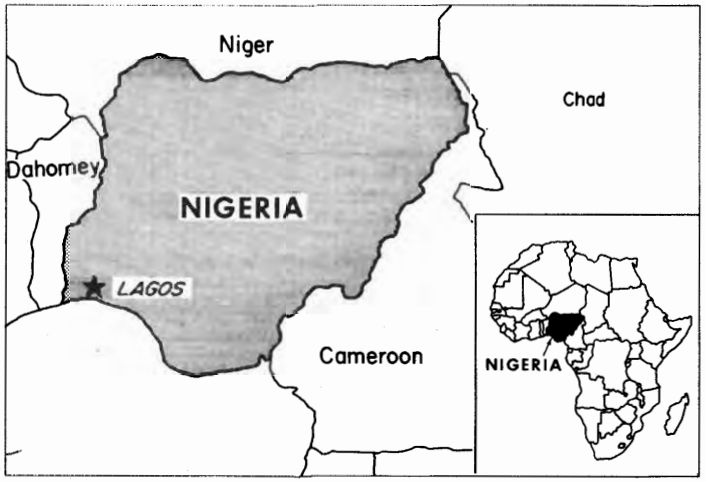
DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	86.3	75.2	743.3
United Kingdom	59.0	43.1	645.8
Germany	16.0	7.5	49.9
Other	11.3	24.6	47.6

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968.....172

a/ Includes Kenya, Tanzania, Uganda and East Africa Regional

NIGERIA GENERAL ECONOMIC DATA



BASIC DATA

Population *(millions – mid-1968)*	45.5
Annual Growth Rate *(percent)*	2.1
Area *(1000 square miles)*	357
Population Density per square mile	127
Agricultural Land as % of Total Area	24
Percent of Labor Force in Agriculture	80
Life Expectancy *(years)*	50
People per Doctor	32,800
Literacy Rate *(percent)*	30-35
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	23

	Calendar Years				
	1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)*★ a				5,340	
Per Capita GNP *(1967 dollars)*				120	
Investment – *millions of 1967 $*					
– *percent of GNP* †					
Domestic Savings – *millions of 1967 $*					
– *percent of Investment* †					
Agricultural Production Index *(1957-59 = 100)*	122	119	126	116	115
Index per Capita	108	103	107	96	94
Palm Kernels	408	462	422	260	250
Electricity Production (Mill. KWH)	1,024	1,177	1,280	1,111	900
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	601	751	793	680	575
Petroleum, crude	90	191	257	203	90
Total Imports *(c.i.f.)*	-711	-770	-718	-626	-540
Trade Balance	-110	-19	75	54	35
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	245	246	227	122	125
Commercial Bank Holdings	48	59	69	42	4
COST OF LIVING INDEX *(1963 = 100)*b	103	107	116	111	113

CENTRAL GOVERNMENT FINANCES* (Fiscal year beginning April 1)	– *Million Dollar Equivalents* –		
	1966	1967	1968 (Est.)
Total Expenditures	544.3	450.8	486.9
(Defense Expenditures)	(59.6)	(98.3)	(88.5)
(Capital Outlays)	(131.6)	(88.5)	(91.3)
Total Domestic Revenues	472.9	403.2	441.3
As percent of GNP †	n.a.	9.1	n.a.
Deficit (–) or Surplus (+)	-71.4	-47.6	-75.6

★ - Converted at 0.357 pounds per dollar.
a - Fiscal year beginning April 1. b - Lagos.
†Based on data in current prices. ††Gross basis, end of year.

NIGERIA

ECONOMIC DEVELOPMENT PROGRAM

PROGRAM SUMMARY (In millions of dollars	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	6.0	9.7	7.2	2.5
Technical Assistance . . .	15.6	11.6	10.2	11.2
Supporting Assistance . . .	-	-	3.6a/	10.0
Total A.I.D. Assistance	21.6	21.3	20.9	23.7

a/ Includes $553,000 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

In addition to supporting the international relief effort, A.I.D. objectives in Nigeria during the immediate future are to: (1) strengthen Nigeria's capability to initiate its own short-term relief and rehabilitation efforts in the re-occupied area of Federal Nigeria, (2) support Nigeria's continuing economic development programs in those areas basically unaffected by the war, (3) assist in addressing national problems of reconstruction and economic recovery, and (4) renew a country-wide development effort with emphasis on those forces which can promote national unity and integration.

PROBLEMS AND PROGRESS

Nigeria's economy, excluding the civil war zone (as of May 1, the "Biafra" enclave represented less than 2% of Nigeria's total territory), is performing remarkably well considering the stresses imposed upon it. In the vast proportion of the country controlled by the Federal Government, production has continued without serious interruption, and economic and financial crises have been averted. The external public debt has not risen; consumer prices have remained steady. This has been due largely to effective management of the economy and the ability of public officials to take those actions necessary to preserve stability.

The war, nevertheless, has had its economic cost. Country-wide exports in 1968 were about 25% below 1966 because of the fall in production of petroleum and palm products in the former Eastern Region. Foreign exchange reserves declined by about one-half to $125 million over the same period, but are now being held at this level as the result of higher tariffs and other controls. Budgetary pressures, caused by declining revenue and increased expenditures for internal security, have necessitated sharp curbs on current expenditures and the introduction of new and higher direct taxes. At the same time, there has been an absolute decline in capital investment, a deterioration in infrastructure and an interruption of domestic trade.

The extent of physical damage and financial loss has not yet been fully assessed. Available information indicates that there has been significant damage to such facilities as the Niger River Bridge, many smaller bridges and roads, power facilities at Calabar and other eastern Nigerian cities, infrastructure at Port Harcourt, and various public buildings including some at the University of Nigeria at Nsukka. However, the Nigerians have begun an analysis of their requirements within the context of a new reconstruction and development plan which is estimated to require $1.9 billion equivalent in total public investment, domestic and foreign, over the next 4-5 years.

As conditions permit, the former Eastern Region will have to be re-integrated into the national economy. A national reconstruction program to repair war-inflicted damage and deterioration will be required. Also needed will be a new country-wide development effort which strengthens forces of national cohesion while safeguarding the rights of all Nigerians. There will be demands on the Federal Government to provide financial support to the twelve states. The political and economic pressures which will confront the Government in the immediate period ahead will make the provision of adequate external assistance more critical than at any time since the country's independence.

Although the outcome of the present conflict is uncertain, Nigeria will remain important within Africa and to the United States. With a population of 46 million -- nearly one-fifth of the Continent -- Nigeria is one of the major economic centers in Black Africa. International economic interests are sizeable, including U.S. private investment of well over $300 million. The Soviet Union and Nigeria have recently signed a technical and economic cooperation agreement which reflects the U.S.S.R.'s attempt to build on its favorable image resulting from its role as a major arms supplier to the Nigerian Government.

To help re-establish basic public services in the re-occupied areas of eastern Nigeria, as well as to strengthen Nigeria's own relief operations, A.I.D. is currently providing $3 million in Supporting Assistance to the Nigerian rehabilitation commission and the Nigerian Red Cross at the federal and state levels. This short-term rehabilitation assistance to Federal Nigeria

includes the restoration of medical facilities, schools and markets; the re-building of key road sections; the distribution of simple farm tools and seeds to stimulate agricultural production; and the enlarging and upgrading of Nigerian staff personnel involved in relief and rehabilitation programs. Much of the actual rehabilitation work will be undertaken this year by communities and groups on a self-help basis.

A.I.D. is adapting its on-going Technical Assistance and Development Loan projects to the changing conditions of Federal Nigeria. This assistance is directed toward strengthening institutions and cohesive forces which will help to bind together all elements of Nigerian society. This continuing task applies as much to the situation within Federal Nigeria as it does between Federal Nigeria and "Biafra."

If Nigeria can achieve a durable political reconciliation, the prospects for economic development are good. Before the present disturbances erupted, the Nigerian economy was on the way toward self-sustaining growth with an average growth rate of 4.5% annually. Both public and private capital formation were at high levels, with the private sector accounting for about two-thirds of total Nigerian investment. An open economy was maintained and encouragement was given to foreign private investment.

Nigeria's highly diversified agriculture has an excellent capacity for greatly accelerated growth which, supported by constructive agricultural economic policies, would have an immediate impact on the employment, income and expenditures of Nigeria's broad base of small farmers.

Nigeria's petroleum production is once again on the rise and is expected to pass the pre-war level in 1969. Production has been estimated to surpass one million barrels per day by 1970-71 which would generate public revenues in excess of $200 million annually, or an amount equal to about one-third the projected level of total Federal Government revenues. Given these resources, the country will, within some years after the end of the war, have the financial capacity to achieve significant economic development.

PROPOSED FY 1970 PROGRAM

The proposed FY 1970 A.I.D. program consists of $11.2 million in Technical Assistance, $2.5 million in a Development Loan, and $10 million in Supporting Assistance for reconstruction/economic recovery.

As indicated above, Nigeria will require substantial external assistance for economic recovery in the period ahead. Other donors such as Canada, various European countries and the IBRD are already considering plans to assist Nigeria in meeting its recovery needs. It is understood that the United Kingdom has tentatively earmarked about $10 million for this purpose in FY 1970 and that the IBRD has begun engineering work on certain key trunk roads. A.I.D.'s proposed Supporting Assistance for economic recovery will be used to assist the Nigerian Government in carrying out rehabilitation and reconstruction programs to help revive the economy's productive capacity.

Our regular economic assistance program will be extended to the war-torn areas of eastern Nigeria as this becomes possible. Priority will be given to restoration of those public services and programs disrupted by the war. Should this possibility arise during FY 1970, additional funds, beyond those requested, will be needed. Initial emphasis will be on agricultural production, university and secondary education, small industry and basic infrastructure.

A.I.D.'s country-wide efforts will be adapted to the changed circumstances. With the creation of twelve states in place of the four regions, leadership and coordination at the national level assumes a new importance. Equally important will be the need for effective cooperation between the various political structures and groups at the state level. A primary objective of U.S. assistance, therefore, will be to strengthen those forces of national unity and cohesion which support the political and economic development of the entire country.

Infrastructure Development.

A.I.D.'s Development Loan projects are proceeding satisfactorily in the inland parts of Federal Nigeria. Previously authorized projects in eastern Nigeria, which are vital to the restoration of agricultural production and commerce of the eastern area, will be resumed. The FY 1970 capital assistance program of $2.5 million provides only for the on-going Ibadan water supply project. However, as the Nigerians renew their planning, other projects related to economic recovery will be considered. Technical Assistance funds will be provided, as necessary, to finance engineering surveys of facilities and equipment damaged or deteriorated by the war.

NIGERIA

Agricultural Production.

About two-fifths of the FY 1970 Technical Assistance Program will be in the critical area of agriculture. Much of this will support the continuing development of essential agricultural institutions. However, increasing attention will be placed on production-oriented programs directed at cash crops for export as well as some food crops for the domestic market. Emphasis generally will be placed on pricing, marketing and other agricultural policies as a means of increasing farmer income and growth of the rural economy.

To accomplish these objectives, A.I.D.'s assistance for agricultural education, research and extension will increasingly support specific production efforts. A.I.D. will provide agricultural economic planning assistance at the federal and state levels to ensure proper coordination of policies and programs, and assistance to crop marketing boards and credit institutions.

Improved Skills and Educational Institutions.

A.I.D. will continue to address manpower training needs in the various sections of the country. Northern Nigeria, where the educational base is weakest and the needs most urgent, will receive highest priority. Over one-fifth of the A.I.D. Technical Assistance program is allocated to the education sector.

The FY 1970 program will emphasize development of closer ties among Nigerian universities, state ministries of education and teacher training colleges in terms of curriculum and course development, educational research, and teacher preparation and standards. Accordingly, our assistance will be shifted to newly created Institutes of Education in the universities to strengthen their capacity for leadership and service throughout the educational pyramid. A.I.D. will initiate assistance to the Federal Ministry of Education by helping it: (1) to undertake education planning and research on a national scale, (2) to provide basic educational services which cut across state lines, and (3) to coordinate general educational policy at the center.

Assistance will be provided to help re-open the University of Nigeria in eastern Nigeria. We will also provide assistance in vocational education in support of Nigerian programs for training demobilized military personnel.

Other Programs

Small programs in other sectors account for about one-fifth of A.I.D. Technical Assistance in FY 1970. These programs are in: (1) public and business administration covering degree and in-service training at the University of Lagos and the Institute of Administration at Zaria, (2) industrial development including industry advisory services at the Federal Ministry of Commerce and Industries and technical services to small indigenous enterprises, (3) public health/population services in maternal-child health care, and (4) labor for the skills training of trade union personnel at national and local levels.

INTERNATIONAL RELIEF EFFORT

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Supporting Assistance . . .	-	-	17.9	10.0
Contingency Fund	-	-	1.9*	-
Total A.I.D. Assistance	-	-	19.8*	10.0

* In addition, $1.5 million was used from World Wide Disaster Relief Funds bringing the total amount of A.I.D. funds used for this relief effort up to $21.3 million.

U.S. RELIEF OBJECTIVES

As long as the Nigerian civil war continues, a prime objective of A.I.D. is to provide the maximum possible assistance necessary for relief of civilian victims on both sides of the conflict. To avoid political or military involvement, it is the policy of the U.S. Government to channel our support for the international relief effort through the non-political International Committee of the Red Cross and through UNICEF and American Voluntary relief agencies, which operate on both sides of the conflict. In keeping with this policy, a Special Coordinator for U.S. relief assistance has been appointed with the responsibility of finding means to increase assistance to needy persons on both sides.

DIMENSIONS OF THE RELIEF PROGRAM

The civil war in Nigeria has brought serious food shortages and health problems to the former Eastern Region -- which proclaimed itself the "Republic of Biafra" in May 1967 -- and to certain areas of the Mid-West State. The International Committee of the Red Cross (ICRC) reports that at least four million civilian war victims will need relief assistance of some kind.

Deprivation is most severe in the area of the Eastern Region under "Biafran" control, which has been reduced during the course of the

war to a land-locked enclave about one-fourth the Region's original size and which, as of May 1, is less than 2% of Nigeria's total land area. Estimates of mortality rates by relief workers vary, but it is clear that in the summer of 1968 large numbers, including a high proportion of children, died of starvation. Although the distribution to some two million people of foods flown in by international relief agencies later reduced this disastrous death rate, substantial imports of carbohydrates as well as protein food will have to be maintained to sustain even a marginal nutritional level throughout the coming spring and summer months -- the traditional West African "hungry season" even in normal times.

In sections of the Mid-West State that were the scene of battle early in the war and in the areas of the former Eastern Region now controlled by the Nigerian Government, food and medicines are being distributed by international voluntary agencies to some one million people. Last summer, the death rate by starvation in these areas was comparable to that prevailing in the area under "Biafran" control. Because food could be moved in by surface transportation, it was possible for the relief program to restore more quickly a minimum nutritional level to the one million persons on the Federal side. This was done despite logistic problems encountered in maintaining longer internal supply lines to the areas peripheral to the "Biafran"-controlled area. The numbers of people in great need have fluctuated as the front lines have moved with the course of the war, but recent months have seen a gradual increase in those returning to areas under Federal control. However, there are many thousands of people still in the bush between and behind the lines. As these people return to Federal areas or otherwise become accessible for assistance (if the present political constraints on the capacity of the airlift can be removed or if there is a cessation of hostilities) at least four to five million people will require assistance.

ASSISTANCE TO THE INTERNATIONAL RELIEF EFFORTS

Total U.S. Assistance. First authorized in the fall of 1967, U.S. relief assistance, including P.L. 480, will be about $52 million in FY 1969. As of April 15, 1969 A.I.D.'s share exceeded $14 million and will reach over $21 million by June 30, 1969.

1. U.S. Assistance to the ICRC. Beginning in May 1968 with a contribution of $100,000, a total of $12.5 million has been donated to the ICRC, the only private international agency servicing both "Biafran" and Nigerian relief needs. By the end of FY 1969, A.I.D. will have provided about $18.5 million to the ICRC to cover, among the other items, charges for air and coastal transport, purchases of medicine and local foods, and salaries of relief personnel.

2. U.S. Assistance to U.S. Voluntary Agencies. As of April 1969, U.S. voluntary organizations have donated food and other supplies valued at over $8 million. A.I.D. has set aside $1.9 million for reimbursement to these organizations for the expense of overseas freight as well as for partial payment of the cost of the voluntary agencies' airlift. To help expand the airlift from Sao Tome, Fernando Po and Dahomey, the U.S. Government sold at a nominal price eight C-97 cargo planes -- four each to the ICRC and the Joint Church Aid/USA.

3. P.L. 480 Food. As of April 15, 1969, 162,000 metric tons of P.L. 480 foods (rice, bulgur, rolled oats, wheat, and other cereals, beans, dry milk and a high protein corn-soy-milk blended food product), valued at $31 million including shipping costs, had been approved for distribution throughout all affected areas by voluntary relief agencies such as the Catholic Relief Services, the Church World Service, UNICEF, and the World Food Program.

Other Contributions. As of February 1969, other nations have contributed approximately $73 million to these relief efforts, and various international organizations, such as UNICEF, have contributed an additional $6 million. The Rehabilitation Commission of the Nigerian Government is spending $2.1 million for relief during FY 1969.

Progress. Despite great difficulties, the ICRC and the private voluntary agencies, with the help of A.I.D., are distributing increasing quantities of food (up to 10,000 tons monthly) to about three million people on both sides of the conflict. The incidence of starvation and disease has been substantially reduced. A potential outbreak of measles has been averted by rapid implementation of an immunization campaign. People on both sides have also been immunized against smallpox.

PROPOSED FY 1970 RELIEF PROGRAM

U.S. relief assistance will continue in FY 1970 for as long as needed. Although it is not possible to determine the exact level of funds that may be required, it is expected that as much as $10 million of Supporting Assistance for relief efforts may be necessary in addition to $10 million of Supporting Assistance in the "Economic Development Program" for reconstruction/economic recovery. It is expected that such relief will continue to be channeled through the ICRC and U.S. Voluntary agencies. Additional P.L. 480 foods will be provided as needed.

NIGERIA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	13.0	17.9	189.9	1.9	188.0
Loans	-1.0	7.9	69.1	1.9	67.2
Grants	14.0	10.0	120.9	-	120.9
FOOD FOR FREEDOM - TOTAL	0.7	2.1	5.8	-	5.8
Title I - Total	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY—Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.7	2.1	5.8	-	5.8
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	-	-	-	-	-
VOLUNTARY RELIEF AGENCIES	0.7	2.1	5.8	-	5.8
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	6.5	3.0	3.5
OTHER U.S. ECONOMIC PROGRAMS	4.5	2.3	27.1	0.2	26.9
PEACE CORPS	4.5	2.3	26.9	-	26.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	0.2	0.2	-
TOTAL ECONOMIC	18.2	22.3	229.3	5.1	224.2
Loans	-1.0	7.9	75.8	5.1	70.7
Grants	19.2	14.4	153.6	-	153.6
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	0.2	0.2	1.5	0.3	1.2
Credit Assistance	-	-	0.3	0.3	-
Grants	0.2	0.2	1.2	-	1.2
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	0.2	0.2	1.5	0.3	1.2
TOTAL ECONOMIC AND MILITARY	18.4	22.5	230.8	5.4	225.4
Loans	-1.0	7.9	76.1	5.4	70.7
Grants	19.4	14.6	154.8	-	154.8

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	3.8	2.5	255.5
IBRD-World Bank	-	-	185.5
Int'l Dev. Association	-	-	35.5
Int'l Finance Corp.	0.8	-	2.7
UNDP-Special Fund	1.2	1.0	19.1
UNDP-TA (CY)	1.0	0.9	6.5
Other UN (CY)	0.8	0.6	6.2

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

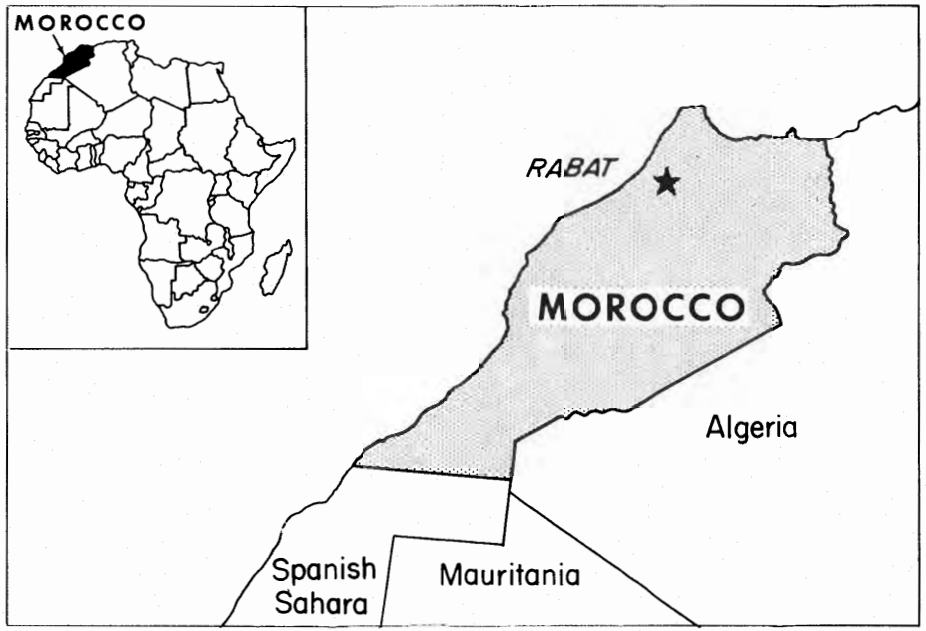
DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	44.6	41.5	236.4
United Kingdom	18.3	16.2	160.1
Germany	10.7	11.0	27.7
Italy	9.9	7.6	27.3
Other	5.8	6.7	21.3

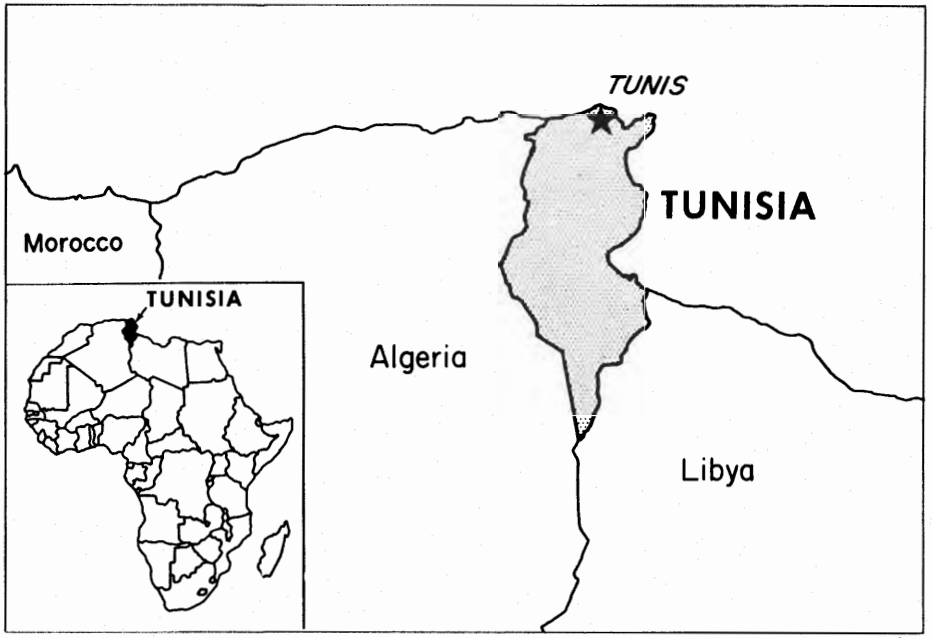
ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... n.a.
Cumulative thru 1968..... 14

*Less than $50,000. n.a. - not available

a/ Annual data represent deliveries; total through 1968 is the cumulative program.





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CONGO (KINSHASA)

BASIC DATA

Population (mill. mid-1968)	17.0	Total GNP-1967 $ Mill...	1,332
Annual Growth Rate (%).....	2.3	Per Capita GNP-1967$...	80
Area (1,000 sq. mi).....	906	Life Expectancy.....	39
Pop. Density per sq.mi.....	19	People per Doctor.....	31,800
Agricultural Land as % of Total Area.....	22	Literacy Rate.....	58
% of Labor Force in Agric..	69	Students as % of Ages 5-19 (Primary and Secondary)	31

TREND DATA

	1965	1966	1967	1968Est.
AGRICULTURAL PRODUCTION				
Total Index (1957-59=100).....	76	77	81	87
Index per capita.....	64	64	66	69
Palm Oil (1,000 MT).....	125	130	155	175
Industrial Diamonds (1,000 cts.).....	17.5	17.4	17.9	n.a.
INTERNATIONAL TRADE ($ millions)				
Total Exports (f.o.b.).....	336	465	443	n.a.
Copper.....	171	267	264	n.a.
Total Imports (c.i.f.).....	-319	-336	-265	n.a.
Trade Balance.....	20	129	178	n.a.
GOLD & FOREIGN EXCHANCE[a/] ($ mill.)				
Official Reserves.....	21	22	68	125(June)
Commercial Bank Holdings.....	31	58	57	36
COST OF LIVING (1963=100)(Kinshasa).	134	155	212	325

CENTRAL GOVERNMENT FINANCES[b/] (Fiscal year ending Dec. 31)	-Million Dollar Equiv. 1966	1967	1968 Est.
Total Expenditures.....	148.0	223.0	288.0
(Defense Expenditures).....	(31.8)	(36.6)	(43.6)
(Capital Outlays).....	(n.a.)	(n.a.)	(52.0)
Total Domestic Revenues.....	125.6	198.4	257.2
As percent of GNP	(n.a.)	(9.9)	(n.a.)
Deficit (-) or Surplus (+).....	-22.4	-24.6	-30.8

a/ - Converted at 0.5 zaires per dollar

b/ - Gross basis, end of period.

c/ - Based on data in current prices.

PROGRAM SUMMARY
(In millions of dollars

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	2.5	-	-	9.0
Technical Assistance ...	0.6	0.7	1.2	2.0
Supporting Assistance ...	17.2	15.3	5.0	-
Total A.I.D. Assistance	20.3	16.1	6.2	11.0

U.S. AID OBJECTIVES

Beginning in FY 1970, the A.I.D. program in the Congo (Kinshasa) will be adjusted and redirected, in concert with other donors, toward economic development objectives. Previous A.I.D. assistance has been of a short-term stability-oriented nature, but because the Congo has attained comparative stability and some measure of national unification under a government generally able to maintain internal security, the A.I.D. program in FY 1970 will change, making the Congo one of the development-emphasis countries in A.I.D.'s Africa program. Over the next few years A.I.D. will help re-establish a productive agricultural sector with priority on rehabilitating the transport infrastructure needed for agricultural development.

PROBLEMS AND PROGRESS

Since assuming power in 1965, the Mobutu Government has brought about significant improvements in the Congo. The rebellions and internal disorder have receded and a minimal governmental administrative system has been extended over much of the country.

In cooperation with the International Monetary Fund (IMF) and with U.S. assistance, the Government undertook a broadly based monetary reform and economic stabilization program in June 1967. In spite of the short-lived revolt of mercenary troops shortly afterward and some problems with expenditure controls, the reform to date has exceeded earlier expectations in halting inflation in the latter part of 1968 and in increasing exports.

In 1968 mineral production grew by 10% and for the second year in a row agricultural exports increased by 15%. In the year following the monetary reform foreign exchange reserves have increased from a two-week to a three-month supply. Due to the reforms, central government revenues have doubled since 1966.

It is recognized that the huge size of the country, the ethnic diversity and the long standing difficulties of the Congolese Army and police forces could again lead to a breakdown in internal security and a new round of disorders and economic chaos. However, the prospects for political stability are better and more promising than at any time since independence. This relative stability and the positive effects of the monetary reform have combined to move the Cogolese economy in a relatively short time from grave crisis nearer to the threshold of economic development.

The country has abundant and diverse resources which, if exploited in a rational manner, could bring the Congo rapidly back to the pre-independence growth level. The economy has shown signs of unusual resilience owing to these resources and to the strength of its private sector. Assuming continued stability, prospects for considerable private investments in manufacturing, mining and large scale agriculture are favorable.

Although the prolonged internal conflict caused considerable deterioration of basic transportation systems and the abandonment of a number of productive agricultural enterprises, some recovery in agricultural output has already taken place. However, if the relatively spontaneous agricultural revival which has been apparent over the past year is to become more than a temporary phenomenon, the transport bottlenecks, hampering both the marketing of crops and the movement of consumer goods to the rural areas, must be overcome.

The Government has taken the position that rehabilitation of agriculture and the transport infrastructure should receive priority over other investments during the next few years. The IBRD has also identified rehabilitation of the transport infrastructure as a priority.

FY 1970 PROGRAM

Since 1960, U.S. assistance has consisted largely of Supporting Assistance--both grants and loans--for essential commodity imports. The nature and magnitude of this assistance has been largely dictated by the continuing problems with internal security and political stability, fiscal and monetary chaos and the absence of even the minimal manpower necessary to maintain the administrative structure. As a result of its steady progress in overcoming these problems, the Congo now seems ready to embark on a more development-oriented program and has become one of the development emphasis countries in A.I.D.'s Africa program.

The proposed FY 1970 A.I.D. program totals $11 million--$9 million for Development Loans and $2 million for Technical Assistance. This compares with a FY 1968 program of $16.1 million of which $15.3 million was Supporting Assistance and a FY 1969 program of $6.2 million of which $5 million is Supporting Assistance. In FY 1970, A.I.D. also proposes to provide $500,000 for the U.N. Special Program for the Congo. P.L. 480 sales of $10.4 million are planned as well as donations of $2.2 million.

U.S. resources are provided in conjunction with other donors, mainly the IMF, the European Economic Community (EEC), Belgium and France. In FY 1970, IBRD-financed programs will get under way. While the United States in the past has provided roughly half of all Free World assistance to the Congo, the U.S. share (including P.L. 480) is expected to decline in 1970 to about a third as other donors increase their aid. The IBRD may eventually become an important advisor in developmental planning and a leader of assistance donors to the Congo.

Public investment averaged $100 million annually in the decade prior to independence in 1960, but given current institutional and manpower deficiencies there is doubt that the Congo can use much more than $75 million annually for the next several years despite the fact that the bulk of capital assistance will go toward reconstructing and renovating the infrastructure. Of this $75 million we would expect the Congo to provide, on a yearly basis, up to $25 million; the IBRD, $5 to $10 million; and the EEC, $15 million. Belgium and France are unlikely to provide any significant capital assistance because of the considerable technical assistance programs which they are currently financing.

While the United States does not seek to fill the remaining investment gap of $25 million, a Development Loan level of $9 million in FY 1970, together with a P.L. 480 sales program of $10.4 million, can make a significant contribution toward Congolese development while at the same time maintaining our position as a primary catalytic agent for other donor activity.

A.I.D. Development Loans will be limited initially to transportation and agriculture. This decision has been arrived at after close consultation with the World Bank. The primary tasks are to reconstitute transport to the pre-independence level of operations and to bring back into the cash economy the large numbers of experienced farmers that existed in 1959. This should be accomplished before any newer, longer range programs can be seriously considered. During the three-to-five year time frame required to

achieve pre-independence levels of economic activity, the planning and management problems of the Congo will be addressed so that by the mid-1970's the nation can embark upon more comprehensive development programs which will not necessarily need concessional U.S. assistance.

Transportation

FY 1970 Development Loans totaling $9 million will be directed toward transportation requirements, especially those transport links which are needed to move agricultural production. Of the $9 million, a $5 million transportation sector loan for road, rail and inland waterway equipment will be directly related to IBRD programs in this area. The balance of $4 million will be used for projects which will include major road links and a comprehensive survey of transport development needs for the Northeast Congo, the scene of the major rebellions in 1963 and 1964. Congolese-owned counterpart funds will be used to meet the local costs of these projects.

Technical Assistance funds totaling $350,000 will be needed in FY 1970 for further transportation feasibility studies.

Agriculture

With one important exception, A.I.D. agriculture efforts will support other donor activities being undertaken by the Nationalist Chinese, the EEC, the U.N. Development Program and the World Bank. Congolese-owned but jointly managed counterpart funds will be the main instrument of assistance.

The single major A.I.D. bilateral activity in agriculture is in the area of agricultural credit and will require $180,000 in Technical Assistance for the first year of the project. The International Voluntary Service, under a contract with A.I.D., will supervise the field program which will use counterpart funds for loans to farmers. These loans will be primarily directed toward increasing food production for local market sale.

Training, Administration, and Internal Security

One of the main problems facing the Congo has been the absence of even the minimal manpower necessary to maintain the administrative structure. In FY 1970, A.I.D. Technical Assistance of $2.0 million will emphasize training of Congolese manpower. In this regard, A.I.D. will continue to provide graduate training in the United States for Congolese students in education, economics, and agriculture.

President Mobutu has established a national police force and instituted a policy to make the police more responsive to the local population. Police schools in areas of former rebel control have been reopened and new recruits are being trained. A.I.D.'s FY 1970 Technical Assistance program continues the services of six technicians and provides for training of 33 senior police officials in the United States.

The U.N. Funds-in-Trust Program, the Belgians and, to a lesser extent the French, are supplying most of technical advisors and operational experts needed to keep the Congo functioning while its manpower is developing. In FY 1970, the United States expects, through the Multilateral Organizations category, to contribute $500,000 to the U.N. program which, while reduced in size, will supply over 100 technicians in public works, public administration, health services and telecommunications. This smaller contribution reflects the gradual phase-out of the U.N. program. 1971 is expected to be its final year.

CONGO (Kinshasa)

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS 1967	1968	TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	20.2 a/	16.0 a/	263.7 a/	-	263.7
Loans	19.5	15.0	68.5	-	68.5
Grants	0.7	1.0	195.2	-	195.2
FOOD FOR FREEDOM - TOTAL	21.3	17.5	141.7	0.4	141.3
Title I - Total	18.6	14.0	106.6	0.4	106.2
PAYABLE IN U.S. DOLLARS - LOANS	18.6	14.0	32.6	*	32.6
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	74.0	0.4	73.6
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(85.0)	(-)	(85.0)
Planned for Country Use	-	-	74.0	0.4	73.6
Economic Development Loans	-	-	30.2	0.4	29.8
Economic Development Grants	-	-	37.1	-	37.1
Common Defense Grants	-	-	3.9	-	3.9
Cooley Loans	-	-	2.9	-	2.9
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	2.7	3.5	35.1	-	35.1
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	16.2	-	16.2
VOLUNTARY RELIEF AGENCIES	2.7	3.5	18.9	-	18.9
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-
PEACE CORPS	-	-	-	-	-
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	-	-	-
TOTAL ECONOMIC	41.5	33.5	405.4	0.4	405.0
Loans	38.1	29.0	134.2	0.4	133.8
Grants	3.4	4.5	271.3	-	271.3
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	5.1	3.8	22.1	-	22.1
Credit Assistance	-	-	-	-	-
Grants	5.1	3.8	22.1		22.1
(Additional Grants from Excess Stocks)	(0.8)	(*)	(5.3)	(-)	(5.3)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	5.1	3.8	22.1	-	22.1
TOTAL ECONOMIC AND MILITARY	46.6	37.3	427.5	0.4	427.1
Loans	38.1	29.0	134.2	0.4	133.8
Grants	8.5	8.3	293.4	-	293.4

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	7.7	4.2	201.4
IBRD-World Bank	-	-	121.6
UNDP-Special Fund	-	0.9	12.0
UNDP-TA (CY)	1.0	0.8	3.7
Other UN (CY)	0.1	0.1	4.6
EEC Dev. Fund	6.6	2.4	59.5

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	55.7	60.7	524.1
Belgium	48.9	47.8	489.4
Germany	3.5	2.4	15.1
Italy	0.3	7.6	9.9
Other	3.0	2.8	9.6

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968..... -

*Less than $50,000. a/ Excludes contributions to the UN for Congo technical and operational assistance, totalling $27.3 million. Of this, $3.5 million was in FY 1967 and $2.2 million in FY 1968. b/ Annual data represent deliveries; total through 1968 is the cumulative program.

GHANA

BASIC DATA

Population (millions; mid-1968)	8.4
Annual Growth Rate (percent)	2.6
Agricultural Land as % of Total Area	11
Percent of Labor Force in Agriculture	56
Life Expectancy (years)	39
People per Doctor	13,500
Literacy Rate (percent)	25
Students as Percent of 5-19 Age Group (Primary & Secondary)	57

TREND DATA

	1965	1966	1967	1968Est.
Gross National Product				
Total (millions of 1967 $)a/	1,684	1,694	1,734	1,800
Per Capita (1967 $)	218	213	213	215
Investment - Millions of 1967 $	332	295	227	235
- Percent of GNPb/	17	15	13	13
Domestic Savings - Mill. of 1967 $	121	159	137	145
- % of Investmentb/	47	69	76	78
Agricultural Production				
Total Index (1957-59=100)	137	143	149	134
Index per capita (1957-59=100)	114	116	117	103
Yams (1,000 MT)	1,720	1,766	1,814	1,800
Electricity Prod. (Mill. KWH)	528	581	1,560	n.a.
International Trade ($millions)				
Total Exports (f.o.b.)	318	268	302	340
Cocoa Beans	191	144	171	n.a.
Total Imports (c.i.f.)	-448	-352	-319	-315
Trade Balance	-130	-84	-17	25
GOLD & FOREIGN EXCHANGE ($ mill.)c/				
Official Reserves	133	126	100	113
Commercial Bank Holdings	1	3	1	0.3
COST OF LIVING INDEX (1963=100)(Accra)	144	151	140	152

a/- Converted at 1.02 new cedis per dollar.
b/- Based on data in current prices.
c/- Gross basis, end of year.

PROGRAM SUMMARY
(In millions of dollars

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	23.5	17.5	1.6a/	15.0
Technical Assistance	2.1	1.8	1.7	2.5
Supporting Assistance	-	-	0.2b/	-
Total A.I.D. Assistance	25.6	19.3	3.5	17.5

a/ Not new assistance. Represents only capitalization of interest on prior year loan.

b/ Represents $192,000 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D. is assisting Ghana to recover from the economic disorder inherited from the Nkrumah regime and to embark on a rational and effective development program. Achievement of these objectives will help Ghana make the transition from the current military regime to a civilian government responsive to the desires of a population participating in political, economic and social development.

A.I.D. provides major assistance to Ghana in concert with other donors within the framework of a group led by the International Monetary Fund (IMF). Ghana's self-help efforts combined with this assistance should permit the completion of the current stabilization program and the start of a full-scale economic development plan by mid-1970.

PROBLEMS AND PROGRESS

When the National Liberation Council, a military group, took over in February 1966, the economy was in shambles.

--Per capita Gross National Product (in constant prices) had remained relatively stagnant since 1962.

--Foreign exchange reserves had been dissipated.

--External debt, largely incurred for unrealistic economic projects and prestige structures, had reached a staggering $730 million, and default on short-and medium-term loans was imminent.

--Large chronic budgetary deficits continued.

--Inflation was accelerating.

--Many of the 55 state-owned industrial enterprises and 100-odd state farms were economically unsound and inefficiently run.

GHANA

The National Liberation Council sought to solve the economic crisis while preparing for a return to constitutional civilian rule within the shortest feasible time. It turned to the IMF for assistance in achieving economic stabilization. Foreign donors agreed to provide capital assistance and cooperate in rescheduling medium-term debt.

To date, Ghana has sucessfully met the objectives of the IMF stabilization program through impressive self discipline, coupled with economic assistance. Ghana and her creditors agreed to terms for medium-term debt rescheduling of about $170 million in 1966 and $134 million in 1968. Ghana has used substantial IMF drawings and received concessional loans from seven multilateral and bilateral donors.

Additional measures undertaken to correct the balance of payments problem were a 30% devaluation in July 1967 and reductions of all non-essential imports. On the domestic front, the government limited the growth of recurrent expenditures, restrained credit, closed the most inefficient state farms and started to shift state enterprises to private ownership. As a result, Ghana has managed to balance its recurrent budget and achieve price stability.

While implementing the stabilization plan, the government has also been planning for future development. With the advice of a Harvard Development Advisory Service group, an interim two-year development plan was drawn up and work begun on a much more ambitious four-year plan within the framework of long-range sector studies. During this same period, the National Liberation Council is planning to reestablish constitutional government in late 1969 or early 1970, restoring civilian administration and decentralizing many functions formerly performed by the central government.

Despite the progress of the past three years, substantial economic problems remain. The economy has the potential to recover the growth pattern evidenced in the early 1960's. But debt servicing, difficulties in diversifying exports, payments for services and imports of commodities essential for expanding productive capacity are expected to result in continuing annual balance of payments deficits which, without foreign assistance, would amount to $125-150 million through the mid-1970s.

The stabilization effort has led to heavy unemployment and continued economic stagnation. The prolonged austerity associated with the stabilization effort and the approaching return to civilian rule have produced increasing social and political ferment. From 1962 to 1967 per capita income, while among the highest in sub-Saharan Africa, remained constant or declined. But in 1968 per capita income increased by 1.1%, reversing the previous trend.

To meet these problems, Ghana's two-year interim plan (mid-1968 to mid-1970) accords highest priority to promoting agriculture as a potential source of additional exports, food and industrial raw materials, and as a means of reducing the disparities of income, increasing employment, and slowing down migration to the towns. The plan also calls for improved use of existing industrial capacity. This includes stimulating small and medium-size industrial activities.

FY 1970 PROGRAM

The proposed A.I.D. program for FY 1970 amounts to $17.5 million -- a $15 million Development Loan for industrial and agricultural imports from the United States and $2.5 million in Technical Assistance. A P.L. 480 program of $20.8 million in FY 1970 is also planned, including $800,000 in donations for voluntary agency programs and $20.0 million in Title I sales for cotton, cotton yarn and foodstuffs.

Capital assistance from other donors in 1970 may total $50 million, including a drawing from the IMF and concessional commodity loans and project financing from various European countries and Canada. More than a dozen other countries, the United Nations and the Ford Foundation provide technical assistance to Ghana. As Ghana moves beyond the stabilization period to programs of greater development content, the IBRD is expected to begin assuming the aid donor coordination role which has been filled since 1966 by IMF.

A.I.D. loans and P.L. 480 credit sales will continue to be conditioned on Ghana's adherence to the IMF guidelines for the stabilization program. These measures includes limiting budgetary expenditures to amounts which can be financed from domestic receipts and external grants or concessional loans, rationalizing the tax system to increase revenues and encourage domestic savings and investment, restricting credit expansion to amounts consistent with economic stability, progressively eliminating import and exchange restrictions and limiting external borrowing to amounts consistent with debt-servicing capacity.

Agriculture

Agriculture, by far the most important economic sector in Ghana, accounts for almost one-half of the country's GNP and the bulk of export earnings. With A.I.D.'s assistance, Ghana is diversifying agriculture to reduce dependence on food imports and cocoa exports

which account for 60% of export earnings and make Ghana's economy highly vulnerable to world price fluctuations. The country has set a goal of 5% average annual increase in agricultural production. Using the A.I.D. commodity import program in working towards this goal, Ghana has placed under open general import licenses the inputs needed to increase agricultural production. As part of the P.L. 480 sales agreements, Ghana agreed to a number of self-help measures, including an evaluation and adjustment of price support measures needed to stimulate private production. Price supports for rice and corn were established, and the government now subsidizes fertilizers. Half the local currencies generated under the P.L. 480 agreement will be spent for activities related to agricultural production such as support of vocational agricultural schools, feeder roads and the Agricultural Development Bank.

Proposed FY 1970 Technical Assistance funds totaling $1 million for this sector continue the present emphasis on agriculture and provide for new studies relating to increasing agricultural production. Programs include advisory assistance to the project planning unit of the Ministry of Agriculture in order to obtain substantial increases in overall production by making sure that essential inputs such as improved seed, fertilizer and pesticides are available when they are needed. Advisors also work with the extension service in six pilot districts to demonstrate the most productive use of agricultural inputs. A.I.D. provides experts who teach and develop the curriculum at the vocational agriculture schools.

Other assistance includes partial costs of an advisor for the Agricultural Development Bank, professors for the Faculty of Agriculture at the University of Ghana and key advisors for the Development Coordination Unit in the Ministry of Agriculture. Beginning in FY 1970, advisors will work with the Ministry of Agriculture to eliminate key bottlenecks in production-support programs and agricultural statistics.

An agriculture sector study financed under a previous $2 million A.I.D. loan is currently being carried out. This study will provide the basis for a long-range plan for agricultural development.

Industry

Ghana's industrial objective, supported by A.I.D. and the IMF, is to give a greater role to private enterprise and to revive production by permitting necessary imports of raw materials, spare parts and equipment. A.I.D. is assisting the revitalization of the private sector by providing investment guaranties and local currency Cooley loans to American investors and by furnishing advisory services to the Development Services Institute of the National Investment Bank (NIB). A.I.D. helps train staff members to provide independent financial and economic analyses and management consultation for the bank and outside clients.

A United Nations Development Program project finances experts to improve the management of the state enterprises. Certain state-owned farms have already been sold to private investors. The State Enterprise Board and the NIB are continuing to evaluate the remaining state-owned enterprises in terms of their economic soundness and potential for sale to private investors or operation as joint ventures.

Infrastructure

A.I.D.-financed sector studies are helping Ghana establish policies and investment priorities in several important sectors of the economy. A transportation sector study will focus upon support to the productive sectors of the economy and West African integration. Other studies include water resources and telecommunications.

Starting in FY 1970, A.I.D. proposes to finance advisors to strengthen Ghanaian government capabilities for planning and implementing projects recommended by the sector studies. In selected cases, A.I.D. will finance feasibility studies of high priority projects. A.I.D. will also finance graduate training of Ghanaian personnel assigned to the planning units of the operating Ministries.

Ghana

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	-	24.1	63.9	1.6	0.5	1.0	1.7	25.4	7.6	101.7	125.7	6.9	118.8
Loans	-	-	20.0	62.0	-	-	-	0.2 a/	23.5	6.0	91.7	111.7	6.9	104.8
Grants	-	-	4.1	1.9	1.6	0.5	1.0	1.5	1.9	1.7	10.1	14.0	-	14.0
FOOD FOR FREEDOM - TOTAL	-	*	2.3	0.7	0.6	2.0	0.8	6.7	8.6	14.8	34.2	36.4	0.1	36.3
Title I - Total	-	-	-	-	-	-	-	5.6	5.6	13.8	24.9	24.9	0.1	24.8
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	-	-	5.4	5.4	5.4	-	5.4
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	-	-	-	-	-	5.6	5.6	8.4	19.5	19.5	0.1	19.4
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(7.4)	(7.1)	(10.4)	(24.9)	(24.9)	(-)	(24.9)
Planned for Country Use	-	-	-	-	-	-	-	5.6	5.6	8.4	19.5	19.5	0.1	19.4
Economic Development Loans	-	-	-	-	-	-	-	5.6	4.6	6.8	16.9	16.9	0.1	16.8
Economic Development Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Defense Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cooley Loans	-	-	-	-	-	-	-	-	1.1	1.6	2.6	2.6	-	2.6
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total	-	*	2.3	0.7	0.6	2.0	0.8	1.1	3.0	1.0	9.2	11.5	-	11.5
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	0.6	-	-	0.8	-	0.4	1.9	-	3.1	3.8	-	3.8
VOLUNTARY RELIEF AGENCIES	-	*	1.7	0.7	0.6	1.2	0.8	0.7	1.1	1.0	6.1	7.7	-	7.7
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	65.0	-	-	-	0.2	1.5	5.3	72.0	72.0	7.3	64.7
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	0.5	0.7	0.8	0.9	0.7	1.2	1.1	6.0	6.0	-	6.0
PEACE CORPS	-	-	-	0.5	0.7	0.8	0.9	0.7	1.2	1.1	6.0	6.0	-	6.0
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC	-	*	26.4	130.1	2.9	3.3	2.7	9.3	36.7	28.8	213.8	240.1	14.3	225.8
Loans	-	-	20.0	127.0	-	-	-	6.0	30.7	25.1	188.8	208.6	14.3	194.3
Grants	-	*	6.4	3.1	2.9	3.3	2.7	3.3	6.1	3.8	25.2	31.5	-	31.5
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	-	-	*	*	*	-	-	-	*	0.1	0.1	-	0.1
Credit Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	*	*	*	-	-	-	*	0.1	0.1	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	*	*	*	-	-	-	*	0.1	0.1	-	0.1
TOTAL ECONOMIC AND MILITARY	-	*	26.4	130.1	2.9	3.3	2.7	9.3	36.7	28.8	213.9	240.2	14.3	225.9
Loans	-	-	20.0	127.0	-	-	-	6.0	30.7	25.1	188.8	208.6	14.3	194.3
Grants	-	*	6.4	3.1	2.9	3.3	2.7	3.3	6.1	3.8	25.3	31.6	-	31.6

* Less than $50,000. a/ Represents capitalized interest only. b/ Annual data represent deliveries; total through 1968 is the cumulative program.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	3.3	12.7	79.0
IBRD-World Bank	-	-	47.0
Int'l Development Association	-	10.0	10.0
UNDP-Special Fund	2.6	1.9	14.1
UNDP-TA (CY)	0.6	0.6	4.7
Other UN (CY)	0.1	0.2	3.2

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	17.5	38.9	90.0
Germany	10.3	17.1	38.3
United Kingdom	1.3	1.4	15.7
Italy	1.1	8.2	14.4
Canada	3.9	3.8	11.6
Other	0.8	8.4	10.0

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative Thru 1968	231

MOROCCO

BASIC DATA

Population (millions; mid-1968)	14.6
Annual Growth Rate (percent)	3.2
Agricultural Land as % of Total Area	35
Percent of Labor Force in Agriculture	54
Life Expectancy (years)	47
People per Doctor	12,100
Literacy Rate (percent)	14
Students as % of 5-19 Age Group (Primary & Secondary)	28

TREND DATA

	1965	1966	1967	1968Est.
Gross National Product				
Total (millions of 1967 $)a/	2,501	2,455	2,660	2,980
Per Capita (1967 $)	188	179	188	204
Investment - Millions of 1967 $	279	271	384	527
- Percent of GNPb/	11	11	14	18
Domestic Savings - Mill. of 1967 $	249	191	280	412
- % of Investmentb/	96	72	74	78
Agricultural Production				
Total Index (1957-59=100)	123	100	113	150
Index per capita (1957-59=100)	101	80	88	113
Wheat (1,000 MT)	1,314	812	1,090	1,800
Mining Prod. Index (1963=100)	114	111	110	110
International Trade ($ millions)				
Total Exports (f.o.b.)	430	428	424	440
Phosphates	109	106	108	112
Total Imports (c.i.f.)	-451	-477	-517	-550
Trade Balance	-21	-49	-93	-110
GOLD & FOREIGN EXCHANGE ($ mill.)c/				
Official Reserves	99	87	76	85
Commercial Bank Holdings	26	24	25	26
COST OF LIVING INDEX (1963=100) (Casablanca)	108	107	106	106

a/- Converted at 5.06 dirhams per dollar.
b/- Based on data in current prices. c/- Gross basis, end of year.

PROGRAM SUMMARY
(In millions of dollars

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	2.9	13.0	8.0	13.0
Technical Assistance	1.0	1.9	1.3	1.7
Supporting Assistance	-	-	0.2 a/	-
Total A.I.D. Assistance	3.9	14.9	9.5	14.7

a/ Represents $175,000 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The objective of the FY 1970 A.I.D. program is the successful achievement by Morocco of its 1968-72 Development Plan goals. The A.I.D. program will assist Morocco to modernize its agriculture sector and expand its industry and tourism -- all with emphasis on private investment, developing manpower resources, and broadening participation by the Moroccan people in development.

PROBLEMS AND PROGRESS

The Moroccan Development Plan adopted in early 1968 represents an important step forward. Significant reforms have already increased the effectiveness of coordination, control and implementation of development investment. Economic growth during the past year was encouraging. With the end of the 1965-1967 drought, cereals production reached a record level in 1968 and substantially reduced food imports. The general rise of commercial activity, however, has been less than might have been expected from the good harvest. In real terms, GNP rose by 8.4% in 1967, as contrasted with 1966 when it declined by 1.8%. A rise of 12% is estimated for 1968.

The easing of credit and acceleration of investment expenditure resulted in a 26% increase in total fixed investment from 1966 to 1967, in real terms, compared to only an 8% rise from 1965 to 1966. Domestic savings increased from the depressed level of 8% of GNP in 1966 to about 11% in 1967 and 14% in 1968. At the same time, foreign private investments are responding to government encouragement, the stimulation of A.I.D.'s agro-industry survey program, and growing awareness of investment opportunities in Morocco. Foreign private investment increased almost twofold in 1967 to $12 million and is expected to increase even more in 1968.

Despite demands on budgetary resources, the Government maintained strict control over the budget. As a consequence, deficits were considerably reduced in 1965 and 1966, and the operating budget showed a surplus of approximately $80 million in 1967.

The loss in foreign exchange reserves in 1967 totaled $11 million; but private capital outflow, a major factor in earlier balance of payments deficits, appears to have greatly diminished. The 1967 deficit primarily reflects the impact of accelerated growth. Whereas in the early 1960's Morocco had sufficient reserves to meet recurrent deficits, the drawdown necessitated by the 1967 deficit reduced foreign exchange reserves to a two months' imports level. By the end of 1968, reserves had risen slightly to $85 million, still only about two months' imports requirements.

Despite the encouraging record achieved during the past year, Morocco continues to face formidable obstacles to achievement of Five-Year Plan goals and long-run development aspirations. The most serious problem is the low level and the slow rate of increase in agriculture production. While the prospects for increasing output in this semi-arid country are fairly good, growth is being inhibited by: (a) the scarcity of capital for concurrent investment in dry-land and irrigated farming; (b) insufficient utilization of improved farming practices; (c) inadequate production credit and marketing systems; (d) the shortage of skilled manpower; and (e) the weak organization of the Agriculture Ministry and Extension Service. Planned private and public investment goals of about $460 million annually will be achieved even with increased domestic savings only if inflow of capital assistance for foreign exchange and local currency financing is increased.

The lack of trained manpower inhibits effective use of human and capital resources for development purposes. More people must be educated and trained to fill planning and operational positions at all levels in both the public and private sectors in order to accelerate economic and social development. Extensive rural unemployment and underemployment increased by the recent droughts has resulted in a continual influx to the cities. Urban population is rising at an estimated rate of 5% annually. Government efforts are largely directed to relieving unemployment through the Food for Work Program and stemming the rural exodus towards the cities. The Government has also undertaken a family planning program to reduce the 3.2% annual population growth rate, but political sensitivities require that officials proceed with tact and caution.

FY 1970 PROGRAM

As a member of the IBRD-led Consultative Group, the United States expects to continue to be a major donor to Morocco, supplying about 38% of total concessional assistance. Total non-U.S. assistance to Morocco is projected at $93 million for 1970. The IBRD is expected to be the major source of this financing with Germany, Belgium, Italy and France also providing substantial amounts.

The proposed FY 1970 A.I.D. program for Morocco of $14.7 million includes $1.7 million in Technical Assistance and $13 million in Development Loans. (A.I.D. also plans an FY 1970 Development Loan for a multidonor project with the IBRD for the development of the Sebou Basin in Morocco; funding is included under the Regional and Multidonor program.) In addition, $38.6 million of P.L. 480 assistance is planned. Of this amount, Title I sales are expected to reach $22.6 million depending on the carryover of stocks from the previous bumper crop and the extent of the 1969 harvest. Preliminary indications are that the 1969 wheat harvest will be less than in 1968, chiefly because of unfavorable rainfall patterns and problems of crop diseases.

Agriculture

The agriculture program accounts for slightly over $ 1 million of A.I.D.'s $1.7 million FY 1970 Technical Assistance program for Morocco. In rainfed farming, A.I.D. will continue assistance in cereals production and livestock and range improvement. Technical Assistance to test and develop improved wheat varieties will continue under the Tunisia-Morocco regional contract with the Rockefeller-sponsored wheat improvement center in Mexico. The results of the research carried out under this project are disseminated through the government's A.I.D.-assisted programs for the distribution and credit sale of fertilizer and for improved land preparations by mechanical cultivation. While A.I.D. is presently concentrating on production problems, we plan to continue pricing, storage and marketing studies initiated during the past year. In the livestock field, A.I.D. will concentrate on animal health improvement activities.

A.I.D. will continue to train agricultural specialists. In the past, the United States has provided specialized training related directly to A.I.D. projects, but general assistance in agricultural education was not undertaken because so few French-speaking American technicians were available to work within Morocco's agricultural education system. A.I.D. will, however, finance the

University of Minnesota to work jointly with the University of Louvain, Belgium, to assist research programs in specialized fields at the Agronomic Institute, where agricultural engineers are trained.

A third sector loan will be provided, following on those of FY 1968 and FY 1969, for supplies required to increase agricultural output. These loans finance importation of such commodities as seeds, farm equipment, fertilizer, and chemicals for the rainfed agriculture sector.

Family Planning and Manpower Resources

Beginning in FY 1969, A.I.D. is supporting a family planning program aimed at helping the Moroccans achieve a 10% reduction in new births by the end of the current Five-Year Plan (1968-72) in order to bring the present 3.2% growth rate more in line with the country's resource base.

The family planning program has the full endorsement and backing of the Moroccan Government and is an integral part of the Moroccan Five-Year Plan. A.I.D.'s contribution, costing $159,000 in FY 1970, will consist of technical services, commodities, participant training, equipment and other expenses. Part of this support will be through U.S.-owned local currency derived from P.L. 480 Title I programs.

A.I.D.-supported participant training programs are aimed at developing skills in agriculture, industry, engineering, and management at a cost of $295,000 in FY 1970. A.I.D.-financed agricultural planning specialists will assist the Ministry of Agriculture in implementing the Plan and coordinating annual economic budgets. Need for special advisors for the Ministry of Finance, as well as farm management experts and specialists to assist the Ministry of Agriculture, is being discussed with the Government. Costs of these specialists will be financed by the Government with A.I.D. supplementing local salary payments as required to obtain top quality American experts.

Industry and Tourism

A.I.D. will help develop the tourist industry, which has an excellent potential as a major source of foreign exchange earnings. Our efforts will be primarily directed at assisting U.S. private investment in tourism projects by providing advisory services to potential investors and encouraging the use of Cooley Loans. Four American firms have already invested in Moroccan tourist facilities.

Morocco is attracting an increasing number of potential U.S. investors in several other economic sectors. Projects currently under consideration by U.S. firms include fish and vegetable canning plants, low-cost housing, and expansion of a Moroccan shipping line that operates ships small enough to call at Morocco's smaller coastal ports. A.I.D. has encouraged private sector development through its agro-industry survey program. To date, U.S. firms have joined Moroccan interests in establishing improved wheat seed production, large-scale ranching, integrated poultry raising and safflower seed production. For example, an American cattle-producing firm, the King Ranch, is participating in a large private venture in Morocco which will benefit from a $1.5 million Cooley Loan to be issued in late FY 1969.

In FY 1969 and 1970, A.I.D. expects to make Development Loans to the National Economic Development Bank to finance dollar costs of projects that build the necessary supporting infrastructure for industrial development.

Food for Work

A.I.D. assistance to the Promotion Nationale (PN), which is an unemployment relief program financed primarily by the Government of Morocco to give work to over 100,000 Moroccans, includes not only food donations but Technical Assistance. In FY 1968, A.I.D. contracted with the International Voluntary Service to furnish two agricultural engineers and an economist to assist the Government in selecting and planning projects using PN labor. The purpose of this activity, which will require $145,000 in FY 1970, is to improve the construction of small dams, roads, etc., and also to select projects that will make the greatest economic contribution, e.g., creation of permanent infrastructure and long-term revenue-producing improvements.

MOROCCO

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968	1946-1968	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	3.9	14.6	311.1	61.6	249.5
Loans	2.9	12.7	288.3	61.6	226.7
Grants	1.0	1.8	22.8	-	22.8
FOOD FOR FREEDOM - TOTAL	38.2	62.5	316.0	1.5	314.5
Title I - Total	21.4	40.7	91.2	1.5	89.7
PAYABLE IN U.S. DOLLARS - LOANS	12.9	23.0	39.0	0.3	38.7
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	8.5	17.7	52.2	1.2	51.0
(Total Sales Agreements, including U.S. Uses)	(11.7)	(22.2) a/	(73.3)	(-)	(73.3)
Planned for Country Use	8.5	17.7	52.2	1.2	51.0
Economic Development Loans	8.3	15.9	49.9	1.2	48.7
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	0.2	1.7	2.2	-	2.2
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	16.8	21.8	224.8	-	224.8
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	11.4	15.1	143.6	-	143.6
VOLUNTARY RELIEF AGENCIES	5.4	6.7	81.2	-	81.2
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	19.6	1.1	18.5
OTHER U.S. ECONOMIC PROGRAMS	0.6	0.9	5.4	-	5.4
PEACE CORPS	0.6	0.9	5.4	-	5.4
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	-	-	-
TOTAL ECONOMIC	42.7	78.0	652.1	64.2	587.9
Loans	24.3	53.3	399.0	64.2	334.8
Grants	18.4	24.5	253.0	-	253.0
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	10.5	7.5	55.2	2.2	53.0
Credit Assistance	5.3	0.9	20.2	2.2	18.0
Grants	5.2	6.6	35.0	-	35.0
(Additional Grants from Excess Stocks)	(4.0)	(0.1)	(11.5)	(-)	(11.5)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	10.5	7.5	55.2	2.2	53.0
TOTAL ECONOMIC AND MILITARY	53.2	85.5	707.3	66.4	640.9
Loans	29.6	54.2	419.2	66.4	352.8
Grants	23.6	31.1	288.0	-	288.0

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	2.7	3.5	97.8
IBRD-World Bank	-	-	59.7
Int'l Dev. Association	-	-	11.0
Int'l Finance Corp.	*	-	2.9
UNDP-Special Fund	1.9	2.6	16.1
UNDP-TA (CY)	0.5	0.6	4.4
Other UN (CY)	0.3	0.3	3.7

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	43.4	37.1	291.7
France	40.3	19.6	255.5
Germany	2.2	14.4	29.3
Other	1.0	3.1	6.9

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative thru 1968	79

*Less than $50,000. a/ Excludes $10.3 millions initial payment in dollars.
b/ Annual data represent deliveries; total through 1968 is the cumulative program.

TUNISIA

BASIC DATA

Population (millions; mid-1968)	4.7
Annual Growth Rate (percent)	2.6
Agricultural Land as % of Total Area[a/]	61
Percent of Labor Force in Agriculture	60
Life Expectancy (years)	n.a.
People per Doctor	7,600
Literacy Rate (percent)	30
Students as Percent of 5-19 Age Group (Primary & Secondary)	50

TREND DATA

	1965	1966	1967	1968Est.
Gross National Product				
Total (millions of 1967 $)[b/]	960	955	954	1,025
Per Capita (1967 $)	220	214	209	219
Investment - Millions of 1967 $	267	243	230	225
- Percent of GNP[c/]	29	27	24	22
Domestic Savings - Mill. of 1967 $	87	111	86	125
- % of Investment[c/]	40	49	41	49
Agricultural Production				
Total Index (1957-59=100)	99	78	81	93
Index per capita (1957-59=100)	84	65	66	74
Olive Oil (1,000 MT)	53	20	51	50
Petroleum Production (1,000 MT)	0	636	2,244	3,150
International Trade ($ million)				
Total Exports (f.o.b.)	120	140	149	158
Phosphates	40	35	45	45
Total Imports (c.i.f.)	-246	-250	-261	-210
Trade Balance	-126	-110	-112	- 52
GOLD & FOREIGN EXCHANGE ($ mill.)[d/]				
Official Reserves	36	28	40	35
Commercial Bank Holdings	5	8	10	6
COST OF LIVING INDEX (1963=100) (Tunis)	111	115	119	122

a/- Over one-half is rough grazing land.
b/- Converted at 0.525 dinars per dollar.
c/- Based on data in current prices.
d/- Gross basis, end of year.

PROGRAM SUMMARY
(In millions of dollars

	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	23.9	10.8	6.7	9.0
Technical Assistance	2.4	2.7	2.0	2.0
Supporting Assistance	-	-	0.2[a/]	-
Total A.I.D. Assistance	26.3	13.5	8.9	11.0

a/ Represents $228,000 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

A.I.D.'s objective is to join in supporting Tunisia's economic and social development program (designed to achieve an annual Gross Domestic Product (GDP) growth rate of 6%), and to help Tunisia overcome its serious balance of payments problem (a major constraint on economic expansion). A.I.D.'s 1970 program, coordinated within the World Bank's 16-member Consultative Group, assists Tunisia's substantial efforts to: (1) modernize and expand agriculture; (2) broaden the industrial base; (3) accelerate the development of institutions and training essential to growth; (4) promote tourism, and (5) finance imports of U.S. commodities vital to Tunisia's development.

PROBLEMS AND PROGRESS

Since independence in 1956, Tunisia has attempted to correct imbalances of trade and production stemming from over 75 years of economic orientation towards France. Prior to independence, Tunisia's economic structure consisted of a small modern industrial and agricultural sector run by foreigners and a large traditional agricultural sector existing at bare subsistence levels with severe unemployment and underemployment.

Agricultural exports to France at preferential prices accounted for a modest growth which scarcely kept up with population expansion. Until 1953, budget deficiencies were financed by France through capital investment which largely offset the foreign exchange cost of imports from France. Tunisia's efforts to restructure and modernize the economy have resulted in impressive growth rates averaging over 5% annually from 1962 until the severe 1966/67 droughts sharply reduced agricultural output. In 1968, benefitting from adequate rainfall and better technology, agricultural production spurted 15% over 1967 and, with advances

in other sectors, the GNP increased 7.4% in real terms over 1967.

As a result of reductions in imports and increased foreign exchange earnings, net reserves appear to have increased in 1968 and are expected to rise still further in 1969. Under the 1969-1972 development plan, balance of payments pressures are expected to ease still further. The deficit on goods and services which averaged $150 million annually during 1965-67 was reduced by over 20% in 1968. For 1969, the Economic Budget foresees a rate of growth in real terms of 7.6% and maintenance of the present level of deficit on goods and services despite higher levels of imports. Increased foreign exchange earnings from tourism and exports of petroleum, fruits, vegetables, and phosphates will be complemented by higher domestic production of foodgrains--the product of improved seed, better farming practices and irrigation programs--thus diminishing dependence on food imports.

As a result of Tunisia's favorable performance, considerable foreign aid resources are being provided by other donors. Tunisia has already demonstrated its capacity and determination to use U.S. and other donors' aid effectively. Tunisia has readily adopted modern government management methods. As part of a major reform of government finance, an integrated financial and economic budget system to improve planning and resource allocation was developed, with the 1968 budget presented in the new form. Under the 1969 budget, increases in current budget expenditures are to be limited to 7% as compared with previous increases that ran as high as 14%. The result is expected to be a doubling of the volume of Government savings available for investment.

Tunisia has carried out two development plans under International Monetory Fund (IMF) and IBRD guidance resulting in an average annual increase of about 4% in GNP. Strict stabilization measures were enforced in 1967 and 1968 to reverse a downward trend in foreign exchange reserves and to dampen the expansion of domestic credit. As a consequence, net bank credit to the government increased by only $1.9 million in 1968 and prices remained relatively stable throughout the year.

Tunisia's foreign debt remains serious. It amounts to $500 million--65% of this is public debt and 35% is held in the form of foreign supplier credits. Debt servicing as a percent of foreign exchange earnings was 27% in 1968. However, the period of most rapid growth in debt payment now appears to have passed. To minimize the growth of debt servicing requirements, new private supplier credits--particularly short and medium-term loans on which interest and principal payments make up 70% of total debt service charges--were restricted in 1967 and 1968.

Despite increases in tax rates in 1966 and 1968, the failure of the government tax revenues to increase substantially is one of the main fiscal problems facing Tunisia. To correct it, the government is planning an overall tax reform.

The Consultative Group for Tunisia has become an important forum in which the 16 donor members review policies and programs affecting Tunisia's development. Donors provided about $360 million in capital aid inflows to Tunisia during 1965-1969, of which the United States provided $177 million, with the A.I.D. portion amounting to about $90 million. Although the Consultative Group is not a pledging forum, the share of other donors has increased as a result of U.S. efforts.

FY 1970 PROGRAM

The proposed FY 1970 program of $11 million includes $9 million in Development Loans and $2 million in Technical Assistance. An additional $27.2 million in P.L. 480 assistance is planned--$14 million under Title I sales and $13.2 million under Title II donations. Of the Development Loan assistance, $5 million is for a commercial commodity import loan which will include commodities for agriculture and industry (including tourism). As in previous years, this loan will be conditioned on Tunisia's performance in specific self-help efforts. The other $4 million Development Loan is for groundwater development projects.

Other major donor assistance, totaling about $50 million in 1968, is focused on agriculture, tourism, infrastructure, education and balance of payments assistance. France is providing project assistance and over 3,500 teachers and technicians in the fields of agriculture, health and education. Canada, Germany, Italy, Spain, and the Scandinavian countries are providing both capital and technical assistance in major economic development projects, including necessary infrastructure facilities, e.g., energy, transport, hotels, dams, and water resources. In addition, the Soviet Union and Eastern European countries are providing loans and credits chiefly related to the development of mining, transportation and water resources.

Agriculture

The agriculture sector provides almost one-fifth of the value added to the Tunisian gross domestic product as well as a substantial

part of employment and almost one-third of exports.

U.S. Technical Assistance in this sector continues at about $500,000, and about $5 million of Development Loan funds will assist the agricultural sector.

The A.I.D.-financed University of Minnesota contract provides assistance to the Bureau of Economic Studies for improved agricultural planning, policies and applied economic research.

The accelerated Mexican wheat production program--supported by advisory services and commodities such as seed, fertilizer, and insecticides under the production loan--is expected to increase production of wheat by 60-70% during the next five years and to eliminate commercial imports of this commodity.

As part of Tunisia's self-help requirements under P.L. 480 Title I, the Bureau of Economic Studies in the Ministry of Agriculture has already prepared wheat pricing and production studies and is currently engaged in developing investment analysis criteria for the agricultural sector.

Management Training and Surveys

The FY 1970 Technical Assistance program provides about $360,000 for essential participant training, management education and executive development. Consultants from the University of Illinois are conducting in-service training and management seminars to promote management competence in all aspects of private enterprise. Selective training is planned for 44 participants in agriculture, industry, mining, transportation, labor, education, public administration, communications, and tourism.

Family Planning and Nutrition

The rate of national population increase has been over 2.5% annually, putting a severe burden on efforts to increase per capita food production. In the last four years, the Tunisian Government has conducted an energetic family planning campaign. Legislation has been passed to sanction broad family planning activities and to legalize abortions and the sale of contraceptives. In FY 1970, A.I.D. plans to provide $300,000 in Technical Assistance in addition to local currency contributions to support continuation of activities involving integration of family planning with maternal and child health centers, plus organization of a post-partum program.

Nutrition is given high priority in the Tunisian 1969-1972 Development Plan as a result of earlier surveys highlighting deficiencies. In FY 1969 activities related to improvement of nutrition--developing a protein wheat food product, establishing a nutrition bureau, and setting up nutritional standards--were combined in the food fortification and nutrition project. In FY 1970, A.I.D. plans limited Technical Assistance for technicians and commodities to support efforts in this area.

Tunisia

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	-	137.4	28.6	24.4	20.5	18.5	17.2	24.3	11.5	145.0	282.6	13.7	268.9
Loans	-	-	45.6	12.8	23.3	20.2	17.5	15.2	22.2	9.0	120.2	165.7	13.7	152.0
Grants	-	-	91.8	15.8	1.1	0.3	1.1	2.0	2.1	2.5	24.9	116.9	-	116.9
FOOD FOR FREEDOM - TOTAL	-	0.2	103.3	16.7	32.3	20.9	32.8	1.7	28.3	34.1	166.8	270.2	2.3	267.9
Title I - Total	-	-	11.1	4.5	8.8	3.2	11.7	-	20.5	21.5	70.2	81.4	2.3	79.1
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	-	3.4	11.6	15.0	15.0	-	15.0
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	11.1	4.5	8.8	3.2	11.7	-	17.1	9.9 c/	55.2	66.4	2.3	64.1
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(14.3)	(5.3)	(10.6)	(3.8)	(16.4)	(-)	(24.2)	(10.7)	(71.0)	(85.3)	(-)	(85.3)
Planned for Country Use	-	-	11.1	4.5	8.8	3.2	11.7	-	17.1	9.9	55.2	66.4	2.3	64.1
Economic Development Loans	-	-	2.9	4.5	8.1	2.9	11.2	-	16.4	8.6	51.7	54.5	2.2	52.3
Economic Development Grants	-	-	7.2	-	-	-	-	-	-	-	-	7.2	-	7.2
Common Defense Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cooley Loans	-	-	1.1	-	0.8	0.3	0.6	-	0.8	1.1	3.6	4.6	*	4.6
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total	-	0.2	92.2	12.2	23.5	17.7	21.1	1.7	7.8	12.6	96.6	188.8	-	188.8
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	90.3	11.5	21.5	16.2	19.2	0.7	5.8	9.3	84.2	174.5	-	174.5
VOLUNTARY RELIEF AGENCIES	-	0.2	1.9	0.7	2.0	1.5	1.9	1.0	2.0	3.3	12.4	14.3	-	14.3
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	1.7	0.5	-	2.0	-	-	-	-	2.5	4.1	2.9	1.2
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	0.3	0.6	0.9	1.2	1.6	1.2	1.1	6.9	6.9	-	6.9
PEACE CORPS	-	-	-	0.3	0.6	0.9	1.2	1.6	1.2	1.1	6.9	6.9	-	6.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC	-	0.2	242.4	46.1	57.3	44.3	52.5	20.5	53.8	46.7	321.2	563.8	18.9	544.9
Loans	-	-	51.3	17.8	32.2	25.4	29.2	15.2	42.8	30.3	192.9	243.9	18.9	225.0
Grants	-	0.2	191.2	28.3	25.2	18.9	23.4	5.3	11.0	16.4	128.5	320.0	-	320.0
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	-	-	5.5	2.3	5.7	4.0	0.9	0.3	0.7	1.7	15.6	27.0	3.0	24.0
Credit Assistance	-	-	2.8	*	-	0.5	-	-0.3	-	-	0.2	3.0	3.0	-
Grants	-	-	2.7	2.3	5.7	3.5	0.9	0.6	0.7	1.7	15.4	24.0	-	24.0
(Additional Grants from Excess Stocks)	(-)	(-)	(0.1)	(0.1)	(0.2)	(*)	(0.1)	(-)	(*)	(0.1)	(0.5)	(2.1)	(-)	(2.1)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	5.5	2.3	5.7	4.0	0.9	0.3	0.7	1.7	15.6	27.0	3.0	24.0
TOTAL ECONOMIC AND MILITARY	-	0.2	247.9	48.4	63.0	48.3	53.4	20.8	54.5	48.4	336.8	590.8	21.9	568.9
Loans	-	-	54.1	17.8	32.2	25.9	29.2	14.9	42.8	30.3	193.1	246.9	21.9	225.0
Grants	-	0.2	193.9	30.6	30.9	22.4	24.3	5.9	11.7	18.1	143.9	344.0	-	344.0

* Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program. c/ Excludes $0.3 million initial payment in dollars.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	35.8	11.5	84.6
IBRD-World Bank	12.0	10.0	34.0
Int'l Development Association	19.0	-	23.9
Int'l Finance Corporation	*	-	4.1
UNDP-Special Fund	4.0	0.1	14.6
UNDP-TA (CY)	0.6	0.5	4.0
Other UN (CY)	0.2	0.9	4.0

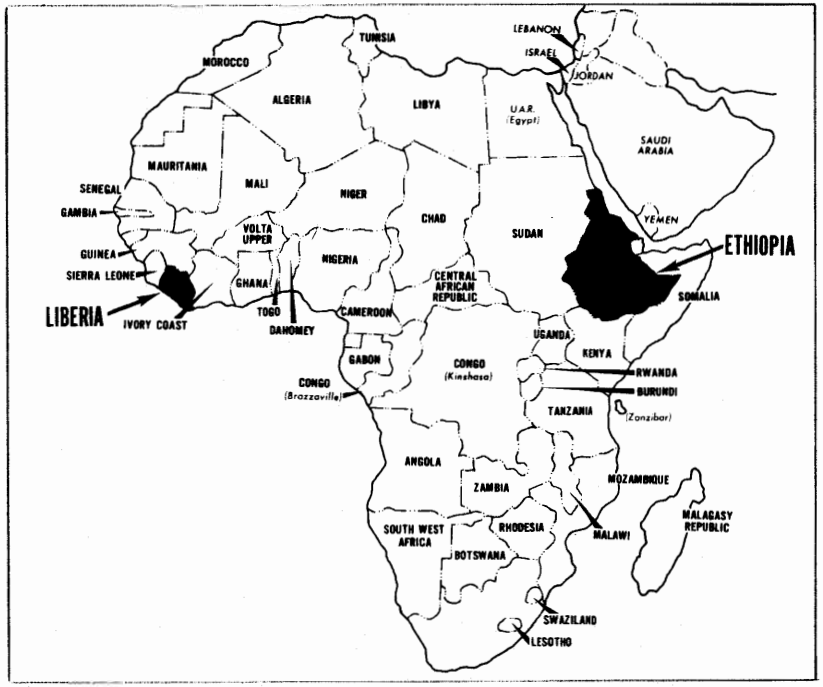
D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	30.2	58.8	225.7
France	16.5	11.1	129.4 b/
Italy	1.0	36.6	54.8
Germany	4.5	5.6	21.8
Other	8.2	5.6	19.7

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	51
Cumulative Thru 1968	105

b/ Excludes French grants in 1960, not available separately.



BASIC DATA	*ETHIOPIA*	*LIBERIA*
Population (millions - mid-1968)	23.9	1.1
Annual Growth Rate (percent)	1.8	1.7
Area (1000 square miles)	472	43
Population Density per square mile	51	26
Agricultural Land as % of Total Area	67	37
Percent of Labor Force in Agriculture	88	80
Total GNP-1967-$ Millions	1,551	240
Per Capita GNP - 1967 $	66	216
Life Expectancy (years)	35	37
People per Doctor	69,800	11,600
Literacy Rate (percent)	5	9
Students as Percent of 5-19 Age Group (Primary & Secondary)	5	18

TREND DATA FOR ETHIOPIA

AGRICULTURE (Indexes: 1957-59=100)	1965	1966	1967	1968P
Total Agricultural Production	116	117	125	128
Food Production	116	116	124	126
INTERNATIONAL TRADE ($ Millions)				
Exports (f.o.b.)	116	111	101	106
Imports (c.i.f.)	-150	-162	-143	-173
Trade Balance	-34	-51	-42	-67

Main Exports as % of Tot. Exports: 1967 - Coffee, 55%;Hides-Skins, 12%

CENTRAL GOVERNMENT FINANCES (Million Dollar Equivalents)* Fiscal Year Ending July 7	1965	1966	1967	1968
Total Expenditures	130.4	162.8	172.8	185.3
(Defense Expenditures)	(30.3)	(33.1)	(33.4)	(39.9)
(Capital Outlay)	(28.0)	(50.0)	(45.0)	(50.6)
Total Domestic Revenues	116.4	133.0	141.9	143.3
Deficit (-) or Surplus (+)	-14.0	-29.8	-30.9	-42.0

P - Preliminary. * - Converted at 2.5 Ethiopian dollars per U.S. $.

TREND DATA FOR LIBERIA

AGRICULTURE (Indexes: 1957-59=100)	1965	1966	1967	1968P
Total Agricultural Production	109	108	118	121
Food Production	104	95	98	100
INTERNATIONAL TRADE ($ Millions)				
Exports (f.o.b.)	135	150	159	n.a.
Imports (c.i.f.)	-104	-114	-126	n.a.
Trade Balance	31	36	33	n.a.

Main Exports as % of Tot. Exports: 1967 - Iron Ore, 69%; Rubber, 19%

CENTRAL GOVERNMENT FINANCES (Million Dollar Equivalents)* Calendar Years	1965	1966	1967	1968E
Total Expenditures	55.2	64.6	63.8	61.0
(Defense Expenditures)	(2.8)	(2.8)	(3.0)	(2.9)
(Capital Outlay)	(18.3)	(21.7)	(18.9)	(17.2)
Total Domestic Revenues	42.4	47.7	49.5	52.0
Deficit (-) or Surplus (+)	-12.8	-16.9	-14.3	-9.0

P - Preliminary. E - Estimate. * - Liberian dollar = U.S. dollar.

ETHIOPIA

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	5.8	1.0	13.0	6.0
Technical Assistance . . .	7.8	5.6	4.0	4.9
Supporting Assistance . . .	-	0.3	-	-
Total A.I.D. Assistance	13.6	6.9	17.0	10.9

U.S. AID OBJECTIVES

The major A.I.D. program objectives are to assist Ethiopia to mobilize its own resources and to expand the monetary economy by: (a) increasing commercial agricultural and industrial production; (b) developing manpower training and education; and (c) improving organizational and administration skills. By helping Ethiopian economic efforts, A.I.D. seeks to promote economic and political development, and thereby safeguard important U.S. strategic interest.

PROBLEMS AND PROGRESS

Preliminary estimates of 1968 GNP indicate that Ethiopia maintained its 4.5% growth rate of the last few years. Export earnings show signs of recovery after a 2-year decline due to the world market drop in coffee prices and the closure of the Suez Canal. This fluctuation in export earnings indicates the continued fragility of an economy based mainly on a single export commodity. Although foreign exchange reserves have remained adequate, the increasing debt service obligations and continuing trade deficit pose considerable problems for the future.

Ethiopia's most serious needs are to mobilize internal resources, maximize their use in development sectors, and increase the country's ability to utilize external capital. The difficulties in so doing stem from several factors:

--Limited total domestic revenues. The lack of domestic revenues is becoming a serious constraint even in meeting recurrent expenditures. The basic tax structure, as well as its administration, is inadequate to meet increasing requirements. Even more serious is the low revenue base of $66 per capita GNP.

--Lack of full commitment to a well defined economic development program. The major concern in Ethiopia is internal and external security, and the security forces have first claim on resources.

--Shortage of trained manpower. The 8.5 million-man labor force has only an estimated 200,000 persons in the professional, administrative, skilled and semi-skilled categories. Of these there are only an estimated 4,000 college graduates and 20,000 secondary school graduates.

--Inadequate organizational and administrative arrangements for mounting a major development effort.

The new Five-Year Plan emphasizes development of agriculture and infrastructure. New and far more extensive efforts are proposed to incorporate selected rural subsistence areas into the monetary economy through a concentration of resources on agricultural and related inputs. The Ethiopian FY 1969 budget also makes a greater commitment to development. Although still far too low, the budgeted amounts for the Ministry of Agriculture increased 25%, the capital budget for education by 20%, and for infrastructure by 18%. These figures may be compared with a total budget increase of 12%. However, based on past experience, both the Plan and the new budget are probably unduly optimistic about the availability of increased domestic revenues and external assistance.

FY 1970 PROGRAM

The proposed FY 1970 A.I.D. program totals $10.9 million--$4.9 million in Technical Assistance and $6 million in Development Loans. In addition, P.L. 480 assistance of $1 million is planned for Title II Food-for-Work and Voluntary Agency food programs. The A.I.D. program will continue the transition from concentration on institution-building and infrastructure construction to emphasis on revenue-producing activities. A.I.D. funds will be increasingly used to (1) expand agricultural and industrial output, (2) redirect educational training to meet manpower needs, and (3) establish more effective revenue and fiscal managment systems. We will also provide additional loan assistance to continue a malaria eradication program.

Agriculture and Industry. Approximately $3.5 million of FY 1970 Development Loan funds and one-third of the Technical Assistance will support agricultural and industrial development. Assistance in agriculture will focus on a "rural package" project which is being planned during 1969. The "rural package" is intended to mobilize technical skills and financial resources in two limited geographic areas to enable subsistence farmers to become commercial farmers.

ETHIOPIA

A.I.D. assistance in livestock improvement will focus on commercial production from Ethiopia's large cattle herds. Expanded large-scale commercial farming will be assisted through an agricultural sector loan of $2.5 million.

Pre-investment studies and investment opportunities advisory services to potential American private investors will continue. A second loan to the Ethiopia Investment Corporation (EIC) for capital investment in industrial plant and large-scale agriculture is under consideration. Prospects for commitment of all funds authorized under the first A.I.D. loan to the EIC by FY 1970 are good, as sub-loans for one-half the money have been approved and the EIC has four other projects under active consideration which are expected to use remaining funds. Timing of the new loan will be related to the success of EIC in obligating funds available from the first loan.

Manpower Training and Education. In FY 1970, $1.2 million of Technical Assistance is planned for education and training. As a result of a recent evaluation, emphasis will shift from general secondary and university education to vocational training and teacher training. Assistance for in-service vocational and management/engineering training will be continued and a new project will be undertaken to provide on-the-job industrial skills training.

Revenue and Fiscal Administration. A.I.D. projects to increase the effectiveness of economic and financial planning and revenue collection will be continued. A.I.D. will provide a revenue advisor to the Ministry of Finance, a team experienced in budgeting and auditing to the Auditor General's Office, and one or more economists to the Ministry of Planning.

Health. The widespread incidence of communicable diseases and limited health facilities available to less than 20% of the population create severe limitations on productivity. The Malaria Eradication project, the largest and most important A.I.D.-assisted health project, will receive an additional $2.5 million loan in 1970. Advisory services to the Ministry of Health for nurses training will be completed during 1970 and the need to continue assistance to the Gondar Public Health College is now being reviewed.

ETHIOPIA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	12.8	6.3	158.3	11.0	147.3
Loans	5.5	1.0	72.9	11.0	61.9
Grants	7.2	5.3	85.4	-	85.4
FOOD FOR FREEDOM - TOTAL	2.7	0.1	24.7	0.7	24.0
Title I - Total	1.9	-	6.1	0.7	5.4
PAYABLE IN U.S. DOLLARS - LOANS	1.9	-	5.6	0.7	4.9
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	0.5	-	0.5
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(0.8)	(-)	(0.8)
Planned for Country Use	-	-	0.5	-	0.5
Economic Development Loans	-	-	0.5	-	0.5
Economic Development Grants	-	-	-	-	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.8	0.1	18.6	-	18.6
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	0.4	-	15.1	-	15.1
VOLUNTARY RELIEF AGENCIES	0.4	0.1	3.5	-	3.5
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	25.3	15.8	9.5
OTHER U.S. ECONOMIC PROGRAMS	2.7	2.4	20.6	0.5	20.1
PEACE CORPS	2.7	2.4	19.7	-	19.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	0.9	0.5	0.4
TOTAL ECONOMIC	18.2	8.8	228.9	28.0	200.9
Loans	7.4	1.0	104.7	28.0	76.7
Grants	10.7	7.8	124.2	-	124.2
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	9.0	17.4	129.6	-	129.6
Credit Assistance	-	-	-	-	-
Grants	9.0	17.4	129.6	-	129.6
(Additional Grants from Excess Stocks)	(1.6)	(2.2)	(21.8)	(-)	(21.8)
OTHER MILITARY ASSISTANCE GRANTS	-	-	5.9	-	5.9
TOTAL MILITARY	9.0	17.4	135.5	-	135.5
TOTAL ECONOMIC AND MILITARY	27.2	26.2	364.4	28.0	336.4
Loans	7.4	1.0	104.7	28.0	76.7
Grants	19.7	25.2	259.7	-	259.7

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	3.7	35.5	136.9
IBRD-World Bank	-	13.5	70.2
Int'l Dev. Association	-	7.7	28.4
Int'l Finance Corp.	*	9.0	13.5
UNDP-Special Fund	2.5	4.0	12.0
UNDP-TA (CY)	0.8	1.0	7.9
Other UN (CY)	0.4	0.3	4.9

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	8.7	11.7	48.5
Italy	2.4	2.3	23.0
Germany	3.1	5.5	13.0
Sweden	2.4	3.0	10.0
Other	0.7	0.8	2.6

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative thru 1968	119

*Less than $50,000.

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

LIBERIA

PROGRAM SUMMARY (In millions of dollars	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	1.9	0.5	5.6	0.5
Technical Assistance ...	5.5	5.1	4.5	4.8
Supporting Assistance ...	-	-	0.3*	-
Total A.I.D. Assistance	7.4	5.6	10.4	5.3

*/ Represents $274,000 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

U.S. assistance to Liberia is important for the support of interests of benefit to both countries--the location in Liberia of facilities of importance to the United States, a long historical association, and economic success in a country committed to private enterprise and an "open door" investment policy. The A.I.D. program seeks to help Liberia (1) develop new programs for expanding agricultural production and for improving economic conditions in rural areas; (2) improve the quality of education and health and population services; and (3) improve public administration.

PROBLEMS AND PROGRESS

The latest estimates for 1968 indicate that the economy continued to grow at the same moderate rate as in recent years. This increase, however--like the much more rapid increase in the 1950's--was largely due to growth in extraction of iron ore and in the production of rubber for the export market on concessions financed with foreign capital. Therefore, Liberia remains a country with a comparatively favorable overall growth rate but with little spread of the benefits. Long-term development requires wider participation by the rural population in the emergence of a modern, market economy.

The domestic production of rice, the basic food staple and a major crop of the indigenous small farmers, continued to increase at a very slow rate. Plans to increase rice production have not been successfully implemented, and budgetary allocations for agriculture have remained too small. At present, one-third of the rice consumed is imported.

The level of investment and business activity presents a mixed but basically downward trend. In the past year there have been several new investments in small enterprises as well as an agreement with a U.S. firm involving a $6.9 million investment in the plywood industry. However, with the completion of major installations for iron ore extraction, an oil refinery and foreign-assisted public infrastructure projects during the past year, there has been an overall drop in the rate of new investment. This unfortunately comes at a time when the government, because of its austerity program, is unable to inject new funds into the economy. Improvements in revenue collection produced government domestic revenues estimated at $52 million in 1968, an increase of 5% over 1967. However, the improved revenue picture has not been sufficient to help appreciably with the critical debt-servicing problem which continues to absorb approximately one-third of government revenues. Even a second stretch-out undertaken with International Monetary Fund (IMF) assistance will provide only partial relief from the heavy burden on both current expenditures and new public investment

Although the country faces serious short-term difficulties, Liberia has considerable growth potential given its ample natural resources. Apart from any new mineral deposits, iron ore alone will provide the country with an assured income over the next few decades. There are also considerable forest and agricultural resources, if the problems of extracting marketable timber from mixed stands in forest areas and of modernizing traditional agriculture can be overcome. As financial problems recede over the next few years and a new generation gains the training and experience necessary to cope with remaining problems, substantial progress should be possible. However, preparations must begin now if future difficulties are to be avoided.

FY 1970 PROGRAM

The proposed A.I.D. program for FY 1970 amounts to $5.3 million, including $4.8 million of Technical Assistance and $500,000 for Development Loan funds for commodities connected with technical assistance activities. The FY 1970 program represents an effort to redirect a portion of U.S. assistance toward rural development efforts designed to benefit the rural populace and to increase domestic production.

Other donor assistance includes UN financing of a Harvard Development Advisory Service team in economic planning; the Republic of China's assistance to a rice irrigation project; and small programs of technical assistance from Sweden, Israel and Germany.

Rural Development. Liberia's predominantly rural population has not benefitted equitably from the country's growth. As a result,

there has been considerable urban migration and unemployment, while domestic food production has actually dropped below levels attained in the mid-1960's.

To address some of these problems, A.I.D., with the active cooperation of the Government of Liberia, is developing activities for a more sustained and coordinated approach to rural development. About $550,000 will be required for these activities in FY 1970.

Assistance is proposed for a major effort to improve the agricultural marketing system, especially for rice. Contingent on further study, A.I.D. is also proposing a small research activity aimed at solution of specific rice production problems. The rural education program will be revised toward (1) alleviating existing inequalities between urban and rural educational opportunities, (2) aligning the education program more closely with rural economic/social development needs and possibilities, and (3) developing rural employment opportunities for young Liberians.

Education. Liberia continues to be faced with a serious shortage of adequately trained manpower. Improvements in the school system continue to be frustrated by demands of rapidly increasing enrollment, continuing administrative difficulties, lack of textbooks, inappropriateness of curriculum and a shortage of qualified teachers. A.I.D. proposes to continue assistance (about $975,000 in FY 1970) to the Monrovia Consolidated School System and to selected activities of the Curriculum and Materials Center, Department of Education.

Health and Population. Liberia's health services, as reflected in life expectancy and infant mortality rates, are inadequate. There are less than 100 physicians in the entire country--one for every 11,600 persons--and most of these are in the urban areas. Completion of the new National Medical Center complex this year, partially financed with a previous A.I.D. loan, should make a sharp improvement in the quality of medical care. A.I.D. will continue support of the Medical Center complex by providing administrative and teaching staff for operating the hospitals and conducting paramedical training. A recently initiated demographic survey will also be continued. These activities will require about $1.3 million in Technical Assistance in FY 1970.

Other Activities. In addition, Technical Assistance funds requested for FY 1970 will support continuation of (1) a geological survey project; (2) operational and advisory personnel in public administration and fiscal management; (3) limited public safety activities; and (4) a small technical training program for personnel at Roberts International Airport.

LIBERIA

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	6.5	5.3	122.6	0.7	121.9
Loans	1.8	0.4	51.9	0.7	51.2
Grants	4.7	4.9	70.7	-	70.7
FOOD FOR FREEDOM - TOTAL	0.4	1.0	5.0	0.4	4.6
Title I - Total	-	0.8	2.3	0.4	1.9
PAYABLE IN U.S. DOLLARS - LOANS	-	0.8	2.3	0.4	1.9
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use	-	-	-	-	-
Economic Development Loans	-	-	-	-	-
Economic Development Grants	-	-	-	--	-
Common Defense Grants	-	-	-	-	-
Cooley Loans	-	-	-	-	-
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-
Title II - Total	0.4	0.2	2.7	-	2.7
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	-	-
VOLUNTARY RELIEF AGENCIES	0.4	0.2	2.7	-	2.7
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	101.9	42.2	59.7
OTHER U.S. ECONOMIC PROGRAMS	2.4	1.9	22.5	0.8	21.7
PEACE CORPS	2.4	1.9	13.9	-	13.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	8.6	0.8	7.8
TOTAL ECONOMIC	9.3	8.2	252.0	44.1	207.9
Loans	1.8	1.2	163.8	44.1	119.7
Grants	7.5	7.0	88.2	-	88.2
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) a/	1.3	1.1	7.5	0.3	7.2
Credit Assistance	-	-	1.1	0.3	0.8
Grants	1.3	1.1	6.4	-	6.4
(Additional Grants from Excess Stocks)	(*)	(*)	(0.2)	(-)	(0.2)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-
TOTAL MILITARY	1.3	1.1	7.5	0.3	7.2
TOTAL ECONOMIC AND MILITARY	10.6	9.3	259.5	44.4	215.1
Loans	1.8	1.2	164.9	44.4	120.5
Grants	8.8	8.1	94.6	-	94.6

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	0.3	0.2	12.6
IBRD-World Bank	-	-	4.2
Int'l Finance Corp.	-	-	0.2
UNDP-Special Fund	-	-	2.7
UNDP-TA (CY)	0.3	0.2	3.8
Other UN (CY)	*	*	1.7

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	26.1	5.4	125.6
Germany	25.5	4.1	119.6
Sweden	0.3	0.2	1.8
Italy	-	1.0	1.8
Other	0.3	0.1	2.3

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)..... -
1968 (Calendar Year)..... -
Cumulative thru 1968..... -

*Less than $50,000.
a/ Annual data represent deliveries; total through 1968 is the cumulative program.

OTHER AFRICA - BASIC DATA

COUNTRY	POPULATION		AREA		GNP	TRADE		HEALTH & EDUCATION	
	Total (Mid-1968)	Annual Growth Rate	Total	Agricultural Land	Per Capita (1967 Est.)	Total Exports (1967)	Main Exports	People Per Doctor	Literacy Rate
	Millions	Percent	1,000 Sq. Miles	Percent of Area	Dollars	$ Mill.	Item	Persons	Percent
Botswana	0.6	3.0	220	72	95	13	Cattle & products	24,300	20
Burundi	3.4	2.0	11	64	52	17	Coffee	56,300	10
Cameroon	5.6	2.2	184	35	142	156	Coffee, cocoa	34,000	10-15
Central African Rep.	1.5	2.4	241	10	130	29	Diamonds, coffee	40,500	15
Chad	3.5	1.5	496	40	78	27	Cotton	72,400	5-10
Dahomey	2.6	2.8	43	18	70	15	Palm products	20,100	10
Equatorial Guinea	0.3	1.8	11	12	100	36	Cocoa, coffee	5,900	n.a.
Gabon	0.5	1.0	103	1[a]	390	120	Manganese, wood, oil	6,700	12
Gambia	0.4	2.0	4	53	95	18	Peanuts	22,000	10
Guinea	3.8	3.0	95	n.a.	83	60	Alumina	25,900	5-10
Ivory Coast	4.1	2.3	125	6[a]	267	325	Coffee, wood	19,100	20
Lesotho	0.9	2.9	12	94	90	6[b]	Wool & mohair	26,100	40
Malagasy Rep.	6.5	2.4	227	63	115	104	Coffee, vanilla	9,600	35
Malawi	4.2	2.4	46	14	53	57	Tobacco, tea	49,200	5-10
Mali	4.9	2.0	464	1[a]	70	18	Livestock, cotton	49,200	1-5
Mauritius	0.8	2.6	1	65	260	64[E]	Sugar	3,900	62
Niger	3.7	3.1	489	14	90	26	Peanuts & products	56,300	1-5
Rwanda	3.4	3.1	10	71	40	14	Coffee, tin ore	145,600	10
Senegal	3.8	2.6	76	28[a]	215	139	Peanuts & products	15,200	5-10
Sierra Leone	2.5	1.5	28	82	156	70	Diamonds, iron ore	20,800	10
Somali Rep.	2.7	2.9	246	34	50	33[b]	Bananas, livestock	30,200	5
Swaziland	0.4	2.9	7	88	168	58	Sugar, iron ore	7,300	36
Togo	1.8	2.6	22	42	119	32	Phosphates, cocoa	27,100	5-10
Upper Volta	5.2	2.0	106	18[a]	50	18	Livestock	63,500	5-10
Zambia	4.1	3.0	291	46	297	658	Copper	11,600	15-20

n.a. - Not available. E - Estimate.
a - Arable only. b - 1966.

OTHER AFRICA PROGRAMS

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	20.0	8.8	0.4	-
Technical Assistance ...	16.2	10.5	4.6	2.6
Supporting Assistance ...	0.4	-	-	-
Contingency Fund.....	3.8	-	-	-
Total A.I.D. Assistance	40.3	19.3	5.1	2.6

In FY 1970, A.I.D. proposes to provide bilateral assistance to only 2 of the countries in Africa not designated as "development emphasis" countries. Funding is still required to complete projects in Somalia and Senegal.

SOMALIA. The proposed 1970 program includes $2.4 million,all in Technical Assistance, for bilateral A.I.D. activities in Somalia. A P.L. 480 Title I sale of about $1 million is also planned for FY 1970.

In agriculture, $660,000 will finance an agricultural research and farmer training project essential for agricultural development and diversification, particularly cultivation of improved food grains and citrus fruits. In education, $530,000 will finance personnel for the National College of Education, and $70,000 is for specialized academic and youth leadership training. In transportation, $290,000 is planned for supervisory engineering services to complete construction of Chisimaio port and to provide advisory assistance in the management and operation of the port and expanded port facilities. For water resources and supply, $360,000 will provide continuing management and training services for the Mogadiscio water system being constructed under an FY 1967 A.I.D. loan. In public safety, $200,000 is planned for additional training of the Somali National Police.

SENEGAL. The $225,000 of Technical Assistance proposed in FY 1970 for Senegal will finance A.I.D.'s only remaining bilateral activity, the Casamance project. This project provides training in improved farming methods -- with emphasis on rice -- to help reduce food imports and to increase farmer income. Farmers will be able to increase acreage as well as yields and obtain two crops instead of one each year through irrigation and use of fertilizers and, in the upland area, through contour farming, terracing, and improved organization and farming methods.

SPECIAL SELF-HELP FUND

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Technical Assistance ...	1.2	1.4	1.7	1.8

The Special Self-Help Fund provides limited U.S. assistance to 23 countries in Africa. This will be the only direct A.I.D. assistance (i.e., assistance not provided through multidonor or regional arrangements) in these countries in FY 1970. A.I.D. proposes to provide from $50,000 to $100,000 for each of the 23 countries for a total of $1.8 million.

The Self-Help Fund permits A.I.D. to augment local resources for small, priority projects generally undertaken by private or local organizations in the African states. A.I.D. experience to date is that local construction of small rural schools, village wells, school lunch centers and simple road improvements frequently cost more than inexperienced communities had anticipated, such as when imported items like roofing materials and well tubes are needed. In such circumstances, a small U.S. contribution may enable completion of the project and maintain the local momentum for self-help activities.

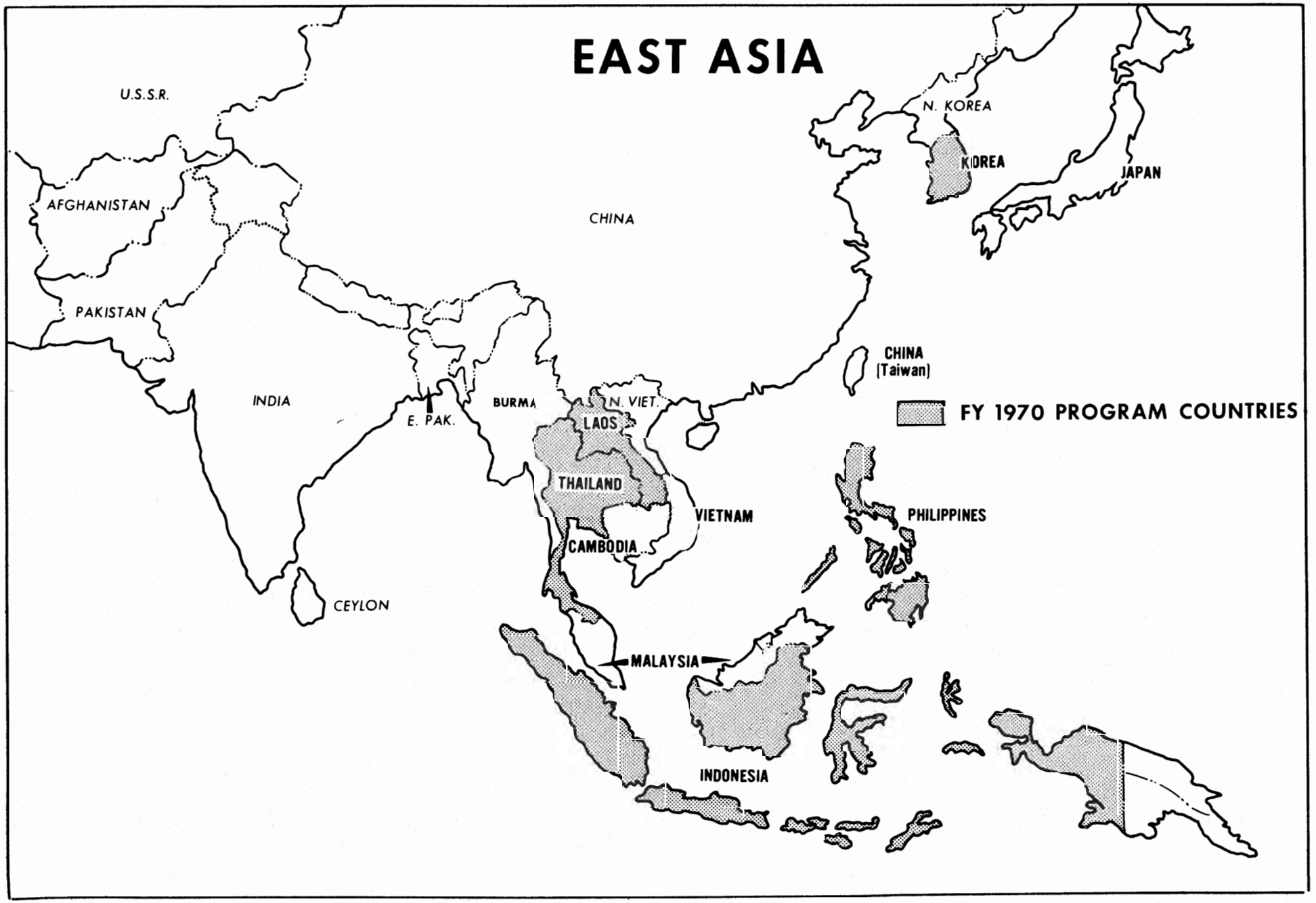
Projects undertaken with the Self-Help Fund may arise from the self-help efforts of local, indigenous organizations or through the stimulus provided by Peace Corps volunteers or private U.S. voluntary agencies. Projects approved for financing from the Fund are generally low cost (with a maximum limit of $10,000 each), short-term activities in which the local community can readily utilize the U.S. assistance.

OTHER A.I.D. PROGRAM COUNTRIES IN AFRICA

NET OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

COUNTRY	FISCAL YEAR 1968								CUMULATIVE THROUGH JUNE 30, 1968							
	U.S. OVERSEAS LOANS AND GRANTS					ASSISTANCE FROM INTERNATIONAL AGENCIES b/	OTHER FREE WORLD-OECD (EXCLUDING U.S.) c/	COMMUNIST BLOC ASSISTANCE d/	U.S. OVERSEAS LOANS AND GRANTS					ASSISTANCE FROM INTERNATIONAL AGENCIES f/	OTHER FREE WORLD-OECD (EXCLUDING U.S.) g/	COMMUNIST BLOC ASSISTANCE h/
	A.I.D.	OTHER ECONOMIC	TOTAL ECONOMIC	MILITARY a/	TOTAL ECONOMIC AND MILITARY				A.I.D. AND PREDECESSOR AGENCIES	OTHER ECONOMIC	TOTAL ECONOMIC	MILITARY e/	TOTAL ECONOMIC AND MILITARY			
TOTAL	**17.7**	**58.8**	**76.5**	**0.2**	**76.7**	**186.8**	**222.9**	**n.a.**	**257.8**	**258.9**	**516.7**	**7.1**	**523.8**	**1,322.7**	**n.a.**	**380.0**
Botswana	0.1	1.1	1.2	—	1.2	0.8	15.9	—	0.2	15.9	16.1	—	16.1	5.9	67.3	—
Burundi	*	0.1	0.1	—	0.1	2.6	7.6	—	0.8	5.9	6.7	—	6.7	32.5	51.0	—
Cameroon	0.2	0.4	0.6	*	0.6	25.7	7.1	—	23.9	5.1	29.0	0.3	29.3	140.9	n.a.	—
Central African Republic	0.1	0.1	0.2	—	0.2	5.8	5.6	—	3.8	0.8	4.6	—	4.6	44.4	n.a.	4.0
Chad	0.6	0.4	1.0	—	1.0	2.5	4.0	—	4.7	3.7	8.4	—	8.4	63.4	n.a.	—
Dahomey	0.2	0.7	0.9	—	0.9	2.9	4.5	—	6.8	4.6	11.4	0.1	11.5	47.0	n.a.	—
Gabon	0.2	0.3	0.5	—	0.5	17.1	5.4	—	3.6	3.9	7.5	—	7.5	94.3	n.a.	—
Gambia	*	0.2	0.2	—	0.2	0.1	2.8	—	0.4	0.9	1.3	—	1.3	0.6	21.3	—
Guinea	0.8	3.4	4.2	—	4.2	0.5	2.5	n.a.	43.8	29.9	73.7	0.9	74.6	14.0	n.a.	123.0
Ivory Coast	0.2	37.2	37.4	—	37.4	10.1	12.4	—	13.4	53.4	66.8	0.1	66.9	105.5	n.a.	—
Lesotho	*	1.2	1.2	—	1.2	0.2	11.5	—	0.2	3.3	3.5	—	3.5	5.5	54.1	—
Malagasy Republic	0.2	*	0.2	—	0.2	20.5	5.3	—	9.4	3.3	12.7	—	12.7	143.9	n.a.	—
Malawi	8.0	0.9	8.9	—	8.9	22.3	26.6	—	16.3	6.7	23.0	—	23.0	32.3	157.6	—
Mali, Republic of	0.2	*	0.2	—	0.2	8.2	1.1	n.a.	14.5	4.1	18.6	2.7	21.3	84.8	n.a.	101.0
Mauritius	0.1	0.8	0.9	—	0.9	1.0	5.1	—	0.1	1.3	1.4	—	1.4	11.7	29.4	—
Niger	1.0	1.1	2.1	—	2.1	1.5	2.8	—	9.9	5.3	15.2	0.1	15.3	61.5	n.a.	—
Rwanda	*	0.6	0.6	—	0.6	1.6	9.7	—	2.8	4.0	6.8	—	6.8	23.8	58.7	—
Senegal	0.2	3.4	3.6	0.2	3.8	32.1	7.1	—	9.6	22.2	31.8	2.8	34.6	143.8	n.a.	7.0
Sierra Leone	1.0	2.9	3.9	—	3.9	0.4	3.4	—	11.1	28.0	39.1	—	39.1	9.8	52.4	28.0
Somali Republic	3.3	1.8	5.1	—	5.1	11.3	5.6	—	61.0	12.3	73.3	—	73.3	58.9	111.3	94.0
Swaziland	—	0.2	0.2	—	0.2	0.3	9.8	—	—	0.3	0.3	—	0.3	12.4	78.8	—
Togo	-*	0.8	0.8	—	0.8	7.9	6.4	—	5.7	8.3	14.0	—	14.0	35.2	n.a.	—
Upper Volta	0.2	1.2	1.4	—	1.4	6.6	0.7	—	5.2	5.8	11.0	0.1	11.1	56.4	n.a.	—
Zambia	1.1	*	1.1	—	1.1	4.8	59.9	—	10.6	29.9	40.5	—	40.5	94.2	135.3	23.0

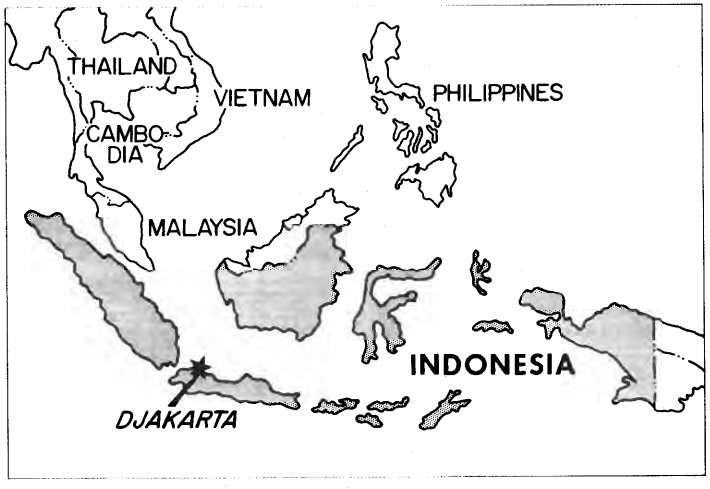
* Less than $50.000.
n.a. Not available.
a/Data represent deliveries.
b/Data include CY 1967 figures for UN programs other than the UNDP - Special Fund.
c/Data are gross bilateral expenditures in CY 1967.
d/Data are for CY 1968.
e/Data represent cumulative programs for FY 1950 - 1968.
f/Data include figures for UN programs other than the UNDP - Special Fund only through December 31, 1967, and eight years only for UNICEF.
g/Data are gross bilateral expenditures for CY 1960 - 1967. Cumulative data for French Franc Area countries not available as French aid data have not been distributed by country every year.
h/Data are cumulative through December 31, 1968.


EAST ASIA
U.S.S.R.
AFGHANISTAN
PAKISTAN
INDIA
E. PAK.
CEYLON
CHINA
BURMA
N. VIET.
LAOS
THAILAND
CAMBODIA
VIETNAM
MALAYSIA
INDONESIA
PHILIPPINES
CHINA
(Taiwan)
N. KOREA
KOREA
JAPAN
FY 1970 PROGRAM COUNTRIES

FY 1970 PROGRAM
(Thousands of Dollars)

COUNTRY	Type of Assistance			
	Total	Development Loans	Technical Assistance	Supporting Assistance
EAST ASIA				
TOTAL	**$233,885**	**$90,000**	**$54,625**	**$89,260**
Indonesia	66,500	60,000	6,500	--
Korea	49,800	30,000	4,800	15,000
Loas.	48,160	--	11,900	36,260
Philippines	6,675	--	6,675	--
Thailand.	45,000	--	10,000	35,000
Regional Programs . . .	17,750	--	14,750	3,000

INDONESIA - GENERAL ECONOMIC DATA



BASIC DATA

Population (millions; mid-1968)	112.8*	Life Expectancy (years)	44
Annual Growth Rate (percent)	2.5	People per Doctor	34,920
Area (1,000 square miles)	576	Literacy Rate (percent)	43
Agricultural Land as % of Area	12	Students as Percent of 5-19 Age Group (Primary & Secondary)	35
GNP Per Capita (1967; dollars)	87		

PRODUCTION TRENDS	1964	1965	1966	1967	1968 Est.
Agricultural Prod. Index (1957/59=100)	108	108	115	116	124
Index per Capita	94	92	96	94	98
Rice, rough (1,000 MT)	12,950	13,600	14,060	14,340	15,630
Petroleum (1,000 MT)	22,920	24,000	23,240	25,310	27,500
INTERNATIONAL TRADE ($ millions)**					
Total Exports (f.o.b.)	631	633	714	771	868
Petroleum and products	(206)	(210)	(195)	(244)	(299)
Total Imports (f.o.b.)	-589	-609	-596	-806	-830
Trade Balance	42	24	118	-35	38
GOLD & FOREIGN EXCHANGE ($ millions)†					
Official Reserves	n.a.	21	23	6	22
Commercial Bank Holdings	n.a.	13	63	41	41
COST OF LIVING INDEX (1963=100)††	205	830	9,502	25,612	57,710

* - Excluding West Irian. ** - Exchange record data. † - Gross basis; end of year.

†† - Djakarta.

INDONESIA

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	-	20.0	50.0	60.0
Technical Assistance	-	3.3	5.1	6.5
Supporting Assistance	13.0	-	1.5a/	-
Contingency Fund	18.1	12.5	-	-
Total A.I.D. Assistance	31.1	35.8	56.6	66.5

a/ Represents grants for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The objectives of U.S. assistance to Indonesia are to help stabilize Indonesia's economy, assist its recovery from the severe economic dislocations inherited from the Sukarno regime, and support Indonesia's sensible development of its own resources. Through the ten-nation Inter-Governmental Group on Indonesia (IGGI) the United States is assisting in a coordinated burden-sharing effort to bring about these goals. Because Indonesia is now making sufficient headway towards stabilization, the country can turn increasingly during the coming year to economic rehabilitation and development.

PROBLEMS AND PROGRESS

Indonesia, under President Suharto, has made substantial economic progress since the abortive Communist coup in 1965. While continuing on the path of political non-alignment with major powers, Indonesia has turned away from international adventurism and towards domestic problem solving. The country has also drawn closer to its neighbors.

Fifteen years of Sukarno rule made a shambles of Indonesia's monetized economy. The main objectives of Indonesia's two-year-old stabilization program have been to bring down the rate of inflation (which was 639% in CY 1966) and to reestablish sensible pricing of goods and services. The main tools employed for these purposes by the Indonesian Government--which was advised by the International Monetary Fund (IMF)--were fiscal and credit restraints, abandonment of the direct economic controls of the Sukarno era, rescheduling of existing foreign debts, and stabilization aid from abroad.

These actions are now showing significant results. The annual rate of inflation was cut to 113% in 1967. The 1968 rate was 85%, but more than half of the rise occurred in the first two months of 1968 because of 1967 rice shortages. With the help of sensible pricing policies, a bumper rice crop, and large-scale food imports from abroad, the Government has been able to hold price increases to about 2% a month since March 1968. This success has held firm through the early 1969 rice scarcity season. Consequently, the Government has a strong base of political and economic confidence on which to press forward with reconstruction programs.

The Indonesian Government has removed itself from direct foreign exchange control and allowed the market to set a realistic exchange rate. Commercial trade has been revitalized, and private firms are now able to obtain much-needed spare parts, replacement equipment and raw materials. Numbers of export and domestic production incentives have been provided through new foreign exchange regulations and import duties. Thus 1968 exports are estimated at $868 million, or about 13% above the 1967 level.

The Suharto Government, unlike its predecessor, eagerly seeks foreign and domestic private investment. Such investment has been encouraged by new laws giving many tax and other incentives to new foreign and domestic investors, by return of almost all nationalized properties to their former private owners, and by the 1967 enactment of liberalized banking laws which have led to the establishment of U.S. and other foreign banking operations.

The Indonesian Government has welcomed a number of American businessmen--representatives of the International Executive Service Corps (IESC)--who are helping to increase the productivity of selected private industries in addition to advising the government on how to transfer ownership of certain industries from the public sector to private hands. A.I.D. plays a catalytic role, not only in assisting IESC, but through investment guaranties to potential U.S. investors in Indonesia.

Along with aid from other donors, U.S. economic assistance--primarily stabilization loans and P.L. 480 to date--has encouraged Indonesia to pursue these rational and constructive policies. In particular, this assistance has given the Indonesian Government courage to undertake such necessary but unpopular economic self-help measures as increased taxes and price policies which provide incentives for production. To continue its efforts and assure that the rapid inflation of previous years is not repeated, Indonesia requires substantial external aid.

At the same time, the Government must complement its stabilization measures with some visible signs of development. Substantial working capital is required if domestic production is to be revived, especially in industry and on rubber and coconut palm estates, but resources have not been available in sufficient quantity.

INDONESIA

The development of agriculture, transportation and new industries remain major problems for Indonesia's planners and managers.

FY 1970 PROGRAM

The proposed FY 1970 A.I.D. program includes $60 million for Development Loans and $6.5 million for Technical Assistance. In addition, depending upon Indonesian grain production and U.S. rice and wheat availabilities, a P.L. 480 sales program of about $135 million composed of cotton, rice and wheat products is now contemplated. P.L. 480 grants for Food-for-Work and voluntary agency programs, school lunch programs, and maternal child welfare programs will amount to around $25 million.

The Multilateral Framework

Aid to Indonesia from the United States and ten other nations is being coordinated through the IGGI chaired by the Dutch. Both the IMF and the IBRD play key roles in advising the donor nations on Indonesia's policies and assistance needs and have established sizeable resident missions in Djakarta.

The IMF assists the Indonesian government on general stabilization policy and provides much-needed technical assistance in budget, finance, tax policy and administration, and related fields. The IMF backed up the stabilization programs last year with a $52 million standby arrangement, which was renewed for $70 million in April 1969.

The IBRD Mission is helping the government develop capital projects and overall economic policy while helping coordinate assistance from the many nations, international organizations and private groups offering support to Indonesia. The IBRD--through the International Development Association (IDA)--is expected to make available about $20 million in loans in FY 1969, with substantially more envisaged for FY 1970.

Following recommendations from the IMF and IBRD, the IGGI nations contributed over $200 million to Indonesia in calendar year 1967 and about $300 million in calendar year 1968. Of this latter amount, the United States provided $110 million--$25 million in A.I.D. loans (from FY 1968 funds) and $85 million in P.L. 480 commodities ($22 million in FY 1968 and $63 million in FY 1969). In addition, the United States offered $50 million of P.L. 480 wheat to help meet Indonesian emergency food needs.

The Indonesian Government has requested, with IMF/IBRD endorsement, $500 million in aid from the IGGI for CY 1969. The IBRD has estimated that substantially more capital projects will be ready for financing in CY 1969, thus accounting for the increase in requirements over last year. In April 1969, the U.S. delegation to the IGGI pledged, subject to appropriations, to contribute one-third of the $365 million non-food aid requirements and a "fair share" of the $135 million estimate of food aid needs. We negotiated, as part of this pledge, a $44 million stabilization and food production loan, $31 million in non-food P.L. 480 aid (cotton and tobacco) and $48 million in P.L. 480 rice. Other nations had by April announced non-food aid commitments totaling $200 million.

Part of the $60 million requested for FY 1970 Development Loan funds will be used to fulfill our contribution for Indonesia's CY 1969 program, while the remainder will be used as part of anticipated U.S. aid to Indonesia in CY 1970.

While in FY 1967 and FY 1968 A.I.D. loans and most aid from other donors took the form of stabilization assistance for general balance-of-payments support, emphasis will shift in FY 1969 and 1970 to rehabilitation and development of priority areas identified by the Indonesian Government and the IBRD. During FY 1969, about $6 million of A.I.D. loan funds will be used for project assistance and $44 million for a stabilization and food production loan to provide fertilizer, essential equipment, spare parts and raw materials. In FY 1970, however, A.I.D. expects to use $50 million in Development Loans for capital projects and only $10 million for a food production loan.

Agriculture

Indonesia's top priority in its new 5-year plan is increased food production leading to self-sufficiency by 1973. Use of fertilizer, pesticides, and new rice varieties is expanding, but supply and distribution of these inputs at a reasonable price is still a major unsolved problem, as is the development of a competent extension service to teach the new techniques. Inadequate transportation and distribution systems cause food gluts and depressed prices in some areas, while other regions suffer from shortages. Elimination of internal restrictions on rice movement is a major government aim in the coming year. The rural credit system is still inadequate, but a recent Asian Development Bank study has recommended specific improvements.

Solution of these problems poses considerable administrative and organizational challenges as well as substantial additional capital investment. Self-help measures for agriculture were worked out with Indonesia's economic leadership and incorporated

in recent P.L. 480 agreements. Future P.L. 480 agreements will continue to help strengthen sound agricultural policies.

Irrigation and drainage systems are in need of major repair. Indonesia's new five-year plan places major emphasis on rehabilitation of existing systems and will be supported by IDA loans as well as by the A.I.D. Food-for-Work program which, provides P.L. 480 Title II commodities to civilian workers on these projects. In addition, $300,000 of FY 1969 loan funds will be spent on repair of American-made river dredgers used for irrigation and flood control purposes.

The Bimbingan Massal or Mass Guidance (BIMAS) extension program continues to be a bright spot in agriculture. BIMAS enlists agricultural student volunteers to augment the extension service in advising farmers and making available improved seeds, fertilizers and pesticides. A.I.D. Technical Assistance of $550,000 in FY 1970 (up from $245,000 in FY 1969) finances a group of highly qualified U.S. advisors to work with the Indonesian Ministry of Agriculture and the National Extension Service and provides for U.S. and third-country training for 65 Indonesian participants.

A related project, designed to increase the quality of graduate-level agricultural education, will use $785,000 in Technical Assistance in FY 1970 (compared to $690,000 in FY 1969) for a contract with a consortium of midwestern American universities.

In FY 1969 A.I.D. is providing $10 million in Development Loans for fertilizer. Another $10 million in Development Loans will be needed for fertilizer and pesticide imports in FY 1970. A.I.D. also plans to provide financing, through a project loan, for a portion of a multinational-funded project to expand Indonesia's urea production capacity. Other financing for this project will come from the IBRD, Japan, and the Asian Development Bank.

Family Planning

In FY 1970 A.I.D. will continue to concentrate on developing and strengthening Indonesia's national family planning program. For its economic gains to have real impact, Indonesia will have to take effective measures to reduce its population growth rate, which is now probably about 2.5% a year. While the family planning program is a combined government and private effort, the Indonesian Government is taking increasing responsibility as the program progresses from the pilot demonstration stage to a major national effort.

President Suharto signed the Declaration of World Leaders on Population, endorsing family planning efforts, in December 1967. In September, 1968, he directed that a national Family Planning Institute be created to coordinate and supervise all Indonesian activities in this field.

The Indonesian Planned Parenthood Association (IPPA) long-range target is to reduce the birth rate from 45 per 1,000 in 1968 to 30 per 1,000 in 1979, and to make family planning services available by 1974 to all of Java's female population in the 15-44 year age group. A voluntary organization of part-time medical and social workers, IPPA has trained staffs of 70 health service clinics in the major cities of Java and Bali participating in its program, and has provided contraceptives financed by the Population Council, the International Planned Parenthood Federation, and the Pathfinder Fund. In both FY 1969 and FY 1970, $1.5 million will be used to provide commodities and training for the strengthened family planning program.

Industry and Natural Resource Development

Indonesia's human and other national resources, including vast mineral and petroleum deposits, provide the basis for considerable private and public development. As indicated above, Indonesia is eagerly seeking foreign private investors. A.I.D.'s investment guaranty program continues to encourage American investors, and to date about 85 preliminary guaranty applications have been made. These cover a wide variety of industrial interests, particularly in the extractive industries. Smaller private U.S. ventures are being planned in such labor-intensive industries as electronics assembly and pharmaceutical manufacture, while other U.S. investors are interested in lumber production and land development. Four major U.S. commercial banks have recently opened branches in Djakarta.

A.I.D. will begin in FY 1970 a geological survey project costing $250,000 in Technical Assistance, under which a team from the U.S. Geological Survey will help train Indonesian geologists to chart mineral resources throughout the country, an important prerequisite to effective development of Indonesia's natural resources by domestic and foreign investors alike.

In FY 1970, A.I.D. is planning Development Loans to two industrial projects recommended by the IBRD for IGGI member financing. In addition to the fertilizer plant project, A.I.D. is considering a $10 million loan for electric power rehabilitation in Central Java.

According to the IBRD, rehabilitation of generating capacity resulting from this proposed project is urgently needed; the lack of adequate capacity has been a major factor in the poor growth of this region in recent years. A feasibility study will be conducted for this project.

Transportation

Indonesia's transportation system -- roads, railways, airlines, shipping, ports and harbors -- are all in substantial need of repair. The poor shape of Indonesian transportation is a serious bottleneck to progress in all sectors of the economy, and a number of donor nations are, or will soon be, involved in assistance in this field.

The IBRD, with U.N. Development Program financing, has begun a major survey of highway transportation, from which will flow recommendations for assistance from the IGGI nations. The IBRD has also recommended financing of a variety of equipment needed to rehabilitate and develop Indonesian railways. Subject to findings of a feasibility survey, A.I.D. is considering a $10 million Development Loan in FY 1970 for highway reconstruction, and another $5 million loan for railway rolling stock.

We, and the Indonesian Government, are considering the use in FY 1969 of $1.3 million of loan funds to finance structural steel and other materials needed to repair or replace 131 bridges, as well as to establish and equip three highway workshops for use in road repair and rehabilitation. This activity will also require, in FY 1970, $115,000 in Technical Assistance for master mechanics to organize the workshops, and for U.S. training for five Indonesian participants.

Through provision of P.L. 480 commodities to civilians in Food-for-Work projects, A.I.D. is assisting (as is the U.S. Military Assistance Program) the Indonesian military's extensive efforts to upgrade primary and secondary roads.

Education and Training

The Indonesian government has just begun to determine its educational priorities and projects. The Ministry of Education has approached the Ford Foundation for help in overall assessment of needs and priorities. Pending such a determination, A.I.D. will continue bilaterally its highly diversified participant training program, which currently sends over 300 participants annually to the United States and third countries.

Emphasis is increasingly on advanced degree training in the physical and social sciences, including school administration, general public administration, economics, and health. The FY 1969 general participant training program will require $2 million in Technical Assistance, while $1.5 million is proposed for FY 1970.

Implementation of the educational materials development project ($385,000 in Technical Assistance in FY 1969 and $265,000 in FY 1970) will increase the availability of domestically produced and imported books, through assistance in textbook writing and translations as well as provision of basic libraries to key universities. Other proposed A.I.D. education activities in FY 1970 include a civic action training program ($240,000 in Technical Assistance in FY 1969 and $270,000 in FY 1970) designed to train military officers in civilian administrative functions.

Indonesia

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	107.5 a/	114.3	21.6	35.3	7.4	-6.3	-1.6	31.1	35.2	122.7	344.3	24.7	319.6
Loans	-	17.2	23.8	2.7	16.9	-	-2.4	-	30.0	32.4	79.6	120.5	24.7	95.8
Grants	-	90.3	90.5	18.9	18.4	7.4	-3.9	-1.6	1.1	2.8	43.1	223.9	-	223.9
FOOD FOR FREEDOM - TOTAL	-	-	100.3	2.1	5.3	4.5	3.0	21.3	27.9	60.5	124.6	224.7	3.8	220.9
Title I - Total	-	-	93.6	0.7	1.3	0.4	-	18.6	26.4	57.6	105.0	198.6	3.9	194.7
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	18.6	26.4	57.6	102.6	102.6	0.2	102.4
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	93.6	0.7	1.3	0.4	-	-	-	-	2.4	96.0	3.7	92.3
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(170.6)	(44.4)	(57.3)	(19.6)	(-)	(-)	(-)	(-)	(121.3)	(291.9)	(-)	(291.9)
Planned for Country Use	-	-	93.6	0.7	1.3	0.4	-	-	-	-	2.4	96.0	3.7	92.3
Economic Development Loans	-	-	46.4	0.7	1.3	0.4	-	-	-	-	2.4	48.8	2.3	46.5
Economic Development Grants	-	-	14.5	-	-	-	-	-	-	-	-	14.5	-	14.5
Common Defense Grants	-	-	30.5	-	-	-	-	-	-	-	-	30.5	-	30.5
Cooley Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	2.2	-	-	-	-	-	-	-	-	2.2	1.4	0.8
Title II - Total	-	-	6.7	1.4	4.0	4.1	3.0	2.7	1.5	2.9	19.6	26.1	-	26.1
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	-	0.5	0.6	1.4	-	0.2	1.2	3.8	3.8	-	3.8
VOLUNTARY RELIEF AGENCIES	-	-	6.7	1.4	3.5	3.5	1.6	2.7	1.3	1.7	15.7	22.3	-	22.3
EXPORT-IMPORT BANK LONG-TERM LOANS	-	99.9	61.4	0.8	-	-	-	-	-	7.7 c/	8.5	169.7 c/	127.2	42.5
OTHER U.S. ECONOMIC PROGRAMS	67.7	-	-	-	0.2	0.2	0.2	-	-	-	0.7	68.4	49.7	18.7
PEACE CORPS	-	-	-	-	0.2	0.2	0.2	-	-	-	0.7	0.7	-	0.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	67.7	-	-	-	-	-	-	-	-	-	-	67.7	49.7	18.0
TOTAL ECONOMIC	67.7	207.4	276.0	24.5	40.8	12.1	-3.1	19.7	59.0	103.4	256.4	807.1	205.4	601.7
Loans	63.6	117.1	133.8	4.2	18.2	0.4	-2.4	18.6	56.4	97.7	193.1	507.4	205.4	302.0
Grants	4.1	90.3	142.1	20.3	22.6	11.7	-0.7	1.1	2.6	5.7	63.3	299.8	-	299.8
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	3.9	24.7	16.3	8.4	7.1	2.1	0.7	0.6	3.1	38.3	71.1	-	71.1
Credit Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	3.9	24.7	16.3	8.4	7.1	2.1	0.7	0.6	3.1	38.3	71.1	-	71.1
(Additional Grants from Excess Stocks)	(-)	(-)	(2.5)	(0.3)	(3.2)	(*)	(-)	(-)	(*)	(0.1)	(3.6)	(6.2)	(-)	(6.2)
OTHER MILITARY ASSISTANCE GRANTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	3.9	24.7	16.3	8.4	7.1	2.1	0.7	0.6	3.1	38.3	71.1	-	71.1
TOTAL ECONOMIC AND MILITARY	67.7	211.3	300.7	40.8	49.2	19.2	-1.0	20.4	59.6	106.5	294.7	878.2	205.4	672.8
Loans	63.6	117.1	133.8	4.2	18.2	0.4	-2.4	18.6	56.4	97.7	193.1	507.4	205.4	302.0
Grants	4.1	74.2	166.8	36.6	31.0	18.8	1.4	1.8	3.2	8.8	101.6	370.9	-	370.9

* Less than $50,000. a/ Includes $101.4 million in aid channeled through the Netherlands. c/ Excludes refunding of $22.9 million in FY 1968.
b/ Annual data represent deliveries; total through 1968 is the cumulative program.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	-	4.1	26.2
UNDP-Special Fund	-	1.2	2.3
UNDP-TA (CY)	-	0.3	12.4
Other UN (CY)	-	2.6	11.5

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	62.5	218.2	553.8
Japan	50.6	112.9	285.1
Netherlands	-	18.7	103.5
Germany	6.9	48.0	102.5
France	-	22.7	22.7
Other	5.1	15.8	40.1

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative Thru 1968	740

KOREA - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1968)*	30.5
Annual Growth Rate *(percent)*	2.4
Area *(1000 square miles)*	38
Population Density per square mile	800
Agricultural Land as % of Total Area	24
Percent of Labor Force in Agriculture	54
Life Expectancy *(years)*	58
People per Doctor	2,430
Literacy Rate *(percent)*	71
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	63

	Calendar Years				
	1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)**	3,476	3,734	4,234	4,612	5,210
Per Capita GNP *(1967 dollars)*	126	132	146	155	171
Investment – *millions of 1967 $*	459	499	855	1,008	1,300
– *percent of GNP* †	15	15	22	22	24
Domestic Savings – *millions of 1967 $*	238	305	532	591	660
– *percent of Investment* †	51	56	61	59	55
Agricultural Production Index *(1957-59 = 100)*	138	137	150	139	142
Index per Capita	116	113	120	109	109
Rice, rough (1,000 MT)	5,380	4,770	5,340	4,910	4,360
Industrial Production (1963=100)	108	127	149	184	236
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	119	175	250	320	460
Veneer and Plywood	(11)	(18)	(30)	(36)	(60)
Total Imports *(c.i.f.)*	-404	-463	-716	-996	-1,460
Trade Balance	-285	-288	-466	-676	-1,000
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	136	146	245	356	409
COST OF LIVING INDEX *(1963 = 100)* (Seoul)	129	146	164	181	202

CENTRAL GOVERNMENT FINANCES* (FY Ending December 31)	– *Million Dollar Equivalents* – 1966	1967	1968(Est.)
Total Expenditures	629	797	1,041
(Defense Expenditures)	(150)	(184)	(240)
(Capital Outlays)	(263)	(301)	(373)
Total Domestic Revenues	420	600	799
As percent of GNP †	11.0	13.0	13.7
Deficit (–) or Surplus (+)	-209	-197	-242

* - Converted at 270 won per U.S. $.

†Based on data in current prices. ††Gross basis, end of year.

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KOREA

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	60.7	32.0	20.0	30.0
Technical Assistance . . .	9.0	6.7	4.1	4.8
Supporting Assistance . . .	45.0	36.5	21.7	15.0
Total A.I.D. Assistance	114.7	75.2	45.8	49.8

U.S. AID OBJECTIVES

The A.I.D. program supports the basic U.S. objective of helping Korea to remain a stable, democratically-oriented and increasingly self-reliant nation capable of resisting North Korean subversion and aggression.

Specific A.I.D. objectives are to help Korea maintain its significant economic growth by assisting in efforts to achieve: (1) monetary stabilization, (2) industrialization, (3) sufficiency in food production, and (4) improved planning and organization of social and governmental institutions. The United States also helps Korea to maintain a military force which is serving our mutual security interests in both Northeast and Southeast Asia.

PROBLEMS AND PROGRESS

As recently as the early 1960's, South Korea was generally characterized as an impoverished nation, fraught with discontent and political chaos. It now enjoys relative political stability and is making dramatic economic progress.

The economy, shattered by war and runaway inflation in the 1950's, is now experiencing sound and extraordinarily rapid growth. Inflation has been controlled. Moreover, the Koreans are playing a significant role in the common defense of Southeast Asia, with about 50,000 Korean troops fighting in Vietnam.

Overall growth (GNP) averaged 11% a year in real terms over four years between 1964 and 1968, and estimates for 1968 show a strong increase of 13% in real GNP in spite of serious drought damage to the rice crop for the second straight year. Per capita real GNP has risen an average of 8% a year since 1964, reaching an estimated $171 in 1968.

Exports jumped from $119 million in 1964 to an estimated $460 million in 1968, an average yearly increase of 40%. Domestic savings have gone from $238 million in 1964 to an estimated $660 million in 1968, an average annual increase of 29% over the four year period. Domestic government revenue as a percent of the GNP has almost doubled from 7% in 1964 to 13.7% in 1968.

The second Five-Year Plan that began in 1967 has an overall investment goal of about $3.5 billion, two-thirds of which is expected to be private investment, with government investment making up the balance. Korea is making rapid progress under the plan. It is expected that additional foreign investment will be required until the late 1970's when domestic savings and export earnings should cover most investment needs. Concessional foreign loans, however, may be ended by the mid-1970's.

A.I.D. has played a significant role in Korea's progress in the mid and late 1960's by (a) participating in the formulation of development plans; (b) providing Development Loans for government infrastructure projects (power, transportation, etc.), intermediate financial institutions (Medium Industry Bank, Korean Development Finance Corporation) and private concerns (cement, chemicals); (c) helping Korea to reach agreed economic stabilization goals through financing needed imports; (d) helping to relieve heavy budgetary pressures, especially military, through allocation of U.S.-owned or controlled local currency for military budget support; and (e) providing technical assistance to Korean government agencies such as those dealing with agriculture, education and revenue collection.

The Korean Government has incorporated in its planning the phasing out of Supporting Assistance and Development Loans in the early 1970's. Technical Assistance and P.L. 480 loans will continue to be needed beyond that date.

FY 1970 PROGRAM

The proposed FY 1970 A.I.D. program consists of $30 million for Development Loans, $4.8 million for Technical Assistance and $15 million for Supporting Assistance grants.

As Korean efforts are increasingly successful, A.I.D.'s program is diminishing. The FY 1970 request is approximately 40% of the FY 1967 program. This reflects a continuation of reductions in A.I.D. requirements as Korea's economic progress increases its ability to finance a growing share of its development requirements from its own resources and from foreign loans on less concessional terms.

The proposed $49.8 million FY 1970 program is well below the $75.2 million FY 1968 program, but more than the $45.8 million FY 1969 program. The precipitous decline between FY 1968 and FY 1969 was

not due to the absence of valid additional concessional aid requirements, but rather was necessary because of the substantial FY 1969 cutbacks made necessary by the severe reduction in A.I.D.'s worldwide Development Loan funds.

This reduction in Development Loan availabilities in FY 1968 and FY 1969 required too steep a cut in A.I.D. lending in Korea (from $60.7 million in FY 1967 to $32 million in FY 1968 and $20 million in FY 1969). An increase to the $30 million proposed for FY 1970 will help make it possible for Korea to implement valid investment proposals not able to be financed in the international market, and hence to maintain a rapid rate of growth.

P.L. 480 local currency sales will amount to approximately $53 million in FY 1970. As Korea's ability to meet budgetary requirements from its own revenues grows, and if domestic grain production increases, P.L. 480 sales for local currency will also be reduced. The Korean Government is also continuing to assume more and more responsibility for the large Food-for-Work and Child Feeding programs currently implemented with P.L. 480 commodities. P.L. 480 donations for these programs are diminishing from $24.7 million in FY 1969 to $16 million planned for FY 1970.

A.I.D. efforts are coordinated with those of other donors through an IBRD-led Consultative Group. Participation includes West Germany, Italy, Japan, the United Kingdom, the International Monetary Fund (IMF) the U.N. Development Program and the United States. This group has endorsed Korea's Second Five-Year Plan, and it monitors and reviews developments in periodic meetings. Increasingly, other countries are providing a greater share of Korea's external capital needs.

The total of medium and long-term foreign loans and investments in Korea as of April 1968 was over $1.2 billion, of which 25% was provided by A.I.D. Japan continues to meet its commitments to Korea under the 1965 Japan-Korea Settlement Agreement. Japanese loan disbursements under this agreement during the first six months of 1968 amounted to approximately $76 million in private, government guaranteed loans. About $30 million in grants were made by the Japanese Government during 1968. The Asian Development Bank has approved two loans for highways and cold storage facilities totaling $13.8 million, and has under review two more loan projects amounting to $17.5 million. Loans to Korea are also under current consideration by the World Bank, the International Finance Corporation and the International Development Agency.

Korea continues to carry a large military burden which it cannot finance alone. This military force is still needed not only in Vietnam but also to maintain internal and external security against increased North Korean threats. In 1970 about two-thirds of the local currency generated from the Supporting Assistance and P.L. 480 imports for Korean budget support is planned for military expenditures. The balance will be allocated to economic development.

As domestic revenues grow, Korea has been financing an increasing portion of her defense budget. For instance, self-financed defense expenditures have grown from 39.8% of total defense expenditures in 1964 to an estimated 63.7% in 1968. Korea is expected to finance her total military budget requirements in the early 1970's.

The decrease to $15 million in Supporting Assistance in FY 1970 from $21.7 million in FY 1969 continues the steady downward trend from the peak years -- $181 million in FY 1961 and $92.4 million in FY 1962.

Monetary Stabilization

Korea's excellent record of improved revenue collection and allocation of resources, together with monetary stability must be continued to facilitate the steady increases in domestic revenues and total savings required to finance development.

In FY 1970, A.I.D. in concert with the International Monetary Fund (IMF) will continue to encourage sound Korean decisions on key economic policies. As did its predecessors, the $10 million commodity import loan for FY 1970 will be an effective instrument in implementing such policies.

In March 1969, A.I.D. completed negotiations with the Government of Korea on a stabilization agreement (including Supporting Assistance, P.L. 480 sales and a commodity import loan) for the first half of 1969 which is consonant with targets in the current IMF Standby Agreement covering the last half of this year. Combined, these two agreements require Korea to maintain total money supply within agreed limits, liberalize its domestic capital market, and place limitations on external trade and credit arrangements.

Releases of P.L. 480 commodities ($82 million in wheat, cotton, tallow, lard and corn), Supporting Assistance ($20 million for commodity imports from the U.S.), and the first half of the commodity import loan ($5 million in U.S. exports to Korea) were made contingent upon Korea's satisfactory negotiation of the IMF Standby Agreement and other self-help measures. The release of the second half of the loan ($5 million) depends upon Korea's attainment by June 30, 1969 of agreed targets in the A.I.D./IMF stabilization program.

KOREA

Along with the fiscal, monetary and external trade policies agreed to with A.I.D. and the IMF, Korea is undertaking additional self-help measures including the following policy improvements in agriculture and family planning during 1969:

-- increasing chemical fertilizer availability by 15% over the 1968 level;

-- arranging distribution of 500,000 metric tons of limestone to farmers;

-- using the P.L. 480 grain sales proceeds to expand agricultural credit and development;

-- reviewing grain pricing policies in an effort to provide greater incentives to farmers;

-- improving agricultural research, dissemination of new seeds, and land and water use policies; and

-- increasing the Government's family planning budget to approximately double the 1968 level to help meet goals agreed to with A.I.D.

In FY 1970, $444,000 in Technical Assistance will also be needed to assist the Koreans in economic planning, banking administration and the promotion of private investment. A.I.D. economists will assist the Korean Government in the formulation of the Third Five-Year Plan, tentatively scheduled to be drawn up by June 1970.

Industry

To maintain Korea's burgeoning industrial growth (estimated at 28% during 1968), considerable foreign capital is required. While Korean capital requirements are being met increasingly from other international financial sources (IBRD, Export-Import Bank, and other governments' commercial credits) and less from A.I.D., this is straining Korea's debt servicing capacity.

Korea needs greater financial strength before the country can carry only credits on the harder terms offered by most international lending institutions. A.I.D. and the IBRD, through the Consultative Group, have taken the lead in encouraging other countries to provide a mix of conventional and concessional terms for Korea's capital needs during the life of the Second Five-Year Plan. Of the Development Loan funds requested for FY 1970, $10 million will support Korean industrial development in such areas as electric power distribution and transmission.

The rapid growth in Korea's industry to date has been achieved mainly through the expanded production of small and medium industries. A.I.D. provides technical advisors and training in such areas as industrial development, extension, testing, standards and quality control, planning and marketing. A joint U.S. Bureau of Reclamation and Geological Survey team expects to complete in FY 1970 a land resources appendix and several technical appendices to the final report for the development of the Han River Basin. For these activities, A.I.D. proposes $561,000 in Technical Assistance for FY 1970.

A.I.D. will continue to provide general management and technical guidance to the Korea Institute of Science and Technology, which performs industrial research, conducts pilot plant tests and develops technology for Korea's export and domestic industries. Final A.I.D. funding of this project was provided through a $2 million Development Loan in FY 1968.

Agriculture

Korea's agricultural output has increased at the rate of about 5% a year in all agricultural production since 1960.

The original Korean goal of self-sufficiency in foodgrain production by 1971 now appears impossible to reach, primarily because of increased per capita consumption as family incomes rise. However by the mid-1970's, total agricultural self-sufficiency may be attained through rapidly expanded exports of cash crops and fishery products.

During FY 1970, A.I.D. proposes $813,000 in Technical Assistance for training and U.S. advisory services in Korea's agricultural sector and a $10 million Development Loan to help Korean agriculture continue its 5% annual growth rate.

A.I.D. advisors at both the national and provincial levels place primary emphasis on:

-- closing the food gap by increasing both total production and unit yields through expanded irrigation, land rearrangement, adequate inputs of fertilizer and limestone, improved seed, expanded research and extension, and bringing new lands into production;

-- increasing rural income by encouraging shifts in types of crops, improvements in farm management and marketing techniques, and supporting agri-business activities; and

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-- recommending legislative and institutional changes that will contribute to the above as well as to rational commodity pricing policies and expansion of the rural credit program.

Family Planning

The primary Korean goal is to reduce the population growth rate from approximately 3% in 1960 to 2% or less in 1971. (The current rate is estimated at 2.4%). For this purpose the Korean Government is now extending the family planning program to the rural areas.

The FY 1969 A.I.D. program is helping finance the establishment of a National Family Planning Maternal and Child Health Training and Research Center with $1.7 million to fund technicians' services, participant training, and commodities and equipment for the Training Center and provincial sub-centers.

In FY 1970 A.I.D. proposes a $1 million Technical Assistance program including $861,000 for medical equipment and vehicles for Family Planning Health Centers in rural and urban areas, and for 20 provincial hospitals not previously equipped.

The family planning program -- planned, organized and implemented by Korean Government officials -- is supported by private and voluntary agencies within Korea, with assistance from A.I.D., the Population Council, International Planned Parenthood Federation and the Swedish International Development Authority. A.I.D.'s assistance is closely coordinated with that of these organizations.

Improving Social Development and Government Efficiency

The Korean Government, aware of the need for personnel trained and experienced in the planning aspects of public administration, has placed high priority on receiving assistance in such fields as urban and regional planning, national and local taxation, and central and local government administration. Success in increasing tax collections following the reorganization of the Taxation Bureau into a Tax Systems Bureau and the Office of National Tax Administration has led the Korean Government to request extension of A.I.D. assistance in these areas.

Assistance in education, designed to help the system sustain social and economic progress, will focus in FY 1970 on the development of comprehensive long range education planning, analysis of manpower requirements, and legal education.

Armed North Korean infiltrators are accelerating disruptive activities which threaten the development of South Korea. The capacity and willingness of the North to escalate such activity was again demonstrated last November when over 100 armed agents were landed in the South. A.I.D. assists the Korean National Police with both training and equipment, such as radios needed to coordinate efforts to locate and capture agents. During FY 1970 A.I.D. advisors, essential commodities, and participant training support will be continued.

In FY 1970 Technical Assistance funds for these A.I.D. activities are proposed at $819,000, of which $485,000 will be for assistance to the Korean National Police.

Korea

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	10.0	2,042.4	119.8	107.6	104.9	118.6	143.9	112.9	71.6	779.3	2,831.6	10.0	2,821.6
Loans	-	-	25.3	25.2	25.8	27.6	47.9	79.0	60.3	29.4	295.2	320.6	10.0	310.6
Grants	-	10.0	2,017.1	94.6	81.8	77.3	70.7	64.9	52.6	42.1	484.0	2,511.0	-	2,511.0
FOOD FOR FREEDOM - TOTAL	-	0.3	313.8	70.6	73.4	112.8	63.3	119.1	63.3	99.3	601.8	916.1	1.2	914.9
Title I - Total	-	-	176.5	60.4	62.1	79.4	34.4	38.1	36.1	56.5	367.0	543.6	1.2	542.4
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	-	1.5	-	1.5	1.5	-	1.5
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	176.5	60.4	62.1	79.4	34.4	38.1	34.6	56.5	365.5	542.1	1.2	540.9
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(211.3)	(68.6)	(69.7)	(93.2)	(42.5)	(47.7)	(43.2)	(79.1)	(444.0)	(655.3)	(-)	(655.3)
Planned for Country Use	-	-	176.5	60.4	62.1	79.4	34.4	38.1	34.6	56.5	365.5	542.1	1.2	540.9
Economic Development Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Economic Development Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Defense Grants	-	-	174.4	60.3	61.8	79.3	34.0	37.6	31.7	53.7	358.4	532.9	-	532.9
Cooley Loans	-	-	2.1	0.2	0.3	0.1	0.4	0.5	2.8	2.8	7.1	9.2	1.2	8.0
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total	-	0.3	137.3	10.2	11.3	33.4	28.9	81.0	27.2	42.8	234.8	372.5	-	372.5
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	22.1	-	1.2	23.2	20.3	69.8	24.7	39.7	178.8	201.0	-	201.0
VOLUNTARY RELIEF AGENCIES	-	0.3	115.2	10.2	10.1	10.2	8.6	11.2	2.5	3.1	55.9	171.5	-	171.5
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	-	3.8	16.2	20.0	20.0	-	20.0
OTHER U.S. ECONOMIC PROGRAMS	181.2	475.3	202.8	-	-	-	-	0.5	1.4	1.7	3.6	862.9	6.5	856.4
PEACE CORPS	-	-	-	-	-	-	-	0.5	1.4	1.7	3.6	3.6	-	3.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER a/	181.2	475.3	202.8	-	-	-	-	-	-	-	-	859.3	6.5	852.8
TOTAL ECONOMIC	181.2	485.6	2,559.0	190.4	181.0	217.7	181.9	263.5	181.4	188.8	1,407.7	4,630.6	17.7	4,612.9
Loans	24.9	-	27.4	25.4	26.1	27.7	48.3	79.5	68.4	48.4	323.8	376.2	17.7	358.5
Grants	156.3	485.6	2,531.6	165.1	154.9	190.0	133.6	184.0	112.9	140.3	1,080.8	4,254.4	-	4,254.4
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	11.7	1,388.5	136.9	169.1	124.3	173.1	153.1	149.8	197.4	1,103.7	2,768.6	-	2,768.6
Credit Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	11.7	1,388.5	136.9	169.1	124.3	173.1	153.1	149.8	197.4	1,103.7	2,768.6	-	2,768.6
(Additional Grants from Excess Stocks)	(-)	(0.6)	(119.8)	(52.6)	(21.1)	(13.4)	(46.1)	(15.6)	(3.5)	(6.7)	(159.0)	(324.8)	(-)	(324.8)
OTHER MILITARY ASSISTANCE GRANTS	-	-	43.3	-	13.4	-	-	-	-	-	13.4	56.7	-	56.7
TOTAL MILITARY	-	11.7	1,431.8	136.9	182.5	124.3	173.1	153.1	149.8	197.4	1,117.1	2,825.3	-	2,825.3
TOTAL ECONOMIC AND MILITARY	181.2	497.3	3,990.8	327.3	363.5	342.0	355.0	416.6	331.2	386.2	2,521.8	7,455.9	17.7	7,438.2
Loans	24.9	-	27.4	25.4	26.1	27.7	48.3	79.5	68.4	48.4	323.8	376.2	17.7	358.5
Grants	156.3	497.3	3,963.4	302.0	337.4	314.3	306.7	337.1	262.7	337.7	2,197.9	7,079.7	-	7,079.7

a/ Represents (in millions), CRIK, $420.2; Civilian Supplies, $292.1; Korean Aid Program, $121.6; Surplus Property Credits, $24.9; and UNRRA, $0.6.
b/ Annual data represent deliveries; total through 1968 is the cumulative program.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	2.1	20.9	50.6
IBRD-World Bank	-	5.0	5.0
Int'l Development Association	-	11.0	25.0
Int'l Finance Corporation	-	0.7	0.7
UNDP-Special Fund	1.4	3.2	14.2
UNDP-TA (CY)	0.3	0.3	2.0
Other UN (CY)	0.4	0.7	3.7

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	49.7	77.3	212.1
Japan	35.8	58.2	150.1
Germany	6.6	15.1	41.5
Italy	5.6	1.4	8.0
Other	1.7	2.5	12.5

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative Thru 1968	-

LAOS - GENERAL ECONOMIC DATA

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BASIC DATA

Population (millions; mid-1968)..	2.8 †	Life Expectancy (years)...	30-35
Annual Growth Rate (percent)...	2.5	People Per Doctor	26,350
Area (1,000 square miles).....	91 †	Literacy Rate (percent)...	15
Population density per sq. mi..	30	Students as percent of 5-19 Age Group ..... (Primary & Secondary)	21
Agricultural Land as % of Area.	7		
GNP Per Capita (dollars; 1967)...	70		

PRODUCTION TRENDS	1964	1965	1966	1967	1968Est.
Agricultural Production					
Rice, rough (1,000 MT).....	730	740	620	725E	740
Timber prod. (1,000 cu. meters).....	50	77	72	115	n.a.
Electric Power Output (Millions KWH)	19	23	27	30E	33
INTERNATIONAL TRADE ($ millions)					
Total Exports (f.o.b.)	0.9	1.0	1.5	3.7E	n.a.
Tin Ore.....	(0.7)	(0.6)	(0.9)	(1.6)	(2.0)
Total Imports (c.i.f.)*.....	-30.4	-34.4	-41.0	-42.2	n.a.
Trade Balance	-29.5	-33.4	-39.5	-38.5	n.a.
GOLD & FOREIGN EXCHANGE ($ millions)					
Official Reserves**.....	8	7	7	6	6 (Sept)
COST OF LIVING INDEX (1963=100)..... (Vientiane)	198	223	254	274	287

E - Estimate. * - Estimate based on trading partner data. ** - Gross basis; end of year.
† - About 3/4 of the population and 1/2 the area are under Royal Lao Government control.

LAOS

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Technical Assistance . . .	10.4	9.7	10.5	11.9
Supporting Assistance . . .	45.3	53.2	41.0	36.3
Contingency Fund.	0.8	-	-	-
Total A.I.D. Assistance	56.5	62.9	51.5	48.2

U.S. AID OBJECTIVES

The primary U.S. objective in Laos is to maintain an independent Laos, neutral within the framework established by the 1962 Geneva Agreements and capable of protecting itself and the security of the Mekong River Valley from North Vietnamese and Lao People's Liberation Army aggression.

A.I.D. assistance required to advance this objective is concentrated primarily in two areas: (1) control of inflationary pressures which threaten the economic and political stability of the country and (2) build-up of the Lao Government's presence and services in rural areas in order to win and hold the public's confidence in the Government.

PROBLEMS AND PROGRESS

The war in Southeast Asia continues to be the most significant factor affecting Laos. With a population of less than two million located in the 50% of the territory under Government control, Laos is forced by communist aggression and insurgency to maintain nearly 20% of its military-age men under arms.

The Lao army has resisted continued assaults by the North Vietnamese and the Lao People's Liberation Army on territory held by the Government. However, the largely non-monetized subsistence agricultural economy falls far short of providing an adequate tax base to finance this military effort. Although increasing, total domestic revenues still equal only the non-military costs of the Lao Government -- less than half of total budgeted expenditures. The deficit financing thus required to pay for military operations of the Government creates new spending power within the country each year and consequent strong inflationary pressure.

Stabilization programs, largely financed by the United States and other foreign aid donors, have brought relative price stability to Laos since 1964 despite mounting military and government costs. For its part, the Government reduced its budgetary deficit from the equivalent of about $40 million in FY 1966 to $37 million in FY 1967. An expected further decrease in FY 1968, however, failed to develop because of a sudden and prolonged loss of customs revenues on the gold trade in Laos, which declined sharply following an increase in the price of gold in the spring of 1968.

To decrease budget deficits further, the Government has agreed to impose more controls in budget and fiscal management, increase the tax rates and enforce better collections of customs and other revenues. A resident representative of the International Monetary Fund (IMF) provides advisory assistance in monetary and fiscal affairs, and donor nations as a group will follow budget performance closely in order to assist Government efforts to keep deficit spending within the projected limits.

While revenue collections and budget planning have improved in the past few years, little progress has been made toward implementing planned collections of special fees and local taxes in rural areas. Local administrative problems remain complicated by enemy offensives, but gradual improvements are being made in the quality of local administration, resulting partially from A.I.D. - assisted programs.

FY 1970 PROGRAM

The proposed FY 1970 program totals $48.2 million, of which $36.3 million is Supporting Assistance and $11.9 million is Technical Assistance. Of these amounts, U.S. support to the multilateral stabilization program will require $19.2 million in Supporting Assistance while security and development projects will require $29 million -- $17.1 million from Supporting Assistance and $11.9 million from Technical Assistance funds.

In addition, P.L. 480 donations of about $979,000 (mainly for cornmeal) will aid Lao refugees coming from contested areas of northern Laos.

Aid totaling about $10 to $12 million in FY 1970 is expected to continue from other donor countries and the United Nations for stabilization assistance and support of a variety of small project activities. Assistance from France is second to that of the United States in size (about $6 to $8 million a year) and includes the services of technical advisors in government, some 300 teachers in Lao secondary and normal schools, and a hydroelectric dam.

Stabilization

Support of the multilateral economic stabilization program must be accorded highest priority if economic, and therefore political, stability is to be maintained.

Prior to 1964, the United States and other donor countries financed commodity import programs to absorb excess domestic spending power in an effort to maintain price stability. These programs did not adequately serve the needs of Laos, where a large number of small private imports require small, quickly available foreign exchange purchases. To meet this need, the Lao Government and a group of donor nations instituted in 1964 a comprehensive, multilateral stabilization program recommended by the International Monetary Fund. The core of this program is the Foreign Exchange Operations Fund (FEOF), which reduces kip in circulation by buying local currency on the open market with the foreign exchange contributed by the United States, Australia, France, Japan and the United Kingdom.

Small commodity import programs of the United States, Australia and the United Kingdom supplement FEOF by financing the foreign exchange costs of selected equipment and raw materials needed to promote local industries. Eligible commodities under the U.S. program are industrial and agricultural machinery, utility vehicles and certain petroleum products.

The $19.2 million requested for the stabilization program for FY 1970 will be divided between FEOF ($16 million) and the commodity import program ($3.2 million).

Security and Development Projects

Although economic stability provides the base on which Laos security must be built, more direct action is required to secure the active support of the populace in resisting communist pressures. Thus, the FY 1970 project program -- $17.1 million of Supporting Assistance and $11.9 million of Technical Assistance -- will continue to support essential government services and construction of facilities in rural areas within the project areas described below. These projects are designed to help villagers make better lives for themselves and to identify their improved well-being with the national government.

Rural Development. Supporting Assistance funds of $4 million are proposed for FY 1970 for rural development. A.I.D. rural development activities center in clusters of villages with strategic importance and basic potential for economic and social growth. American and Lao community development advisors help villagers identify basic needs, organize local resources, and work together through local leaders and government officials.

Activities financed include construction of schools, dispensaries, wells and rural roads, and improvement of local skills and techniques, particularly in agricultural production. While the initial aim is to bridge the gap between the central government and the rural population, the program also lays the groundwork for expanded agricultural production, the key to ultimate economic independence.

During the past two years, the use of local resources has been encouraged by making rural construction contingent upon the provision of local materials and labor by villagers. Many local projects are now proceeding without A.I.D. financing. Of a total of some 14 cluster programs started by A.I.D., twelve were still primarily dependent on U.S. support in FY 1968, with one closed due to security problems and another successfully terminated because immediate objectives had been achieved. Three are now scheduled for successful termination as special cluster projects in FY 1969 and FY 1970.

Public Health. The country has only a few Lao doctors and nurses to combat the high prevalence of such diseases as malaria, dysentery and influenza and to reduce a high infant mortality rate. In addition, the prolonged military action in Laos produces a stream of casualties which must be treated.

The public health project provides minimum medical care for the rural population in cluster areas through some 230 A.I.D.-supported facilities. Seven municipal hospitals are operated by foreign medical personnel under A.I.D. contract. Training programs provide medics to operate dispensaries, as well as assistant nurses and midwives. However, the dearth of qualified candidates able to pursue a medical career limits the development of a long range program to improve the standards and services of public health.

In FY 1970 A.I.D. will continue to provide technical assistance and supplies to Government health facilities. The project will require $2.1 million in FY 1970 Supporting Assistance funds.

Family Planning. During FY 1969, assistance was begun to help develop a national maternal and child health center. The services of the center will be extended to rural areas in FY 1970 and beyond. This program will provide improved clinical care, additional medical training, and a channel for dissemination of information on improved mother and infant health care and family planning through

the central and provincial clinics. The program will require $447,000 in FY 1970 Technical Assistance funds.

Roads. Laos has an extremely poor system of surface transportation. It has no railroads, the navigability of its rivers and streams is seasonal, and its road system is primitive. A.I.D. assists in the construction and maintenance of major arteries and military roads contributing to security objectives. This road-building has also helped join villages, hitherto unreachable except by boat or air, to the rest of the nation and its commerce.

The program also develops local capacity to build and maintain the eventual road network needed for national integration and economic growth. Improvement in the Government's capability is demonstrated by the steady growth in its maintenance activities. During FY 1966 about 1,000 miles of road were maintained; this increased to 1,256 miles by FY 1967 and is expected to reach 1,551 miles in FY 1969. Lao trainees completing training programs in this field increased from 113 in FY 1967 to 222 in FY 1968.

The FY 1970 funding requirement for the roads program is $2 million in Supporting Assistance for commodity support and assistance in priority construction, training and maintenance. Construction is expected to be completed during FY 1969 on the largest single activity, the major north-south all-weather road connecting Vientiane with the royal capital of Luang Prabang. Barring security problems in the mountainous terrain, which could delay the final construction phase, crews will be moved to other construction work during the first quarter of FY 1970.

Refugees. A.I.D. provides war refugees with emergency food and other essentials for survival. Commodities and technical assistance are also provided refugees being relocated or permanently resettled to enable them to become self-sufficient as soon as possible.

The number of refugees and amount of support required vary in accordance with enemy advances, crop conditions and other factors. FY 1969 and FY 1970 program requirements are based on projections of 95,000 and 93,000 aided refugees respectively. Increasing responsibility for administering and financing the program will be shifted to the Lao Government in FY 1970. Junior Lao Government officials are being trained to work at both the provincial and national levels. Security conditions permitting, the road construction program is expected to reduce costs of transporting refugee supplies, most of which are airlifted, into the northern mountains by FY 1970.

Supporting Assistance costs for the refugee programs will be about $1 million in FY 1970. The Department of Defense will continue to pay the cost of feeding dependents and refugees in isolated zones of tactical military operations.

Civil Police Administration. A.I.D. assists the Lao Government in developing the capability of its National Police Force to enforce law, maintain public order and combat subversive elements through advisory services, training for police officials, provision of communications and transportation equipment, and development of physical facilities.

Completion in 1968-69 of the national police radio network linking rural and mobile stations with some 16 provincial posts and central headquarters has vastly improved control and efficiency of police operations. At the same time administrative and operational training has expanded steadily at the central police academy which is scheduled for completion in FY 1970.

For these activities, Supporting Assistance of $630,000 is proposed in FY 1970.

Agriculture. An accelerated rice production program is a major A.I.D. undertaking in Laos aimed at improving the lives of the people. As security permits, project activities center on building the necessary infrastructure -- roads, irrigation systems, storage facilities, etc. -- and farmer motivation. The immediate objective is to eliminate the chronic need for rice imports.

The use of improved seed varieties, fertilizers and insecticides has already yielded dramatic production increases in selected areas. A widespread and successful campaign to distribute new seeds, demonstrate new methods and train farmers was mounted in FY 1968. Introduction of double cropping in FY 1968 has demonstrated that with use of improved seed varieties, farm chemicals and irrigation, production can be expanded up to five times the present yield.

In FY 1969 and 1970, A.I.D. will assist the Government in developing more effective and expanded facilities for providing credit to small farmers and assuring guaranteed markets for increased production. The agriculture program will continue to require the import of fertilizer and insecticides, additional feasibility surveys and construction of large irrigation systems, assistance in developing rice milling and storage facilities, vaccination of water buffalo and other livestock, and A.I.D. advisory assistance. With development of credit facilities and expanded production,

farmers have begun to pay for some equipment and other supplies previously furnished by A.I.D.

In FY 1970, $4.4 million will be required. Of this amount, $580,000 in Supporting Assistance is earmarked mainly for purchase of fertilizers and insecticides and $3.8 million in Technical Assistance is proposed for continuation of technical advisory services and support of expanding irrigation facilities.

Human Resources Development. The extreme shortage of trained manpower in Laos is one of the chief obstacles to national unity and effective government services. In addition, the continuing popular demand for education in the rural areas is a challenge to the Government's efforts to retain popular support. Consequently, the Lao Government devotes about 20% of its civil budget to education.

A.I.D. is helping the Government expand the elementary education base and increase the number of trained teachers. A.I.D. will concentrate during the next several years on the Lao normal schools, aiming at a total enrollment of 3,500 by 1971 -- compared to the current figure of nearly 3,000 -- and a Lao-language secondary education system, begun in FY 1968, which includes both vocational and academic training. Limited assistance will be provided for village self-help elementary school construction. The Lao Government has agreed to devise and set up a system of local contributions or taxes which will provide the necessary long range financing for adequate teachers' salaries and operating costs of the elementary system, and for the expansion of the Lao-language secondary school system.

During FY 1970 Technical Assistance totaling $1.9 million is proposed for support of six normal schools, advisory services to the elementary school system throughout the country, and inauguration of the second Lao-language comprehensive secondary school under supervision of a University of Hawaii contract team.

Public Administration. A.I.D. provides advisory and training assistance designed to improve the administration and operations of two key Government ministries, Finance and Planning. In addition to upgrading personnel skills, U.S. advisors to the Finance Ministry have assisted in improving budgeting, taxation and expenditure controls.

A.I.D. advisory and training services are helping the Lao Planning Ministry draw up a national investment and economic development plan, and develop basic manpower research and planning techniques. The Lao Government improved markedly its collection of domestic taxes in FY 1968, collecting direct taxes at a rate of 154% of monthly budget estimates, indirect taxes at 105%, and custom/excise taxes at 135%. The Government also completed the drafting of a general, broad-gauge development plan for the years 1970-1975. For FY 1970, $400,000 in Technical Assistance is proposed to continue this program.

Export Promotion. A major aim of the A.I.D. industry program is to increase Lao foreign exchange earnings by promoting local industries which have potential export as well as domestic markets. Initial emphasis has been placed on developing the timber industry, which has an immediate market in Thailand. Export earnings from timber increased from $720,000 in 1967 to about $1.1 million in 1968. A.I.D. and other donors have provided technical services for a forest inventory and training of Lao foresters.

A.I.D. has helped the Lao Government establish an Industry Loan Fund, which has assisted local sawmillers to acquire equipment through the U.S. import program at a subsidized price. For example, in FY 1968 the Lao Timber Company, a limited partnership of eight sawmill operators in the Vientiane area, invested the kip equivalent of about $166,000 in equity which, along with a loan from the Industry Loan Fund, enabled the timber company to procure new U.S. equipment to modernize its operations.

In addition to continuing support to the timber industry, additional technical assistance will be provided in FY 1969 and FY 1970 to determine priorities and assist development in prime industrial sectors. Medium-term loan capital will be made available for expansion or creation of new enterprises, which will be supported by the U.S. commodity import program where feasible.

$350,000 in Technical Assistance will be required in FY 1970 for these activities.

Laos

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS												REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD								TOTAL 1946-1968		
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			262.8	26.9	37.0	40.3	47.9	54.4	53.6	61.2	321.3	584.1	-	584.1
Loans			-	-	-	-	-	-	-	-	-	-	-	-
Grants			262.8	26.9	37.0	40.3	47.9	54.4	53.6	61.2	321.3	584.1	-	584.1
FOOD FOR FREEDOM - TOTAL			1.1	0.1	0.5	1.7	0.4	0.4	1.3	1.5	5.9	7.0	-	7.0
Title I - Total			-	-	-	-	-	-	-	-	-	-	-	-
PAYABLE IN U.S. DOLLARS - LOANS	NO PROGRAMS PRIOR TO FY 1955a/		-	-	-	-	-	-	-	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use			-	-	-	-	-	-	-	-	-	-	-	-
(Total Sales Agreements, including U.S. Uses)			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Planned for Country Use			-	-	-	-	-	-	-	-	-	-	-	-
Economic Development Loans			-	-	-	-	-	-	-	-	-	-	-	-
Economic Development Grants			-	-	-	-	-	-	-	-	-	-	-	-
Common Defense Grants			-	-	-	-	-	-	-	-	-	-	-	-
Cooley Loans			-	-	-	-	-	-	-	-	-	-	-	-
Other Grants			-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements			-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total			1.1	0.1	0.5	1.7	0.4	0.4	1.4	1.5	5.9	7.0	-	7.0
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM			0.8	-	-	-	*	*	1.3	1.4	2.7	3.5	-	3.5
VOLUNTARY RELIEF AGENCIES			0.3	0.1	0.5	1.7	0.3	0.4	0.1	0.1	3.2	3.5	-	3.5
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS			-	-	-	-	-	-	-	-	-	-	-	-
PEACE CORPS			-	-	-	-	-	-	-	-	-	-	-	-
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-	-	-
OTHER			-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC			263.9	27.0	37.5	42.0	48.3	54.8	54.9	62.7	327.2	591.1	-	591.1
Loans			-	-	-	-	-	-	-	-	-	-	-	-
Grants			263.9	27.0	37.5	42.0	48.3	54.8	54.9	62.7	327.2	591.1	-	591.1
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/			91.4	37.1										
Credit Assistance			-	-										
Grants			91.4	37.1	← DATA CLASSIFIED →									
(Additional Grants from Excess Stocks)			(20.9)	(2.6)										
OTHER MILITARY ASSISTANCE GRANTS			-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			91.4	37.1										
TOTAL ECONOMIC AND MILITARY			355.3	64.1										
Loans			-	-	← DATA CLASSIFIED →									
Grants			355.3	64.1										

* Less than $50,000. a/ Excludes aid to Indochina prior to partition. b/ Annual data represent deliveries.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	0.7	0.7	5.9
UNDP-Special Fund	-	-	0.6
UNDP-TA (CY)	0.5	0.6	4.0
Other UN (CY)	0.2	0.1	1.3

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	12.8	15.1	49.6
United Kingdom	4.9	4.4	18.1 c/
France	3.6	5.8	17.4 c/
Japan	2.5	3.2	9.1
Other	1.8	1.7	5.0

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative Thru 1968	-

c/ Aid from France in 1961 and 1962 not available separately.

THAILAND - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1968)*	35.1
Annual Growth Rate *(percent)*	3.3
Area *(1000 square miles)*	198
Population Density per square mile	180
Agricultural Land as % of Total Area	22
Percent of Labor Force in Agriculture	82
Life Expectancy *(years)*	56
People per Doctor	7,380
Literacy Rate *(percent)*	68
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	48

	Calendar Years				
	1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)**	4,006	4,360	4,843	5,078	5,510
Per Capita GNP *(1967 dollars)*	130	137	147	149	157
Investment – *millions of 1967 $*	850	942	1,273	1,292	1,498
– *percent of GNP* †	23	23	27	25	26
Domestic Savings – *millions of 1967 $*	791	888	1,255	1,186	1,278
– *percent of Investment* †	93	94	99	96	93
Agricultural Production Index *(1957-59 = 100)*	150	155	184	159	170
Index per Capita	123	123	142	119	123
Rice, rough (1,000 MT)	11,070	10,778	13,500	11,200	12,410
Tin (metal content: 1,000 MT)	16	19	23	23	26
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	593	622	678	685	660
Rice	(214)	(207)	(193)	(228)	(186)
Total Imports *(c.i.f.)*	-680	-736	-884	-1,060	-1,160
Trade Balance	-87	-114	-206	-375	-500
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	660	739	924	1,009	1,021
Commercial Bank Holdings	66	83	95	77	108
COST OF LIVING INDEX *(1963 = 100)* (Bangkok)	102	103	107	111	114

CENTRAL GOVERNMENT FINANCES* (FY Ending September 30)	– *Million Dollar Equivalents* –		
	1966	1967	1968(Est.)
Total Expenditures	723	884	1,064
(Defense Expenditures)	(106)	(128)	(157)
(Capital Outlays)	(240)	(305)	(361)
Total Domestic Revenues	625	743	799
As percent of GNP †	13.4	14.6	14.4
Deficit (–) or Surplus (+)	-98	-148	-265

* - Converted at 20.8 baht per U.S. $.

†Based on data in current prices. ††Gross basis, end of year.

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THAILAND

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans.....	3.5	-	-	-
Technical Assistance ...	13.5	10.0	9.5	10.0
Supporting Assistance ...	36.1	36.7	26.3	35.0
Contingency Fund.....	0.2	-	-	-
Total A.I.D. Assistance	53.3	46.7	35.8	45.0

U.S. AID OBJECTIVES

Thailand's importance to the United States lies in its geographic position in Southeast Asia, its key role in the economic and political development of the region, and its close cooperation with the United States. A communist-supported insurgency threatens Thailand's security. The basic U.S. assistance objective is to improve the Thai capacity for dealing with this threat. Both the United States and Thai Governments recognize, however, that the fundamental responsibility for countering the insurgency belongs to the Thai.

PROBLEMS AND PROGRESS

Communist-supported aggression has existed for some time in Thailand. However, it was not until late 1965 that the insurgency became seriously disruptive. In late 1966 the number of assassinations of village chiefs, local officials, school teachers and police, armed propaganda meetings, and armed encounters with the police and military units increased sharply, mainly in the Northeast.

Until 1968 the incidents were concentrated in the Northeast, and to a lesser degree in the South. This past year the number of incidents has declined in the Northeast, but there have been increasing numbers of them in the North and North Central parts of the country. Thai police and military units have had a number of major encounters with insurgents, resulting in considerable loss of life in the hill tribe areas where previously the level of such activity had been very low.

We continue to concentrate our assistance in the North and Northeast where conditions conducive to insurgency are most acute. In combating insurgency in other areas, the Thai Government is using the strategy developed in our joint programs in the Northeast.

In response to the rise in insurgency, Thai army units have been deployed in the North and Northeast. Together with units from the police, these forces have conducted sweeps and engaged in civic action and other activities as a means of countering the insurgents' efforts. The results of these measures are mixed. In the Northeast we believe they have contributed to a decline in overt insurgent activity this past year.

The Thai also have moved in other ways to combat the insurgency threat. Plans recently approved to almost double the size of the Provincial and Border Patrol Police by 1972 are guadually being carried out. The Thai Government has been assigning some of its best personnel to security-sensitive area. Rural development programs have been expanded. The Northeast, for example, is receiving an increasing share of total government resources as a result of a conscious policy to correct an historic imbalance.

Overall Thai budget performance has been good. Total budget expenditures have been growing at about 19 to 20% for the last few years. The bulk of the budget continues to be devoted to economic and social development, with defense expenditures accounting for only about 14-15% in recent years. Recognizing that monetary and fiscal policies of the early 1960's were somewhat conservative, the Government has greatly expanded its 1967-1971 development plan and expects to increase its borrowing from the public and private sector to finance this plan, with little if any increase in inflationary pressure expected.

The economic growth of Thailand is an essential element of its struggle for continued national independence. Progress has been very good. Since 1963 GNP has been growing an average of 7.8% a year in real terms, with 1968 GNP growth estimated at 8.5%. Until the last couple of years when prices rose about 3 to 4% annually, Thailand experienced almost no inflation. Its foreign exchange position also improved, mainly because of U.S. expenditures for military construction which are now decreasing. These foreign exchange reserves will be a major source for financing the foreign currency requirements of the current Thai development plan.

While we do not expect serious economic trouble, foreign exchange holdings have leveled recently. Accordingly, the Thai will find it increasingly difficult to provide adequate services for the rapidly growing population and at the same time satisfy growing capital requirements necessary to maintain continuing economic growth.

The Government has increased its budget for the Accelerated Rural Development Program and many other joint U.S./Thai projects. The Thai Government contributes about two dollars equivalent for every

dollar provided by the United States to these projects. All local costs of these projects are financed by the Thai.

A new Constitution was promulgated in 1968, and municipal and provincial council elections were held in 1967 and 1968. As provided in the Constitution, members of the Upper House of Parliament have been appointed and elections were held to select the members of the Lower House in February 1969.

Thailand has provided facilities and troops in support of the allied military effort in Vietnam. Thailand has also participated in various regional organizations and, in general, has done a great deal to promote regional cooperation in Southeast Asia.

In dealing with the pressure of insurgency, Thailand has a number of strengths -- its history of national independence, a widely respected royal family, its well-established structure of government, and its strong economy. However, its highly centralized government does not yet provide adequate channels for responding to local needs. Awareness and understanding on the part of Thai government officials of the needs and aspirations of rural people and increased commitment of resources are essential to the solution of Thailand's security problem. This weakness, even more than limitations of Thai manpower and fiscal resources, has been the greatest constraint on Thai government efforts. It is this problem which is the principal focus of the A.I.D. program.

Our assistance is designed to strengthen the link between government officials in Bangkok and provincial centers and the villagers and to improve the effectiveness of the civil security forces. We are also working with the Government to increase the allocation of Thai resources to security-sensitive areas for the purpose of accelerating development in these areas.

FY 1970 PROGRAM

A program of $45 million is proposed for FY 1970, consisting of $35 million in Supporting Assistance and $10 million in Technical Assistance. This increase of $9 million above estimated FY 1969 obligations of approximately $36 million ($26 million in Supporting Assistance and $10 million in Technical Assistance) is due to growing requirements for the Civil Police and Accelerated Rural Development programs consonant with increased Thai managerial capacity.

As in the past, the FY 1970 program will be concentrated in North and Northeast Thailand. Within the FY 1970 program, Supporting Assistance funds will be used primarily to facilitate Thai efforts to improve security in rural areas and to support Thai rural development programs. Technical Assistance will be used to assist in developmental programs such as agricultural research and training, a river basin survey, family planning, private sector development, and improvements in Thai administration and civil service.

Thailand has received substantial assistance from sources other than A.I.D. From FY 1964 through FY 1967, international agencies provided $90.3 million (of which the World Bank contributed $77.5 million and UN agencies, including the UN Special Fund and the UN Development Program, contributed $12.6 million).

In Bangkok there is a Development Assistance Committee working group which currently is chaired by the Netherlands Ambassador. This group meets periodically to review assistance being provided to Thailand from countries belonging to the Development Assistance Committee. From 1964 through 1967, member countries of the Committee other than the United States assisted Thailand with total disbursements of $78.1 million.

Rural Security

About $14.6 million of Supporting Assistance is proposed in FY 1970 for rural public safety programs. Our primary objective will be to help develop a rural security capacity of sufficient strength and efficiency to counter anticipated threats of communist terrorism and subversion. A.I.D. assistance will emphasize advisory services and participant training to raise operational efficiency and improve police training capability, and commodities to enhance police mobility, armament and communications. A.I.D. will continue to equip the new township police stations, and also will provide radio links between these stations and provincial headquarters.

Vehicles, helicopters and ammunition will be provided to the expanding police forces in the villages and to mobile back-up units now being manned. Commodities will account for about $11 million of the U.S. support to these activities.

Rural Development

The FY 1970 A.I.D. program includes $14.1 million in Supporting Assistance and $1.7 million in Technical Assistance for rural development.

A.I.D. will support a number of projects aimed at increasing the Government's responsiveness to village needs and promoting economic development in the security-sensitive areas. We will continue to assist the Accelerated Rural Development (ARD) organization,

primarily with advisory services to organize local farm groups and with commodities such as trucks, earthmoving, construction and well-drilling equipment to be used for impact projects such as feeder roads, wells and small ponds.

A.I.D. will assist the newly-formed Thai Agricultural Extension Division. Our rural agriculture development program will also support programs of agricultural credit -- through farmers' cooperatives -- research, soil and water conservation, and production of livestock and poultry in the Northeast. We will work with the Thai to find ways of increasing the interest of private enterprise in agri-business projects, and in strengthening community development services.

Education

Despite rapidly rising expenditures for education, an enormous task faces the Thai Government in this area. For example, the percentage of Thailand's school age youth actually in school decreased from 58% in 1960 to only 48% in 1967, even though school enrollment increased.

A.I.D. will help the Thai expand the number of mobile training units which provide vocational training to villages in the North and Northeast through technical assistance and commodity support. We will also work with the Thai in increasing the amount and improving the quality of textbooks and instructional material used in this area. Since large numbers of teachers in rural areas have completed only six years of schooling themselves, we plan to assist Thai in-service teacher training programs.

A.I.D. will also provide technical advisory services to a $32 million Thai Government vocational education project. The Thai have borrowed $6 million from the IBRD to finance the cost of equipment and have added domestic resources for school construction. U.S. assistance will account for 8% to 9% of the cost of this 5-year project.

Technical Assistance of $790,000 and Supporting Assistance of $1.1 million will be needed in FY 1970 for these education programs.

Health

A.I.D. has been assisting Thai Government efforts to extend and improve its medical services, primarily in the North and Northeast. Extending these services has proved an effective way of establishing rapport with the people in security-sensitive areas. Rural health centers will receive our assistance in FY 1970 in the form of medicines, clinical instruments and vehicles, and efforts will be made to improve the training program for their staffs. We will provide similar assistance to the mobile medical units which travel from the permanent health centers to surrounding villages.

FY 1970 will be the last year A.I.D. will obligate funds for malaria eradication. The Thai Government has agreed to finance malaria activities in the future.

Thai research efforts to improve nutrition in rural areas, particularly in the development of an inexpensive high protein food supplement, will receive limited U.S. support. A.I.D. will also help the Thai develop village-operated potable water systems in security-sensitive provinces. Nearly 2 million people will benefit upon completion of this project in 1972.

For assistance in health, $1.2 million in Technical Assistance and $1.2 million in Supporting Assistance are proposed for FY 1970.

Family Planning

With its population growing at about 3.3% a year, Thailand's family planning efforts are of great importance. Our assistance ($1.7 million in Technical Assistance) will support two activities -- the family planning program of the Ministry of Public Health and the efforts of the School of Public Health to strengthen its family planning training curriculum.

Operational research in family planning methods and the acceptability of intra-uterine devices and contraceptive pills have proved so successful that the Ministry of Public Health has implemented a 3-year family planning project extending these services to clinics to serve about 3.3 million women within the 20-44 age group. Some participant training will be provided, but most of the U.S. assistance to this project will be in the form of commodities.

A contract with an American university is planned to assist the School of Public Health, the major Thai institution for specialized training of public health personnel, to strengthen its teaching and research in the area of family planning.

Government Administration

Narrowing the gap between the villager and Government officials has been mentioned as a primary aim of our assistance. Activities in the field of local government contribute directly to this purpose.

A.I.D. support for in-service training programs will devote particular attention to provincial and district local officials. Training programs will also involve villagers in the North and Northeast in local self-government and project planning techniques. The Thai Government is providing budget support to village organizations to help finance local projects.

We are also working with the Thai in implementing changes in civil service rules and regulations. A new system has been developed with U.S. assistance for classifying positions, setting pay schedules, and determining staffing and performance standards. It is being installed in selected ministries before expanding these changes to the entire country.

$350,000 in Technical Assistance is proposed for this purpose in FY 1970.

Longer Range Regional Development

To establish a more logical framework for allocating Thai and U.S. resources to the development of the security-sensitive Northeast, we are providing advisory assistance to the Thai economic planning agency in developing a plan for that area. Operating ministries also are involved deeply in this planning process. The plan, expected to be completed during FY 1970, will identify priority projects. The proposed FY 1970 program includes $4 million in Supporting Assistance for these projects.

Technical Assistance funds ($415,000) for the continuation of the Mun and Chi river basin survey in Northeast Thailand are also proposed in FY 1970.

Thailand

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											TOTAL 1946-1968	REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD										
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	16.1	247.8 a/	35.8	15.5	11.7	38.9	42.1	31.0	43.3	218.3	482.0	18.2	463.8
Loans	-	-	42.6	11.1	-	-	20.6	-0.1	-16.9	-	14.7	57.2	18.2	39.0
Grants	-	16.1	205.2	24.7	15.5	11.7	18.3	42.2	47.9	43.3	203.6	424.8	-	424.8
FOOD FOR FREEDOM - TOTAL	-	*	4.1	0.1	0.1	0.1	0.1	0.2	0.3	0.9	1.8	5.8	0.9	4.9
Title I - Total	-	-	3.6	-	-	-	-	-	-	-	-	3.6	0.9	2.7
PAYABLE IN U.S. DOLLARS - LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use	-	-	3.6	-	-	-	-	-	-	-	-	3.6	0.9	2.7
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(4.3)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(4.3)	(-)	(4.3)
Planned for Country Use	-	-	3.6	-	-	-	-	-	-	-	-	3.6	0.3	3.3
Economic Development Loans	-	-	1.7	-	-	-	-	-	-	-	-	1.7	0.3	1.4
Economic Development Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Defense Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cooley Loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Grants	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements	-	-	1.9	-	-	-	-	-	-	-	-	1.9	-	1.9
Title II - Total	-	*	0.5	0.1	0.1	0.1	0.1	0.2	0.3	0.9	1.8	2.2	-	2.2
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM	-	-	-	-	-	-	*	-	-	-	*	*	-	*
VOLUNTARY RELIEF AGENCIES	-	*	0.5	0.1	0.1	0.1	0.1	0.2	0.3	0.9	1.8	2.2	-	2.2
EXPORT-IMPORT BANK LONG-TERM LOANS	-	1.0	15.2	10.9	4.9	2.1	-	15.0	3.4	4.2	40.5	56.7	27.5	29.2
OTHER U.S. ECONOMIC PROGRAMS	6.2	-	-	0.8	1.4	1.2	2.2	3.1	2.3	1.7	12.7	18.9	7.1	11.8
PEACE CORPS	-	-	-	0.8	1.4	1.2	2.2	3.1	2.3	1.7	12.7	12.7	-	12.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER	6.2	-	-	-	-	-	-	-	-	-	-	6.2	7.1	-0.9
TOTAL ECONOMIC	6.2	17.1	267.1	47.6	21.9	15.1	41.2	60.4	37.0	50.1	273.3	563.4	53.7	509.7
Loans	6.2	1.0	61.4	22.0	4.9	2.1	20.6	14.9	-13.5	4.2	55.2	123.7	53.7	70.0
Grants	-	16.1	205.7	25.6	17.0	13.0	20.6	45.5	50.5	45.9	218.1	439.7	-	439.7
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) b/	-	16.5	286.8	39.1	72.6	52.7	36.4	40.8	44.9	b/	286.5	589.7 b/	-	589.7
Credit Assistance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	16.5	286.8	39.1	72.6	52.7	36.4	40.8	44.9	-	286.5	589.7	-	589.7
(Additional Grants from Excess Stocks)	(-)	(1.7)	(26.7)	(9.1)	(15.2)	(2.2)	(2.0)	(2.6)	(5.7)	(-)	(36.8)	(65.2)	(-)	(65.2)
OTHER MILITARY ASSISTANCE GRANTS	-	-	4.6	-	-	-	-	-	-	-	-	4.6	-	4.6
TOTAL MILITARY	-	16.5	291.4	39.1	72.6	52.7	36.4	40.8	44.9	-	286.5	594.3	-	594.3
TOTAL ECONOMIC AND MILITARY	6.2	33.6	558.5	86.7	94.5	67.8	77.6	101.2	81.9	50.1	559.8	1,157.7	53.7	1,104.0
Loans	6.2	1.0	61.4	22.0	4.9	2.1	20.6	14.9	-13.5	4.2	55.2	123.7	53.7	70.0
Grants	-	32.6	497.1	64.7	89.6	65.7	57.0	86.3	95.4	45.9	504.6	1,034.0	-	1,034.0

* Less than $50,000. a/ Excludes $7.0 million loan in FY 1958 financed by Asian Economic Development Fund. b/ Annual data represent deliveries; total shown is the cumulative program through 1967 when military assistance under the FAA was transferred to regular Department of Defense funding.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	13.6	63.4	330.6
IBRD-World Bank	11.0	55.0	292.0
Int'l Finance Corporation	-	-	0.5
Asian Development Bank	-	5.0	5.0
UNDP-Special Fund	1.1	1.4	14.3
UNDP-TA (CY)	0.8	0.7	10.5
Other UN (CY)	0.7	1.3	8.3

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

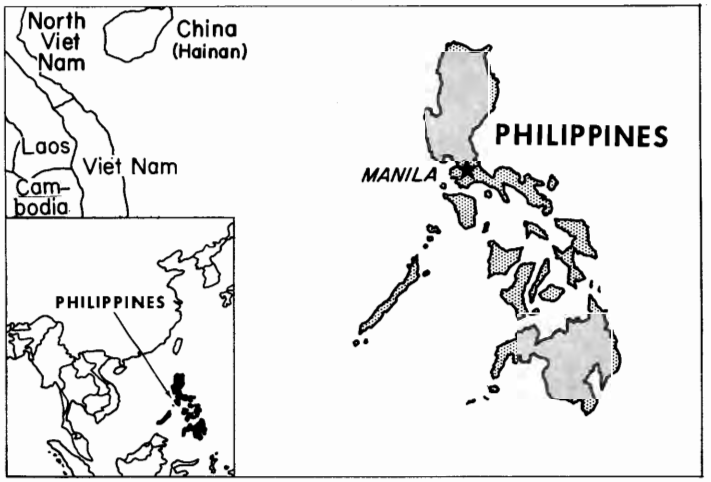
DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	30.2	21.3	93.9
Germany	17.7	10.1	45.2
Japan	3.7	4.1	22.1
Other	8.8	7.1	26.5

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative Thru 1968	-

BEST AVAILABLE

PHILIPPINES



BASIC DATA

Population *(millions – mid-1968)*	36.0
Annual Growth Rate *(percent)*	3.5
Area *(1000 square miles)*	116
Population Density per square mile	310
Agricultural Land as % of Total Area	37
Percent of Labor Force in Agriculture	53
Life Expectancy *(years)*	55
People per Doctor	1,370
Literacy Rate *(percent)*	72
Students as Percent of 5-19 Age Group *(Primary & Secondary)*	57

GENERAL ECONOMIC DATA

	Calendar Years 1964	1965	1966	1967	1968 *Est.*
GROWTH INDICATORS					
Total GNP *(millions of 1967 dollars)**	5,501	5,802	6,150	6,519	6,930
Per Capita GNP *(1967 dollars)*	176	179	184	188	193
Investment – *millions of 1967 $*	1,202	1,371	1,316	1,414	1,520
– *percent of GNP* †	23	22	22	22	22
Domestic Savings – *millions of 1967 $*	1,178	1,409	1,381	1,194	1,125
– *percent of Investment* †	85	93	106	83	74
Agricultural Production Index *(1957-59 = 100)*	126	130	133	136	139
Index per Capita	103	104	102	101	100
Rice, rough (1,000 MT)	3,990	4,070	4,090	4,360	4,600
Manufacturing Production (1963=100)	108	111	121	125	139
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	742	768	828	812	848
Coconut Products	(247)	(268)	(280)	(215)	(236)
Total Imports *(c.i.f.)*	-868	-894	-957	-1,172	-1,280
Trade Balance	-126	-126	-129	-360	-432
GOLD & FOREIGN EXCHANGE *($ millions)*††					
Official Reserves	123	192	194	180	161
Commercial Bank Holdings	74	92	121	146	152
COST OF LIVING INDEX *(1963 = 100)* (Manila)	108	111	118	125	125

CENTRAL GOVERNMENT FINANCES* (FY Ending June 30)	– *Million Dollar Equivalents* – 1966	1967	1968
Total Expenditures	689	756	850
(Defense Expenditures)	(77)	(99)	(102)
(Capital Outlays)	(118)	(126)	(196)
Total Domestic Revenues	552	673	744
As percent of GNP †	9.7	10.8	10.8
Deficit (–) or Surplus (+)	-137	-83	-106

* Converted at 3.9 pesos per dollar.

†Based on data in current prices. ††Gross basis, end of year.

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PHILIPPINES

PROGRAM SUMMARY (In millions of dollars	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Development Loans	6.7	4.4	-	-
Technical Assistance . . .	4.6	6.0	5.1	6.7
Supporting Assistance . . .	-	-	1.4*	-
Total A.I.D. Assistance	11.3	10.3	6.5	6.7

* Represents amount for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

U.S. aid is designed to help the Philippines accelerate economic and social growth within a democratic framework that includes a vigorous and growing private sector. A.I.D.'s primary objective is to help the Philippines accomplish its national goals in agriculture and rural development. Also, we will work toward a solution of economic problems exacerbated by the high population growth rate within the framework of a broader health program. Assistance will also be provided to improve Philippine law enforcement capabilities.

PROBLEMS AND PROGRESS

The Philippines has a largely literate population, rich natural resources and a favorable climate. Still, it has not been able consistently to sustain a development program sufficient to assure political and social stability. Continuing guerrilla activities in central Luzon are symptomatic of dissatisfaction with the pace of social and economic progress.

With a population expanding by 3.5% a year, the Philippines faces the increasingly difficult problem of providing enough jobs, schools, food, health services, housing, power networks, transportation and communications.

Despite rather sharp increases in tax and customs collections in 1967 and 1968, inadequate Government resources and high regular operating expenses have severely limited development programs. Public investment in badly needed transportation, communications, power, irrigation and other basic facilities remains inadequate.

The Philippines is experiencing an increasingly severe balance of payments problem. For most of 1967 and 1968 foreign exchange reserves have been precariously low, forcing the Government to expand its short-term borrowing abroad, to refinance maturing obligations, to negotiate new standby arrangements with the International Monetary Fund and to impose major restrictions on foreign exchange transactions at home.

President Marcos, recognizing the major problems confronting his nation, has instituted a number of corrective measures, and has made considerable progress in getting necessary legislation enacted. Some notable advances, under his leadership over the past three years, include:

-- Self-sufficiency in rice, achieved in 1968 (the Philippines was a net importer of approximately 570,000 metric tons in 1965);

-- Significant improvements in highway and road construction with 8,100 kilometers of roads completed -- approximately 5,600 in 1968;

-- Expanded irrigation (200,000 additional acres of land were brought under cultivation including 55,000 in 1968);

-- An anti-smuggling campaign that contributed to a 37% rise in customs revenues in FY 1967, and a further rise of 35% in FY 1968;

-- Improved tax administration that resulted in a 20% increase in FY 1967 revenues and a further rise of 14% in FY 1968;

-- Accelerated school construction (2,500 shcools constructed in 1967 and 3,500 in 1968);

-- A national nutrition program designed to combat malnutrition presently estimated to affect about 80% of the population, started in 1968;

-- A program to strengthen law enforcement, mounted late in 1967; and

-- Significant legislative acts, including an FY 1968 tax package adding nearly 300 million pesos (equivalent of $76.9 million) annually to revenue collections, and a rural electrification bill calling for area coverage, territorial protection and long-term low interest government loans to cooperatives.

Although less successful, other efforts are being undertaken by the Government in land reform, aviation, port facilities, and housing and urban development.

R

A.I.D. has played an important catalytic role in many of these achievements, especially in the areas of rice production, irrigation and revenue collection. Ten to twelve American technicians working closely with Filipinos have been instrumental in expanding the use of high-yield rice strains by Filipino farmers. U.S.-controlled local currencies have stimulated the expansion of agricultural credit through rural banks, supported intensive training of supervised credit workers and agriculture extension workers in rice culture, and accelerated the completion of a multi-purpose dam.

A.I.D. loans of $3.1 million approved in FY 1968 are financing the equipment needs of two rural electrification cooperatives. Follow-up A.I.D. technical assistance and feasibility studies are helping in the planning of a nationwide program to provide service to the 90% of the population without electric power.

From FY 1968 through the present, A.I.D.-financed surveys in such areas as water resources, telecommunications, airports and airways, grain storage and marketing, and law enforcement have helped point out deficiencies and have facilitated the extension of loans from the World Bank, the Asian Development Bank and the Export-Import Bank. During this same period, A.I.D.-financed tax, customs, treasury, aviation, health and reclamation experts have contributed to improvement in their respective fields.

FY 1970 PROGRAM

The proposed FY 1970 Technical Assistance program of $6.7 million will be concentrated on (1) agriculture and rural development; (2) health, nutrition and family planning; and (3) public safety. Some limited assistance is programmed for planning efforts related to growing urban problems.

Donations of about $6.5 million in P.L. 480 commodities for Food-for-Work, school feeding, and maternal and child health activities are planned for FY 1970.

Overall reductions in Development Loan appropriations resulted in no Development Loan authorizations for the Philippines in FY 1969.

Other external assistance has contributed significantly to the Philippines. Since 1960 Japanese reparations and commercial loans and credits have totaled $587.8 million. United Nations Special Fund and Technical Assistance projects have amounted to $27.7 million. The World Bank and International Finance Corporation have authorized project loans of $144.5 million for infrastructure development, education and agriculture.

In 1968 the Philippines received its first loan from the Asian Development Bank ($5 million). The Peace Corps is continuing to provide nearly 800 volunteers, primarily for educational programs. In addition the Export-Import Bank has loaned $292.9 million, primarily for port facilities, heavy industry and electrical transmission and distribution.

Agriculture and Rural Development

For agriculture and rural development, Technical Assistance totaling $1.1 million is proposed for FY 1970. Building on the success of the past two years, emphasis on further expansion of rice production will continue. More attention will be given to storage, handling and marketing problems. Emphasis will also be placed on crop diversification.

Modern rice production methods will be adapted to the production of corn, sorghum, vegetables and other crops. Additionally, poultry, livestock and fish production programs will be supported. The combined efforts of national and local government agencies, private institutions, farmers' organizations and U.S. technicians are being applied to raising farm outputs, improving and expanding government support and services, increasing the availability of agriculture credit and marketing information, promoting the expansion of agro-industry, and supporting efforts to introduce rural electrification cooperatives.

Health, Nutrition and Family Planning

Filipinos are growing increasingly aware of the implications of their extraordinarily high population growth rate of 3.5%. At that rate the current population of 36 million will double in the next 20 years.

While the government has not formulated a national policy on family planning, it agrees that the United States should continue to provide technical assistance to various private and governmental agencies in support of health training and educational programs, family planning and public health clinics, demographic studies and research activities.

An A.I.D.-supported pilot program begun in 1968 to increase the nutritional intake of infants and pre-school children will continue. At present, this program utilizes high-protein P.L. 480 foods, but these will be replaced gradually with products developed from locally grown commodities. Subject to satisfactory performance on the part of the Philippine Government, A.I.D. will continue to provide technical assistance to the malaria eradication program. A

total of $3.4 million in Technical Assistance is proposed for health nutrition and family planning programs in FY 1970.

Public Safety

The problem of law and order in the Philippines has attracted increasing attention in recent years. With improved statistics, the appearance of a rise in crime as well as greater concern about the crime rate has made this a major social and political issue. Statistics show that the crime rate seems to rise with population growth in certain areas and drops as improvements in police administration take place.

In support of Philippine programs to improve law enforcement capabilities, $700,000 of Technical Assistance funds in both FY 1969 and FY 1970 will help to establish badly needed training facilities, improve national and local police communications and better equip police forces.

PHILIPPINES

(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS-NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	1967	1968	TOTAL 1946-1968		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	10.4	9.2	296.3	21.2	275.1
Loans	6.6	3.6	57.7	21.2	36.5
Grants	3.8	5.6	238.6	-	238.6
FOOD FOR FREEDOM - TOTAL	30.4	5.6	142.9	3.5	139.4
Title I - Total	20.1	-	53.2	3.5	49.7
PAYABLE IN U.S. DOLLARS - LOANS	20.1	-	20.1	-	20.1
PAYABLE IN FOREIGN CURRENCY-Planned for Country Use	-	-	33.1	3.5	29.6
(Total Sales Agreements, including U.S. Uses)	(-)	(-)	(53.2)	(-)	(53.2)
Planned for Country Use	-	-	33.1	3.5	29.6
Economic Development Loans	-	-	13.7	1.6	12.1
Economic Development Grants	-	-	2.9	-	2.9
Common Defense Grants	-	-	9.4	-	9.4
Cooley Loans	-	-	6.6	1.9	4.7
Other Grants	-	-	-	-	-
Assistance From Other Country Agreements	-	-	0.5	-	0.5
Title II - Total	10.3	5.6	89.7	-	89.7
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM.	5.8	0.6	7.3	-	7.3
VOLUNTARY RELIEF AGENCIES	4.5	5.0	82.4	-	82.4
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	172.7	98.8	73.9
OTHER U.S. ECONOMIC PROGRAMS	4.0	3.5	875.4	117.3	758.1
PEACE CORPS	4.0	3.5	25.2	-	25.2
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
OTHER	-	-	850.2	117.3	732.9
TOTAL ECONOMIC	44.8	18.3	1,487.3	240.8	1,246.5
Loans	26.7	3.6	377.5	240.8	136.7
Grants	18.1	14.7	1,109.8	-	1,109.8
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.). a/	21.0	29.1	403.0	-	403.0
Credit Assistance	-	-	-	-	-
Grants	21.0	29.1	403.0	-	403.0
(Additional Grants from Excess Stocks)	(3.1)	(5.5)	(65.9)	(-)	(65.9)
OTHER MILITARY ASSISTANCE GRANTS	-	-	132.9	-	132.9
TOTAL MILITARY	21.0	29.1	535.9	-	535.9
TOTAL ECONOMIC AND MILITARY	65.8	47.4	2,023.2	240.8	1,782.4
Loans	26.7	3.6	377.5	240.8	136.7
Grants	39.1	43.8	1,645.7	-	1,645.7

OTHER PROGRAMS

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	51.2	3.9	190.4
IBRD-World Bank	37.0	-	146.3
Int'l Finance Corp.	12.0	-	16.4
UNDP-Special Fund	1.0	2.6	12.7
UNDP-TA (CY)	0.6	0.5	7.1
Other UN (CY)	0.6	0.8	7.9

D.A.C. COUNTRIES (EXCLUDING U.S.) OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	34.0	67.1	229.7
Japan	30.5	61.5	202.8
Canada	2.3	0.6	13.1
Germany	0.6	4.2	10.3
Other	0.6	0.8	3.5

ASSISTANCE FROM COMMUNIST COUNTRIES (LOANS AND GRANTS EXTENDED)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative thru 1968	-

a/ Annual data represent deliveries; total through 1968 is the cumulative program.

EAST ASIA REGIONAL PROGRAM

PROGRAM SUMMARY (In millions of dollars)				
	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Technical Assistance . . .	9.2	8.4	13.0	14.8
Supporting Assistance . . .	-	1.3*	2.5*	3.0
Contingency Fund.	-	-	2.7	-
Total A.I.D. Assistance	9.2	9.7	18.2	17.8

*Includes $1,325,000 in FY 1968 and $1,750,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

U.S. AID OBJECTIVES

The major objective of U.S. support for regional programs in East Asia is to help improve the prospects for long-range peace and stability in the area by supporting regional cooperation through praticipation in jointly administered economic development projects. A.I.D. supports Asian proposals for cooperative economic and social development involving several countries working together on common problems. A.I.D. also encourages maximun involvement of other developed nations and international organizations in such programs.

Current specific program objectives are:

--to help the Mekong Committee and the four riparian nations develop the resources of the Lower Mekong Basin.

--to help the Southeast Asian Ministers of Education organization and its secretariat (SEAMES) establish regional centers of academic excellence.

--to assist the Southeast Asian countries to prepare plans and project feasibility studies for regionally significant transportation and telecommunications projects.

--to support multilateral and cooperative efforts for improving the quality and supply of food.

--to support regional projects in Southeast Asia in such additional fields as family planning, industrial productivity and economic planning.

REGIONAL COOPERATION IN ASIA

Growing regional cooperation among East Asians is evidenced by their increased political, economic and technical consultation and cooperation. Historical animosities and political and cultural differences remain, but there are indications that regionalism is growing.

The Asian Development Bank (ADB) has already proven to be a catalytic force for development and regional cooperation in Asia. The Bank has agreed to requests from seven Southeast Asian countries and Brunei to prepare a plan for regional integration of transport systems. By March 1969 it had made 11 loans, totaling $64.4 million, to Thailand, Ceylon, Korea, Malaysia, Taiwan, Pakistan and the Philippines. It is also providing technical assistance to Indonesia, Laos, Nepal, the Philippines and Taiwan.

Japan has shown evidence that it plans substantial aid to Southeast Asia. It has confirmed its willingness to contribute $100 million over five years to the Special Funds of the ADB. In November 1968, Japan signed an agreement with the Bank committing the first year's increment of $20 million. In March 1968, Japan made a contribution of $100,000 in technical assistance to the Bank and also offered in July 1968 to provide additional technical assistance up to $31,000. Japan has also accelerated its support for the Mekong Program by conducting a feasibility study of the Nong Khai Bridge and by financing approximately half of the $18 million foreign exchange costs of the Prek Thnot Dam in Cambodia.

Canada signed an agreement in December 1968 with the ADB to provide $25 million to the Bank's Special Funds over five years. In November 1968, it offered to make available to the Bank a grant equivalent to $100,000 for technical assistance. The United Kingdom has offered to provide consultants to the ADB for technical assistance up to $250,000. West Germany has agreed to provide $40,000 for services of German experts to be utilized by the ADB for technical assistance.

The Economic Commission for Asia and the Far East (ECAFE) expanded its activities by establishing the Division of Population Affairs, the Regional Trade Promotion Center, and the Typhoon Committee. The Asian Industrial Development Council, another organization sponsored by ECAFE, is working on the establishment of an iron and steel institute for Southeast Asia. ECAFE's Third Ministerial Conference on Asian Economic Cooperation in December 1968 passed a resolution establishing a "Council of Ministers

for Economic Cooperation" under the supervision of the ECAFE Secretariat.

The Second Ministerial Meeting of the Association of Southeast Asian Nations (ASEAN), held in Djakarta in August 1968, agreed to establish a number of permanent committees on food production, transportation, communications, shipping and financial matters. This group has asked ECAFE to undertake a study of the possibilities for economic integration among member countries.

The Third Conference of Southeast Asian Central Bank Governors was held in February 1968 at Kuala Lumpur. The conferees decided to study establishment of regional centers for training bank personnel and for research on monetary matters.

FY 1970 PROGRAM

A.I.D. proposes $17.8 million for the East Asia Regional Development Program in FY 1970. This includes $14.8 million in Technical Assistance and $3 million in Supporting Assistance. This compares with an estimated FY 1969 total of $18.2 million including $13 million of Technical Assistance, $2.5 million of Supporting Assistance, and $2.7 million of Contingency Fund.

A.I.D. funds will be used for programs where Asian initiative has resulted in Asians working together to achieve mutual benefits by solving common economic development problems. This includes the Mekong program, education, agriculture and transportation/communications.

Mekong Program

This program will assist the Mekong Coordinating Committee in the development of the Lower Mekong River Basin. The Mekong River is the most important single natural resource of mainland Southeast Asia. Exploitation of its hydro-power and irrigation potential could transform the Mekong Basin into one of the greatest power and food production river basins in the world.

A.I.D.-financed data and computerized systems analysis used by the Mekong Committee has speeded completion of the first draft of an amplified basin plan, expected to be completed by June 1969. The plan will identify development strategies and project priorities and recommend administrative and financial arrangements for its implementation. It is also expected to identify additional planning and research requirements needed to supplement economic and engineering project feasibility studies. In FY 1969 A.I.D. financed the services of the Development and Research Corporation to assist the Committee in identifying these additional requirements.

An A.I.D.-financed U.S. Bureau of Reclamation team completed in December 1968 an interim report on Stage I of a Pa Mong Dam project which would be located on the mainstream 20 miles west of Vientiane. The final feasibility report of Stage I is due in January 1970. It is expected to show that the project is economically feasible. Its size would be impressive:

--Annual power output would be around 20 billion kilowatt-hours (one and a half times that of Grand Coulee Dam).

--Reservoir capacity would be over 88 million acre-feet (enough to irrigate up to 5 million acres in Thailand and Laos) with no more than 10% power generation loss.

Construction of the Nam Ngum dam, 50% financed by the United States and located 30 miles north of Vientiane, is well under way. An access bridge to the site was completed and dam construction contracts were awarded in September 1968. In December 1968 the King of Laos and the King of Thailand dedicated a 115-KV electric power transmission line across the Meking River carrying power from Thailand's Nam Pong hydroelectric power plant to Vientiane. The line is being extended to the Nam Ngum damsite and will be financed under the Nam Ngum agreement. Laos will repay the power it receives from Thailand with power from the Nam Ngum when it is completed.

In July 1968, an A.I.D.-financed feasibility study of a proposed Mekong River ports and cargo handling development plan between Pakse and Luang Prabang in Laos was completed. This study provides the basis for the proposed financing of $3 million in Supporting Assistance for construction of these facilities in FY 1970.

Along with our regional program, A.I.D. bilateral programs are also contributing substantially to the development of the Mekong Basin. In Vietnam, an A.I.D. contractor has studied flood control problems in the Delta in relation to increased agricultural productivity in that country. In northeast Thailand, the U.S. Bureau of Reclamation and Harza Engineering are examining the feasibility of a system of tributary dams on the Mun and Chi Rivers. In Laos, the A.I.D. Mission is training farmers on the Vientiane Plain in the use of irrigation.

As one of 27 countries, in addition to 12 UN agencies, participating in this work, the United States is contributing considerably less than 50% of the total resources devoted to the Mekong Committee's development program. Among other contributions are Japanese engineers who have prepared a feasibility report on the Sambor mainstream project located in Cambodia. In the fall of 1968 under United Nations auspices, pledges of $27 million were made by the United Nations Development Program, Cambodia and 10 other countries for construction of the Prek Thnot tributary dam project in Cambodia. The United States is not participating in this project.

A.I.D. Technical Assistance proposed for FY 1970 will support the following Mekong activities: $600,000 for planning and survey services related to comprehensive development planning for the Mekong Basin and $1.5 million for continuation of the Pa Mong feasibility study being carried out by the Bureau of Reclamation.

Supporting Assistance of $3 million is proposed in FY 1970 for financing engineering and construction of the Mekong River ports and cargo handling development project which includes navigation improvements, ferry crossing sites, landing sites, cargo handling facilities and boatyards.

Education

A.I.D.'s regional education program is helping to establish regional centers of excellence and to encourage Asian cooperation in education. Since November 1965, when the Education Ministers of seven countries (Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam) met for the first time, the Southeast Asian Ministers of Education Council (SEAMEC) with a permanent Secretariat (SEAMES) has been created. The Ford Foundation has made a grant of $197,000 to cover half of the Secretariat's administrative costs for the first three years; the other half is being met by the participating countries.

Under SEAMEC, project planning is well advanced for the Regional English Language Center (Singapore), the Regional Center for Education in Science and Mathematics (Malaysia), and the Regional Center for Graduate Study and Research in Agriculture (Philippines) Preliminary planning is in progress on a proposed Tropical Biology Center (Indonesia) and an Educational Technology Center (Vietnam). A cooperative program under SEAMES is also under way in the field of tropical medicine research among the seven Southeast Asian countries.

The Trustees of the Asian Institute of Technology (AIT) in January 1969 authorized a $5 million construction program after receiving pledges equivalent to half of this amount from the Thai, Australians and British, with the other half to be financed by A.I.D. Much of the operational cost of the Institute will be met through the use of seconded faculty from similar institutions in England, France, Australia, the United States and other donor countries, and through special scholarships supported by donor countries.

A.I.D. Technical Assistance of $5.9 million is proposed in FY 1970 for regional education (compared with $4.5 million in FY 1969). This will provide for part of the construction of, and other technical assistance to, the Asian Institute of Technology, the Regional English Language Center, the Science and Mathematics Center, and the Tropical Agriculture Center, which are in more advanced stages of planning. Continued assistance is also proposed for the program of cooperation in Medical Research and for planning of the Tropical Biology Center and the Educational Technology activity.

Transportation and Communications

A.I.D.'s objective is to stimulate coordinated transportation and telecommunications development in Southeast Asia, thereby promoting both economic development and greater cohesion in the region. In this regard, the United States will contribute $1 million in FY 1969 to a regional transportation survey of Southeast Asia to be administered by the Asian Development Bank. The Bank plans to obtain another $1 million from the United Nations Development Program, and the balance from its own resources.

In FY 1969, $1.5 million of A.I.D. funds will support priority transportation and communications feasibility studies of regional interest in seven Southeast Asian countries (Malaysia, Singapore, Thailand, Indonesia, Laos, South Vietnam and the Philippines) and Brunei. Funds for the construction phase would be sought from international banking and donor sources.

The FY 1970 Regional program proposes $1.1 million in Technical Assistance for additional regional transportation and communication studies identified as high priority at the 1967 meeting in Kuala Lumpur.

EAST ASIA REGIONAL PROGRAM

Agriculture

The objective is to promote regional cooperation in agricultural development.

A total of $1.1 million in A.I.D. Technical Assistance is proposed in FY 1970 for the following regional agricultural activities:

--Support for research and training activities at the International Rice Research Institute (IRRI) in the Philippines ($350,000). A.I.D. is providing U.S. equipment to help expand IRRI facilities, which in in turn will permit the Institute to work on food problems of other countries in the area.

--Release of the first year's tranche in support of the regional Asian Vegetable Development Center in Taiwan ($500,000). Project plans have been completed and pledges of support are being received in order to establish the project in FY 1970. The Center will develop new varieties of vegetable seeds and improved cultural practices adapted to the conditions in Southeast Asia.

--Provision of planning assistance for the proposed regional Coconut Research Development Center in the Philippines ($150,000). Project planning is under discussion with the Philippines. In FY 1969, A.I.D. is financing a survey to determine the scope and direction of future coconut research. FY 1970 funds will help to establish the new Center by providing U.S. organizational and research skills.

--Release of the second increment of U.S. commodity support to the Japanese-initiated Southeast Asia Fisheries Development Center ($100,000). The Center includes a research department in Singapore and a training department in Bangkok. It is financed by Japan, $500,000 for two research vessels; Singapore, $800,000 for land and buildings; and Thailand, $1 million for land and buildings. In addition, all three countries and the United States are sharing operational costs amounting to about $300,000 a year.

Family Planning

A.I.D., through the regional program, will help international organizations to develop and maintain expanded family planning programs.

In FY 1969, $1.8 million of Supporting Assistance has been programmed for population activities. In FY 1970, $710,000 of Technical Assistance funds are proposed to finance: (1) a contract with the Population Council, Inc. for advisory services and other assistance in population matters to countries in the region, (2) a family planning advisor working in the Colombo plan, (3) regional seminars and workshops held under Asian auspices, and (4) support for Church World Services population activities in East Asia.

Other Programs

A.I.D.'s East Asia regional program includes a number of other activities in FY 1970: (1) continued assistance to the SEATO Cholera Research Laboratory, which is concentrating on development of an effective cholera vaccine ($680,000), (2) support for the Southeast Asia Development Advisory Group and its research program ($625,000), (3) support for the Asian Regional Manpower and Labor Ministry Center project ($180,000), (4) financing for the Asian-American Free Labor Institute activities ($600,000) and (5) funding for the Regional Logistical Center in Japan, which provides advisory logistical support for A.I.D. programs in East Asia ($175,000).

In addition, A.I.D. will provide $1.1 million in Technical Assistance through the Regional Technical Advisory Services project for a number of activities including: support for the Regional Development Office in Bangkok, funding for A.I.D. personnel assigned to the Office of the U.S. Director of the Asian Development Bank and for other regional support activities in Manila and Tokyo and contribution of advisors for and participation in surveys and seminars for regional organizations (e.g., ECAFE, Asian Industrial Development Council) and other regional activities such as the Asian Manpower Seminar.

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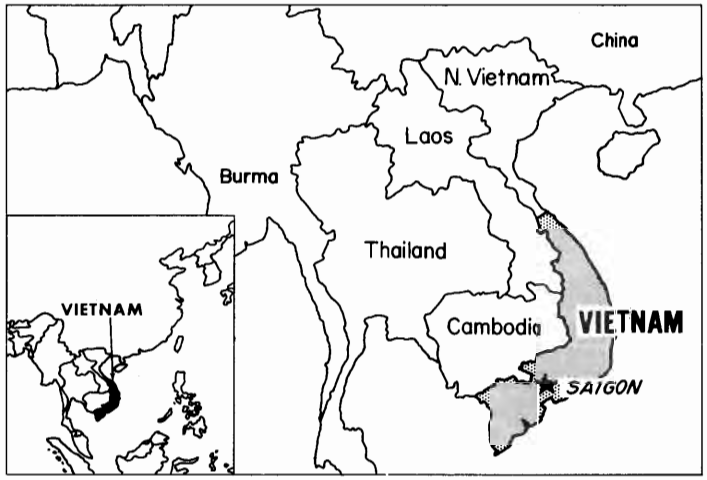
VIETNAM

GENERAL ECONOMIC DATA



CENTRAL GOVERNMENT FINANCES* (FY Ending December 31)	1967	1968(Est.)
Total Expenditures a/	722	1,008
(Defense Expenditures)	(419)	(613)
(Capital Outlay)	(n.a.)	(n.a.)
Total Domestic Revenues	451	449
As Percent of GNP	14.9	n.a.
Deficit (-) or Surplus (+)	-271	-559

* Converted at 118 piasters per U.S.$.
a/ Does not include Trust and Special Funds administered by the U.S. Government (Amounts for 1967 were $46 million and for 1968 $72 million).

BASIC DATA

Population (millions; mid-1968)..	17.4	Per Capita GNP (1967; dollars)...	175
Annual Growth Rate (percent)....	2.6		
Area (1,000 square miles).....	66	Life Expectancy (Years).....	35
Population Density Per Sq. Mile.	260	People per Doctor.....	10,700
Agricultural Land as % of Area...	33	Literacy Rate (percent).....	60
% Civil. Labor Force in Agri.....	60-70	Students as % of 5-19 Age Group.. (Primary and Secondary)	50

PRODUCTION TRENDS

	1964	1965	1966	1967	1968(Est.)
Agricultural Production					
Total Index (1957/59=100).....	125	117	105	110	103
Index Per Capita (1957/59=100).....	106	97	84	86	79
Rice, rough (1,000 MT).....	5,190	4,820	4,340	4,690	4,400
Industrial Production..... (Index 1963=100)	113	135	146	163	145
INTERNATIONAL TRADE ($ millions) (Exchange record data)					
Total Exports (f.o.b.).....	49	40	25	37	31
Total Imports (c.i.f.).....	-326	-371	-654	-754	-674
Trade Balance.....	-277	-331	-629	-717	-643
GOLD & FOREIGN EXCHANGE ($ millions) †.					
Official Reserves ††.....	141	178	306	334	279
Commercial Bank Holdings.....	4	7	16	14	26
COST OF LIVING INDEX (1963=100)..... (Saigon; excludes rent)	109	122	208	306	395

† Gross basis; end of period.
†† Includes I.M.F. gold tranche which amounted to $10 million at the end of 1968. Excludes U.S. Rice Escrow Account and blocked French francs.

VIETNAM

PROGRAM SUMMARY (In millions of dollars)	FY 1967 Actual	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Supporting Assistance 1/. .	495	400	329	440
Commercial Import Program	200	160	130 2/	240
Project Program	285	224	175	175
Administrative Costs	5	6	7	6.5
Program Support, AID/W	5	8	8	8
Non-Regional Funds	-	2	9	10.5

1/ Excludes DOD reimbursable costs of $43.2 million in FY 1967 and $34.6 million in FY 1968.

2/ Figures are on an obligation basis. Amount shown for the CIP for FY 1969 does not include some $90 million of funds obligated in FY 1968 but available for licensing of imports during FY 1969. (See table page K-3.)

U.S. AID OBJECTIVES

Within the context of overall U.S. objectives in Vietnam, A.I.D.'s goals are: (1) to prevent run-away inflation and severe economic dislocations; (2) to ease the suffering of civilians displaced or injured by the war; (3) to assist the Government of South Vietnam to expand its protection and influence over more of the population -- especially in the rural areas; and (4) to help South Vietnam develop greater national cohesion.

Because of the wartime conditions existing in Vietnam, these goals differ substantially from those that A.I.D. normally establishes in other developing countries.

(1) For example, the inflation we are trying to keep under control, although not unique to Vietnam, is a direct outgrowth of wartime expenditures and shortages. A.I.D.'s aim is to help keep the import pipeline full in order to meet increasingly heavy demands for both consumption and production goods and, on the other hand, to assist the Government in dampening demand through increased collection of taxes, duties, etc.

(2) Helping the civilian victims of the war consists largely of seeing that those who are made homeless are cared for and eventually helped to resettle, and that adequate medical facilities are established to administer to those civilians who have been injured in the course of the war.

(3) In connection with helping the Government of South Vietnam extend its influence and protection, A.I.D. assistance is centered on a program commonly known as "Pacification" but perhaps more accurately described as Rural Security and Development. A.I.D.'s role is mainly concerned with the developmental aspect of rural communities after security has been established. We encourage and assist self-help efforts aimed at political, economic and social advancement.

(4) Finally, our goal of seeking greater national cohesion is aimed at strengthening an elected central government in terms of permitting it to deal more effectively with the problems of the people in both urban and rural areas. This includes matters of health, education, public utilities, agriculture and industrial progress and, most importantly, administrative and political decentralization aimed at strengthening provincial and village governing bodies and improving their relationship with the central government.

These goals will be modified and, in some cases, replaced with the advent of peace. Those programs more directly related to the war can probably be eliminated while others dealing with recovery and development may need to be expanded. At this time it is not possible to foresee when this will come about. However, in the discussion of the FY 1970 program below we have attempted, under each major objective, to explore the implications for our program of a situation in which hostilities have ceased.

PROGRESS AND PROBLEMS

As the year 1968 began, there were many reasons for cautious optimism. Inflation was being curbed, ports were operating efficiently, and the pacification program was reaching a larger segment of the rural population. Local and national elections had been held. Domestic output was on the rise with a discernible increase in farm incomes. A large percentage of children were in school, and civilian casualties of the war were receiving better care.

The Tet Offensive. At the end of January, the Tet offensive dealt a severe setback to many of these achievements. The effect on the economy was immediate. Industrial damage exceeded $50 million, lines of communication were severed, and commerce between town and country was disrupted. Prices soared.

Both the real and the psychological impacts on the urban population were devastating. Nearly one million urban dwellers fled the fighting, and about half of these had their homes destroyed. Thousands were jobless. Children were kept from classes as school buildings

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were turned into temporary shelters. Hospitals were filled to capacity. But the Viet Cong and their North Vietnamese allies failed to achieve their main objective -- a collapse of central government authority.

During this period, many of A.I.D's programs had to be curtailed as resources were concentrated on the emergency. Special committees were established to help assure the provision of food, temporary shelter and medical care for the civilian victims of the attacks.

Post-Tet Reconstruction. By mid-summer of 1968 much of the damage had been repaired. Those made homeless had been housed, many in structures built by the people themselves with the help of A.I.D. contributions of cement and roofing, and the Vietnamese Government's contributions of cash. The principal land and water arteries were reopened, major power systems were put back in operation and pacification teams moved back into the rural areas.

The price index dropped from a high of 443 in February to 412 by December. The rebuilding of factories got under way, encouraged primarily by a $10 million A.I.D. grant earmarked exclusively for capital equipment and industrial raw materials and a roughly matching loan in local currency by the Government of Vietnam.

The new "miracle" rice program was begun on over 100,000 acres in 1968. This program resulted in yields more than double and, in some exceptional cases, quadruple the previous national average. Improvements in the production and distribution of animal vaccines, the distribution of feed and the import of hundreds of thousands of baby chicks got the accelerated protein production program off to a good start.

Current Problems. Despite undeniable progress, many serious problems remain. With public spending on the rise and employment at a high level, it will be difficult to plan and carry out fiscal and monetary restraints sufficient to keep prices from rising inordinately (over 25-30% annually). Despite recent gains, the Government of Vietnam still faces many obstacles in its effort to expand its influence in rural areas, develop local political support and organize self-defense efforts for the purpose of uprooting and rolling back the Viet Cong. More than one million refugees must eventually find the means of reestablishing themselves in a more or less permanent, economically productive situation.

In response to the increasing demands of the Vietnamese military more and more skilled men are being drafted, leaving large segments of the civilian economy and the Government with a manpower deficit. Further, the Government has announced it will undertake an extensive land reform program in the face of shortages of administrative talent.

FY 1970 PROGRAM

BY PROGRAM GOAL
(In millions of dollars)

Program Goals	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
Economic Stabilization 1/	165.7	133.8 2/	243.1
War Support & Relief 3/	50.0	31.5	30.9
Pacification	57.5	47.0	49.0
National Development	73.5	63.4	68.1
Technical Support	37.5	29.3	23.9
Program Totals	384.2	305.0 2/	415.0
Administrative Expenses	6.3	7.0	6.5
Program Support AID/W	7.7	8.0	8.0
Non-Regional Funds	2.1	9.0	10.5
TOTAL A.I.D. ASSISTANCE	400.3	329.0 2/	440.0

1/ Includes Commercial Import Program (CIP) but excludes P.L. 480 Title I.
2/ Excludes approximately $90 million obligated in FY 1968 but available for licensing in FY 1969.
3/ Excludes P.L. 480 Title II.

Assumptions

Before discussing the FY 1970 program in detail, it should be pointed out that A.I.D. is not proposing a level of assistance for FY 1970 based on assumptions of how and when the war will end. Such events will obviously affect the nature of the program, but the future is still too uncertain. Whether the war ends suddenly or over a protracted period; whether the end of hostilities results in an uneasy truce or a clear cut settlement; what the character of the potential settlement accompanying the end of hostilities will be -- all these will have significant implications for future A.I.D. programs in Vietnam.

For the present we must assume continued military activity with its injurious effects on parts of the civilian population, continued inflationary pressures and an even greater need for

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effective political competition by the Government of South Vietnam with the communists. In preparation for a possible reduction in hostilities, however, we must place increased emphasis on planning for the development of Vietnam under conditions of peace.

Program Levels

The amount requested for Vietnam for FY 1970 ($440 million) is less than that requested for FY 1969 ($480 million), but more than the amount available for Vietnam from reduced FY 1969 appropriations ($329 million).

The Commercial Import Program (CIP). A.I.D. has been able to carry out its program in Vietnam in FY 1969 with this reduced amount largely because of funds available from FY 1968. Funds were obligated in FY 1968 but remained unutilized until FY 1969 because of a drastic drop in commercial import activity during FY 1968 as a result of the Tet offensive.

Our best estimate is that we will utilize the entire $90 million of these FY 1968 funds to cover CIP licensing requirements in FY 1969. The total request of $440 million for FY 1970 should be compared, therefore, to a figure of about $420 million in FY 1969. The following table and explanation should help to clarify the situation regarding the funds available and utilized under the CIP.

CIP - Licensing and Obligations
(In millions of dollars)

	FY 1968	FY 1969	FY 1970
Net Carry-In (Obligated but unlicensed pipeline)	20 1/	90	0
Current FY Obligations	160	130	240
Total Available for Licensing	180	220	240
Actual Licensing	90	220(est.)	240(est.)
Carry Out (Available for licensing in next FY)	90	0(est.)	0(est.)

1/ Actual carry-in $64 million. Subsequently deobligated $44 million.

Funds are obligated for the CIP on the basis of anticipated licensing requirements. In FY 1968 A.I.D. had $180 million available for licensing--$160 million of FY 1968 funds plus $20 million obligated in prior years. Actual licensing, however, was only $90 million as importers reacted sharply to the destruction and loss of confidence following Tet. The remaining $90 million not needed in FY 1968 was thus available for import licensing in FY 1969. In addition, $130 million of FY 1969 funds were obligated for the CIP, for a total availability of $220 million. Latest estimates indicate that total licensing under the CIP in FY 1969 will equal the amount available--$220 million--leaving nothing to be carried into FY 1970.

In FY 1968 the amount carried into FY 1969, $90 million, was very much larger than anticipated because of the drop-off in licensing after Tet. These funds were not deobligated because we felt that once security had been established, confidence regained and import stocks largely drawn down, then licensing would rebound at even higher levels than in the past. This is precisely what happened, CIP licensing will jump from $90 million in FY 1968 to an estimated $220 million in FY 1969.

The practice of obligating a small percentage of our CIP funds in one fiscal year for use during the next fiscal year has been required in Vietnam because under wartime conditions where economic confidence and expectations can change rapidly and extensively, it is not possible to foretell with precision what import demands will be. It was necessary, therefore, to have a ready reserve which would be programmed on short notice to respond to exceptional spurts in import licensing. In Fy 1969, however, requests for import licenses rose rapidly with the maintenance of security and increased business confidence. Latest estimates indicate that the entire amount available for licensing ($220 million) will be required, with no carry-out into FY 1970. At this time, our best estimate is that the amount requested for FY 1970 ($240 million) will also be fully utilized within the fiscal year.

The Project Program. No increase is proposed for the project program despite the need to provide funds to accommodate the land reform program. Because of the high priority we place on land reform we have chosen to defer certain projects which have a lesser priority at this time.

Administration Of The Program

For two of A.I.D.'s four goals in Vietnam -- National Development and Economic Stabilization -- A.I.D. has primary management

responsibility. For the remaining two -- Pacification and War Support and Relief -- the major programs are under the direction of Civil Operations and Revolutionary Development Support (CORDS) under the Military Assistance Command, Vietnam (MACV). CORDS has responsibility for planning and directing all U.S. efforts in the Pacification, Refugee, Defector and Public Safety programs, all of which require an integrated military-civilian effort. All A.I.D.-funded activities, including those directed by CORDS, have been jointly reviewed by CORDS and A.I.D.

Reimbursements from the Department of Defense (DOD)

A.I.D. will continue to participate in certain activities directly related to the military effort. For these A.I.D. will be reimbursed by DOD. Some of these reimbursable projects such as national highways and railroad rehabilitation are planned and administered by DOD with A.I.D. assisting in implementation. Others, such as police radio network at the village level, a defector program, and air traffic control, are planned and implemented by A.I.D. and CORDS. DOD presently conducts numerous other activities of a civilian nature which it presumably will not continue after the cessation of hostilities. Some of these DOD activities may have to be continued into the post-hostilities period with the costs shifted to A.I.D. and the Government of Vietnam.

The Four Major Program Goals

Before describing the program under the four goals it should be noted that certain projects contribute to more than one goal. For example, a project to develop sources of potable water in rural areas contributes not only to War Support and Relief (as when water is made available to refugee camps) but also to National Development (as when new water sources are found for district towns and villages). A logistics project to construct warehouses so that project commodities are effectively distributed, contributes to all four goals. Funds for projects which contribute to more than one goal have been divided among the relevant goals.

1. Economic Stabilization

A.I.D. RESOURCES FOR ECONOMIC STABILIZATION

	FY 1969 ($000)	FY 1970 ($000)
CIP	130,000 1/	240,000 1/
Public Administration	1,077	957
Logistics	1,379	912
Manpower Organization	1,314	1,263
A.I.D. TOTAL	133,770	243,132
P.L. 480 Title I	110,000	135,000
TOTAL	243,770	378,132

1/ Figures are on an obligations basis. However, to make the programs for the two fiscal years comparable, the actual amount of import licensing expected under the CIP in each fiscal year must be shown. In order to arrive at the amount of licensing, the obligations are adjusted by the difference between the amount carried in from the previous fiscal year and the amount carried out into the next fiscal year (see table p. K-3). The result is an increase of $90 million in FY 1969. Actual licensing expected, therefore, is --

For FY 1969	For FY 1970
$220 million	$240 million

The Problem. One of the major problems confronting the economy of Vietnam is the increasing pressure on the prices of goods and services. Heavy war-related expenditures have swollen incomes in a situation of virtually full employment where local income-creating opportunities have been vastly expanded. To the maximum possible extent, the pressure of incomes on prices and wages must be

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contained, primarily through taxation. At the same time, an adequate supply of consumer and producer goods must be assured. It is important that inflation be contained in order to reduce political pressures on the central government, keep down the cost of the war and preserve the ability of the economy to compete in the markets of the world after hostilities end.

The problem is aggravated by the fact that the war has largely choked off Vietnam's ability to earn foreign exchange through its traditional exports of rice and rubber and through its absorption of the manpower needed for increases in domestic production. At the same time personal incomes have been increasing, with much of the increased demand satisfied only by imports.

Imports have been climbing steadily over the past six years with the exception of 1968 when the entire market mechanism was shaken as a result of the Tet offensive. Imports, which were $307 million in 1963, had more than doubled by 1967. In the twelve-month period from July 1, 1968 to June 30, 1969 imports may exceed $800 million. This total is expected to remain at least as high in FY 1970.

Approximately 45% of the foreign exchange required to meet this import bill will come from U.S. forces' purchase of Vietnamese goods and services. About 10% will come from Vietnamese earnings and reserves, while the remaining 45% will be filled by A.I.D.'s Commercial Import Program and P.L. 480 Title I sales.

The Objective and Progress to Date. A.I.D.'s principal objective is to keep inflation within bounds. During 1968 retail prices rose by 32%. This is considered "within bounds" in terms of political consequences. (By comparison, prices rose about 300-400% annually in Korea during the war years.) The objective is to hold price increases in 1969 to about their 1968 level. This would be a considerable achievement in the face of the very large increase in the money supply in 1968 (about 50%), and the continuing rise in the Government of Vietnam's military expenditures.

There are encouraging signs of progress in the tax and customs field. Direct tax collections rose by 40% in 1968 despite the disruptive effects of the Tet offensive. In the first three months of 1969 tax receipts were more than double those of the same period in 1968.

The Program. The import program remains A.I.D.'s major anti-inflationary tool. The aims of A.I.D.'s Commercial Import Program are to guard against shortages, commodity speculation and price spiraling by insuring the availability of ample consumer goods and basic economic commodities; to provide raw materials and machinery for domestic industry; and through the sale of these commodities, to generate piasters for the military and civilian budgets.

The basis for the calculation of the CIP is the estimated deficit in the Vietnamese balance of payments. The most difficult part of the calculation -- due to the lack of historical data needed to relate increases in incomes to increase in import levels -- is arriving at a useful estimate of import demand. Some correlation exists between changes in public spending and import demand, but it is far from perfect. The estimate of $800 million for FY 1970 is based, therefore, on the less than perfect historical relationship between public spending and import demand, and in part on the present trend of import licensing. It is hoped that total imports will not greatly exceed this level and that the Government will enforce tax measures necessary to contain further demand for goods and services.

P.L. 480 Title I sales play a role similar to that of the CIP in the economic stabilization program. Commodities imported under Title I are paid for in local currency, generating funds for U.S. uses and the Vietnamese Government's military budget. Commodities furnished under Title I include rice, wheat, flour, corn, cotton, tobacco, sweetened condensed milk and other dairy products. Of an estimated total of $110 million of Title I sales in FY 1969, about $60 million will be for rice (approximately 325,000 tons).

Rice imports, however, have been exceptionally low in FY 1969 because of large stocks available from the FY 1968 program. By June 1969 stocks will have been reduced to almost one-half the June 1968 level. In FY 1970, therefore, rice imports will have to be increased over the FY 1969 level because of the change in the stock position and to counter some drought damage to the 1968 crop. The total program for FY 1970 will be about $135 million, including about $85 million for rice (about 475,000 tons).

In addition to the CIP and P.L. 480, A.I.D. is continuing technical assistance activities in public administration (taxes, customs, budgeting and statistics), manpower and logistics. These projects primarily provide advisors to appropriate Government ministries in an effort to help effect the best allocation of resources during this critical period. We will continue to provide expert advice to the Ministry of Finance in matters of tax performance, budgeting procedures and the gathering of statistical data. Labor experts will begin a survey of skills and the organization of employment services. Logistics specialists will continue to help Vietnamese

develop an effective storage and distribution system and help Vietnamese take over increasing authority for the management of major ports.

In sum, A.I.D. provides funds under the CIP and commodities under P.L. 480 to fill the gap between the country's foreign exchange resources and the anticipated demand for imports. The relatively high level of imports is required in order to keep domestic production rolling, maintain the Vietnamese war effort and relieve pressure on the prices of consumer goods. In addition, technical assistance projects will help to insure continued progress in tax collections, statistics and logistics management.

Post-War Implications. It is uncertain just what the size and character of the CIP will be when hostilities end or American forces are reduced. First, import demand is likely to be affected by the kind of settlement (i.e., whether it sustains business and consumer confidence), and by whether South Vietnam feels it necessary to maintain a large military force. Second, foreign exchange earnings will depend on the presence of U.S. troops and on how rapidly exports can be revived. Together these factors will determine the foreign exchange deficit and hence the need for CIP assistance. Over the longer run, the key determinants in the foreign exchange gap will be the more conventional ones, including the Government's ability to maintain a high level of employment and foster rapid domestic growth.

By 1971 the new rice program should reach a stage where imports of rice become unnecessary. This would mean that while other P.L. 480 commodities would still be needed, the present Title I program could be substantially reduced. Finally, a continuing need for technical assistance in fiscal matters is anticipated.

2. War Support and Relief

A.I.D. RESOURCES FOR WAR SUPPORT AND RELIEF

	FY 1969 ($000)	FY 1970 ($000)
Refugees and Social Welfare	16,400	13,510
Public Health	11,902	14,232
Logistics	2,688	2,736
Public Works	495	425
A.I.D. TOTAL	31,485	30,903
P.L. 480 Title II	38,800	39,400
TOTAL	70,285	70,303

The Problem. The problem is how to help in the most effective way those civilians who have been wounded or maimed as a result of the fighting or who have had to leave their homes and villages and seek refuge in temporary camps and settlements. A.I.D.'s efforts are fused with those of the military in a combined attempt to alleviate the pain and disruptions sustained by the civilian population of Vietnam.

The Objectives. Under the refugee program our aim is to see that the approximately 1,325,000 refugees in 910 temporary camps, resettlement hamlets and other scattered locations are sheltered, clothed, fed and assisted to become self-supporting. We must also be prepared to assist new refugees in FY 1970 should the need arise, and help plan for the resettlement of at least 300,000 refugees in both FY 1969 and FY 1970. For civilian war casualties, our aim is to assure effective care of all who seek treatment at government facilities.

Progress to Date. These basic problems -- except for refugee resettlement -- have largely been met. More and more refugees are being trained and are finding jobs, while those still in camps are being provided with shelter, clothes and food. A system for distributing essential commodities is in operation, and in-country stocks are kept at levels sufficient to take care of new refugees when they arrive. The Ministry of Health, Social Welfare, and Relief has developed into a capable organization as demonstrated by the effective manner in which it handled the over one million urban dwellers dislocated during the Tet offensive.

By the end of 1968 virtually all these people had reestablished themselves. Despite the disruption of Tet and the greatly increased load it placed on the welfare agencies of the Government, nearly 325,000 pre-Tet refugees were resettled or returned home during 1968. Thousands of refugees were trained in a wide variety of skills, while nearly every refugee camp engaged in at least one self-help project.

Progress in providing hospital care for civilian casualties was also significant over the past year despite Tet. Hospital facilities have been constructed and renovated so that any and all who can be transported can be cared for. These facilities although lacking in modern conveniences are adequately if sparsely staffed and are reasonably well equipped and supplied.

Nearly 80,000 casualties were cared for in Ministry of Health hospitals, as compared to slightly over 45,000 during 1967. The construction of six hospitals was completed, over 20 dispensaries in Saigon were renovated, U.S. and Free World medical teams expanded

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their support to all 44 provinces and a 32-bed plastic surgery center for children was opened with convalescent facilities also operational.

Perhaps the most important forward step is the recent agreement between the Ministries of Health and Defense to undertake joint operation of hospitals in 29 provinces, thus greatly increasing the Vietnamese capability to treat civilian casualties, and other civilians in need of treatment. The A.I.D.-sponsored nationwide survey of hospitals, recently completed, is being used as a basis for planning the expansion of hospitals for joint use.

The Program. The principal projects designed to alleviate the problems noted above are in public health and in refugee and social welfare. Also included in the program for the first time are portions of four continuing logistics projects which help to procure, store and distribute the commodities needed by the health and refugee projects, plus a portion of a public works project aimed at providing water for refugee camps.

Funds requested for this program have decreased by $19 million since FY 1968, when activities under this program cost about $49 million. The $30 million requested for FY 1970, exclusive of foodstuffs granted under P.L. 480, Title II, reflects the fact that major A.I.D. expenditures to construct hospitals, refugee camps and provide equipment have been completed. Also the Government of Vietnam is now able to shoulder more of the burden.

The increase in funds for public health in FY 1970 over FY 1969 reflects the necessity to refinance contracts with four U.S. volunteer agencies. These contracts were originally financed in FY 1968 for two years. Specifically, the project in public health will provide nearly 450 U.S. and other Free World doctors, nurses and technical personnel who will continue to reinforce and advise the Vietnamese staffs of the provincial health services. The project also provides for selected architectural and engineering surveys and minor construction of health facilities in support of the joint civilian-military effort. One part of the health logistics project will provide over $6 million of medical supplies and equipment. In sum, these projects provide the resources to care for the present level of civilian casualties and any increase that could reasonably be expected.

The refugee program will assist the Ministry of Health Social Welfare and Relief to (1) provide temporary assistance in cash and commodities to new refugees, (2) provide assistance in cash and commodities to refugee families being resettled or returned to their own villages, (3) upgrade 250 temporary camps and reception centers into resettlement hamlets, and (4) contract with American voluntary agencies to help the Ministry improve the refugee program.

Post-Hostilities Implications. With the advent of peace, civilian war casualties and new refugees would no longer be generated. Public health programs, as they apply to operational tasks in curative medicine, should shrink noticeably, leaving A.I.D. in a strictly advisory role. The level of commodities which A.I.D. supplies could probably also be reduced. Many refugees would return to their homes in rural areas, while others would have nothing to go back to or would want to remain near the larger urban complexes. The resettlement of these people would involve substantial costs. Although some resettlement is now occurring, the coming of peace would probably trigger a general exodus from the temporary camps. The present level of A.I.D. spending on the current refugee program would probably be redirected to a major resettlement program.

3. Pacification

A.I.D. RESOURCES FOR PACIFICATION

	FY 1969 ($000)	FY 1970 ($000)
Revolutionary Development	23,036	25,410
Public Safety	21,537	20,965
Logistics	962	1,505
National Information Service	1,438	1,099
TOTAL	46,973	48,979

The word "Pacification" as used here refers to a specific program undertaken by the MACV Office of Civil Operations and Revolutionary Development Support in conjunction with various Government ministries. ministries.

Security from the Viet Cong main forces and North Vietnamese units is provided by the Army of Vietnam (ARVN), by Free World Military Assistance Forces (FWMA) and by U.S. Forces. In militarily secured areas, Revolutionary Development Cadre Teams are placed in specific villages to help the people form self-defense groups, organize local governing bodies and plan self-help projects. The accomplishment of these tasks is often made difficult if not impossible by subversive elements of the Viet Cong. Finding these Viet Cong is the objective of a program known as "Phoenix" conducted by the various units of the Vietnamese National Police assisted by A.I.D.'s Public Safety Program.

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Until recently the Revolutionary Development (RD) program was carried out by 59 member RD Cadre Teams, which entered a hamlet, helped defend it and worked to improve its economic, political and social circumstances. Procedures are being changed in 1969. The original teams are being split into two 30-man teams with Popular or Regional Forces taking over the defense responsibility.

The present emphasis is on the village as the lowest political unit. In keeping with this emphasis the RD team will operate under the authority of the village chief. This will enable elected village officials in cooperation with the central government to develop programs for their villages, thereby bringing the people and the Government together in a productive undertaking.

The Problems. The average Vietnamese village dweller is suspicious and apathetic. The major problem is to gain his confidence and encourage him to cooperate with the Government. The prime requirement is security, which is the concern of the military and paramilitary forces in the area.

Additional problems involve the way in which the Government carries out its responsibilities to the people through its social and economic programs. An overworked government in the midst of fighting a war finds it difficult to demonstrate effectively its concern for people in rural areas by providing them with security plus all the various services -- health, education, credit, land reform, etc. -- that the people desire. The Government needs and is receiving outside assistance.

The Objectives. The primary objective is to extend security to approximately 90% of the population by the end of CY 1969. In order to achieve this, certain secondary objectives must be met first. These involve the provision of personnel, funds and supplies to permit locally initiated self-help projects to be undertaken quickly and effectively.

An important aspect of building local strength is the promotion of local government powers. This can be done by granting local government certain taxing authority, more freedom to plan and execute economic improvement projects, easier access to higher authority and greater responsibility for managing land redistribution.

Progress to Date. Despite the Tet offensive there was significant progress during 1968. The population in relatively secure hamlets reached about 83% in April 1969. There are now more and better trained RD cadres and more self-help projects undertaken than in any previous year. The basic concept and composition of the RD Cadre Teams have been changed to help overcome some of the operational problems discussed above. The National Police Field Forces and intelligence units are performing more effectively in uncovering the political elements of the Viet Cong. During 1968 over 13,000 Viet Cong agents were captured. Moreover, the National Police have improved their image as a result of their effective operations during the Tet offensive.

The Program. In FY 1970 $49 million is being requested, divided between the National Police Support program and a series of programs supporting Revolutionary Development. The police program ($21 million) provides advisors, training and material support to a National Police Force of approximately 94,000 men. This force, in addition to the typical police units, includes marine police, intelligence units, Police Field Forces and other related and associated groups. In addition to routine police work, the police seek out, interrogate and incarcerate members of the Viet Cong infrastructure; carry out an identification program for the civilian population; and help to deny resources to the enemy through the use of checkpoints, inspections and investigations.

The funds requested for the Revolutionary Development program ($25.4 million) will permit A.I.D. to provide CORDS with approximately 1,000 civilian personnel to advise Vietnamese Government Ministries and to help operate the programs in the field. These personnel are located in Saigon, at the various Corps headquarters and at the province level. They advise the Vietnamese province chief, his technicians and the RD Cadre Teams. They provide assistance in the fields of self-help, logistics, warehousing and transportation. The funds also permit the use of 15 Seabee teams to help in construction projects. In addition, portions of several logistic projects and a project with the National Information Service support this program.

Post-Hostilities Implications. With peace, the pacification program should slowly revert to traditional activities in the Government ministries. With security assured, the rural population could return to its normal economic pursuits with assistance from the Ministries of Agriculture, Public Works, Education, Health, etc. The RD Cadre Teams could be disbanded or assimilated into the staffs of the provincial or village governments. The police force would, of course, still be needed. Planning in this area can only be tentative at this time.

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4. National Development

A.I.D. RESOURCES FOR NATIONAL DEVELOPMENT

	FY 1969 ($000)	FY 1970 ($000)
Agriculture and Land Reform	17,278	35,250
Education	8,346	5,377
Industry	462	676
Logistics	6,009	3,023
Public Administration	2,996	2,637
Public Health	7,502	7,646
Public Works	9,789	8,782
Urban Reconstruction and Development	9,146	3,087
Other 1/	1,868	1,583
TOTAL	63,396	68,061

1/ Includes Youth Programs and National Information Service.

The goal is to help the Government of Vietnam operate more efficiently in providing security, in improving economic and social conditions and in providing greater opportunities for popular participation in political life. Our aim is also to see that these tasks are undertaken with special emphasis at the village level.

In the final analysis, only the Vietnamese can achieve the goal of national survival. The United States can only provide a protective umbrella for a time to permit the process to take root. The jobs of improving government services, developing effective law enforcement, combatting corruption, promoting economic and political development, and carrying out a major land reform program can only be accomplished by a strong desire and effort on the part of the leaders of South Vietnam.

National development involves both the undertaking of active government programs of demonstrable benefit to the people and the creation of underlying conditions and situations within which local and private initiative can be released. The linkage of various sectors and interest groups -- government to people, rural to urban, local to central, and group to group -- within a politico-economic system which is viewed by the people as benefiting and supporting them, is "nation-building" in the broadest sense.

The Problems. Aside from the problems associated with security, the Government of Vietnam must overcome economic, political and administrative obstacles. In general, personal incomes are rising, but some segments of the population -- especially those in rural areas -- have not benefited to the same extent as some of their urban neighbors. There is need, therefore, to improve the lot of the rural population.

Equally important are the problems associated with strengthening key government Ministries so that a variety of services can flow effectively from the center to the provincial and district levels. In addition to managerial effectiveness, this also requires that corrupt practices be eliminated.

At the village level, there are problems connected with strengthening political cohesiveness so that this traditional political unit can obtain a greater voice in the affairs of the nation and gain more opportunities to improve the lot of the village people. Part of this problem is making the rural towns more attractive in order to stem the already heavy flow of people to the major urban complexes.

The Objectives. The objectives are to increase the incomes of farmers, to strengthen village governing councils politically and financially, to expand and improve basic public services, and, in order to do this, to expand and improve the effectiveness of key ministries in the central government. In addition, efforts are being made to achieve a more equitable ownership of land and to encourage individual initiative and free enterprise. This requires assistance to the Government in long range planning with the aim of developing the country's full potential. Particularly important will be the development of natural resources including the great Mekong Delta and the best utilization of human resources such as the hundreds of thousands who have received training in numerous skills as a direct or indirect result of a war economy.

Progress to Date. Despite the war there has been considerable progress in a number of fields. Farmers are beginning to broaden their horizons through the use of "miracle" rice varieties, with over 100,000 acres planted in 1968 and 375,000 to 500,000 acres planned for 1969. Several hundred thousand baby chicks are now being imported each month, and 10 commercial hatcheries have been established. Two large and 50 small feed mills are being installed, and vaccines are being produced locally. Hog production has taken a sharp upturn as has the fish catch.

Politically, the village has taken on renewed significance. More than half of all the villages in the country have held elections. Special teams are now going to these villages and showing the newly-elected councils how they can organize to tap provincial and

central government resources. In 1968 the Government relinquished its share of land tax receipts and these taxes are now entirely retained by the villages.

Both health and educational facilities are expanding in the rural areas after the temporary set back during Tet. There are more elementary and vocational schools and health facilities reasonably well staffed than ever before. Programs are under way to expand and improve secondary and higher education. Electrical and water systems are being expanded, three rural electric co-ops have been established, provincial ports and roads are being improved and the domestic airline has undertaken a program of development which will enable it eventually to use the many airfields and facilities constructed by the U.S. military during the war.

In the field of government administration, major emphasis is being given to the strengthening of local government through the training of village and hamlet officials as well as central government officials at the province and district levels. A special task force is developing procedures and training materials for village finance officials in order to promote maximum use of the authority recently delegated by the central government to local governments to collect land and property taxes and retain them entirely for village use. Instructors have been trained for the conduct of basic administrative courses on a government-wide basis, and some organizational improvements have been made in the Ministries of Agriculture, Labor and Public Works.

Progress has been impeded by last year's Tet offensive, which disrupted field and local training, and by mobilization, which has resulted in the loss of many skilled workers to the military. However, the Government has demonstrated its awareness of the need for administrative improvement by taking steps toward administrative reform, reestablishing a central Civil Service Directorate, and effecting the establishment of an independent Inspectorate empowered to oversee the work of the legislative, executive and judicial branches.

The need to suppress corruption at all levels is being vigorously pushed by the President and the Prime Minister. Some 40 Military and civilian officials have been disciplined for corruption. Province chiefs, mayors and high ranking police officials have been dismissed, while the National Assembly is continuing to expose corrupt leaders at both the local and central government levels.

The establishment of a Supreme Court in November 1968, to establish the rule of law as set forth in the Constitution of 1967, was a milestone of progress. Three of five legal Codes have been revised and sent to the President for approval (Criminal, Criminal Procedures, Civil and Commercial Procedure). The Civil Code and the Commercial Code have been drafted, but will require considerable A.I.D. assistance to finalize.

In extending land reform the Government of Vietnam has launched a program designed to redistribute as much as a third of the rice lands to small tenant farmers. In a New Year's Day speech President Thieu stated that he intended to distribute all Government-owned lands plus an additional 2,000,000 acres of rice land which will become available to "tillers of the soil" under a program of voluntary sales, backed by a reduction in the amount of rice land that landlords can hold. A joint American-Vietnamese committee has been established and has already developed a plan for reducing the time required to process ownership applications from one year to about 3 months. This plan is now being tested on government-owned lands. An interim ordinance has been issued which freezes the present tenant-landlord relationship, thereby protecting the tenant from removal or from being charged a higher rent in a period of flux as new areas are brought under government control. Also a series of aerial photographs are being undertaken which will serve to speed up the process of land identification and further accelerate the transfer of titles under the new land reform program.

In long-range planning, Vietnamese and American advisors have completed their first full year of studies. An economic planning report has been presented to President Thieu and President Nixon and is currently being studied by both Governments. It contains comments and suggestions on all aspects of the economy vital to Vietnam's future.

The Program. Nearly $70 million, or about 40% of the funds for the entire project program (exclusive of the CIP and P.L. 480), are being requested for national development. Obligations in FY 1969 will be about $30 million less than anticipated last year at this time because of (1) the inability to carry out a proposed expansion in agro-business, (2) the need for fewer funds for urban reconstruction than originally envisaged and (3) the reduction in certain U.S. technical personnel with a shift to the Government of Vietnam of responsibility for funding a significant amount of project commodities.

The total national development program will attempt to make an important impact over the next 18 months to two years on the problems outlined above. The program to improve farm incomes stresses rice and proteins. By the end of CY 1970 present plans call for additional production of 400,000 to 600,000 tons of rice -- nearly

equal to the present deficit -- and an increase in poultry and hog production averaging about 12% annually. This is expected to raise the incomes of the thousands of farmers participating in the program by 50% to 100%.

Projects in education, public health and public works are intended to provide a variety of services, facilities and utilities highly desired by the people and which the Government considers necessary if both the level of economic activity and the war effort are to be sustained. In education A.I.D. is providing textbooks, advisors and construction material while the Vietnamese Government and the people carry out the actual construction of classrooms. In addition, support is being continued to a large annual scholarship program designed to educate young Vietnamese at American campuses.

Health programs emphasize educating doctors, dentists and nurses, mounting campaigns against contagious diseases and preventable illnesses and providing simple facilities at the district level for patients not requiring hospital confinement. Skilled Vietnamese medical personnel will be urgently needed when foreign medical teams depart. The infirmaries and dispensaries at the district level are increasingly desired by the people as greater security makes it possible to travel.

Through public works, A.I.D. is participating in numerous projects designed to permit the economy and the war effort to continue to function. Power, water, telecommunications and roads which are most vulnerable to attack and sabotage must be kept operable. These projects are costly because A.I.D. is supplying not only advisors but most of the equipment as well. Once installed, these plants will continue to serve Vietnam in peace as well as war.

In FY 1970 there are no plans for any new large capital projects of a public utilities nature, mainly because of the need to hold down expenditures in a time of serious inflationary pressure. The bulk of the public works projects in FY 1970 are designed to maintain the provincial roads and waterways, operate a telecommunications system, continue to provide water and electricity on a small scale to rural areas and help complete the U.S.- backed effort in power and water for Saigon for which the major expenditures were made or committed several years ago.

In the field of public administration, A.I.D. is trying to help the Goverment improve its methods of operation and strengthen local governments. The funds requested for FY 1970 will permit continued support of an administrative training institution as well as U.S. assistance to help reform the legal and judicial system. In addition, two projects will assist local governments, primarily at the village level, to take advantage of their newly-won positions and to familiarize them with ways of improving the lives of their constituents.

A high priority has been placed on land reform since it became apparent in early 1969 that the Government of Vietnam plans to move ahead with a new program that ultimately could affect ownership of as much as 2,000,000 acres of riceland. Under the new Voluntary Purchase Program tenants would be encouraged to purchase the land they now farm. The Government will help by instituting a credit program which offers landlords a percentage of the assessed value in cash (piasters) and the remainder in seven-year bonds with maintenance of value guaranteed. The tenant-now-owner would be given 12 years to repay the Government. Further, legislative action to lower land retention limits is expected, and landlords who do not participate in the Voluntary Purchase Program will face less favorable terms in later expropriation actions. A joint American-Vietnamese committee is working on remaining policy issues.

Because the cash payment will be inflationary and place additional demands on imports, A.I.D. has offered to assist the Government in meeting foreign exchange demands by a contribution of $40 million. The A.I.D. dollars will be disbursed against evidence that the Government is making payments to landlords, and the dollars can only be used for the purchase of U.S. goods and services. Of the total U.S. contribution $10 million is being diverted from programs of lesser priority in FY 1969 and $30 million is being requested specifically for this purpose in FY 1970.

A small group of experts will continue to keep in close touch with the Industrial Development Center and private enterprise. One objective is to determine where investment funds can best be placed and what local firms have the greatest capabilities for expansion. The intention is to seek to encourage a program of small industries which can serve the rural economy by either manufacturing items needed by farmers or fabricating items from locally grown raw materials. The willingness of private entrepreneurs to risk their capital is heavily dependent, of course, upon security in the countryside.

Long-range development calls for continuing to contract with private firms and organizations to assist the Government of Vietnam in working out plans for implementation once hostilities have ceased. Certain studies applicable to economic development in a peacetime enviroment are already being undertaken jointly

by the Government of Vietnam and A.I.D. In addition, considerable thought is being given to (1) the problems of converting certain military facilities to civilian use, (2) ways in which Vietnamese can be trained to take over many non-military functions presently performed by foreigners and (3) the development of a shelf of projects to absorb some of the pockets of unemployment that will result as foreign troops are withdrawn and wartime spending is reduced.

It has not yet been possible to put a price tag on most post-war plans for reasons discussed above. Should the war end in FY 1970, A.I.D. will have to review its priorities and funding requirements in order to ascertain how the transition to peace and economic development can best be accomplished and funded.

Post-Hostilities Implications. The National Development projects correspond more closely to the normal kind of activities A.I.D. pursues in developing countries. These projects are designed to produce quantitative and qualitative changes in institutions and in output and as such are seldom fully accomplished in a short period of time.

When the war ends, Vietnam will need outside assistance to keep economic activity at a high level, expand industry and agriculture, develop the Mekong Delta and gradually improve and expand the range of social services to the people. These activities may have to be undertaken at the same time that South Vietnam is forced to maintain a large military establishment. Other friendly nations, both within and outside the region, can be expected to offer assistance, but if the United States wishes to help insure the future of South Vietnam after fighting ceases, it must stand ready to participate with some form of assistance in these national development activities.

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(U.S. Fiscal Years - Millions of Dollars)

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS												REPAYMENTS AND INTEREST 1946-1968	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD	FOREIGN ASSISTANCE ACT PERIOD								TOTAL 1946-1968		
	1946-1948	1949-1952	1953-1961	1962	1963	1964	1965	1966	1967	1968	TOTAL 1962-1968			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			1,465.2 a/	110.7	133.2	159.3	216.1	584.4	467.0 d/	303.9 d/	1,974.6	3,439.8	70.9	3,368.9
Loans			89.9	-	-	-1.9	-	-	-0.7	-0.2	-2.8	87.1	70.9	16.2
Grants			1,375.3	110.7	133.2	161.2	216.1	584.4	467.7	304.1	1,977.4	3,352.7	-	3,352.7
FOOD FOR FREEDOM - TOTAL			78.3	32.3	52.8	56.8	52.3	144.8	75.1	139.8	553.9	632.2	0.6	631.6
Title I - Total			16.4	27.2	23.9	34.8	42.0	99.8	74.7	97.9	400.3	416.6	0.6	416.0
PAYABLE IN U.S. DOLLARS - LOANS	NO PROGRAMS PRIOR TO FY 1954 b/		-	-	-	-	-	-	-	-	-	-	-	-
PAYABLE IN FOREIGN CURRENCY - Planned for Country Use			16.4	27.2	23.9	34.8	42.0	99.8	74.7	97.9	400.3	416.6	0.6	416.0
(Total Sales Agreements, including U.S. Uses)			(22.2)	(30.3)	(26.6)	(38.6)	(46.7)	(115.5)	(140.8)	(124.6)	(523.1)	(545.3)	(-)	(545.3)
Planned for Country Use			16.4	27.2	23.9	34.8	42.0	99.8	74.7	97.9	400.3	416.6	0.6	416.0
Economic Development Loans			-	-	-	-	-	-	-	-	-	-	-	-
Economic Development Grants			-	-	-	-	-	-	-	-	-	-	-	-
Common Defense Grants			11.0	27.2	23.9	34.8	42.0	99.8	74.7	97.9	400.3	411.2	-	411.2
Cooley Loans			5.4	-	-	-	-	-	-	-	-	5.4	0.6	4.8
Other Grants			-	-	-	-	-	-	-	-	-	-	-	-
Assistance From Other Country Agreements			-	-	-	-	-	-	-	-	-	-	-	-
Title II - Total			61.9	5.1	28.9	22.0	10.3	45.0	0.4	41.9	153.6	215.6	-	215.6
EMERGENCY RELIEF, ECON. DEV. & WORLD FOOD PROGRAM			0.7	1.3	23.6	19.8	6.0	38.8	-	41.7	131.2	132.0	-	132.0
VOLUNTARY RELIEF AGENCIES			61.2	3.8	5.3	2.2	4.3	6.2	0.4	0.2	22.4	83.6	-	83.6
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS			-	-	-	-	-	-	-	-	-	-	-	-
PEACE CORPS			-	-	-	-	-	-	-	-	-	-	-	-
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-	-	-
OTHER			-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC			1,543.5	143.0	186.0	216.1	268.4	729.2	542.1	443.7	2,528.5	4,072.0	71.5	4,000.5
Loans			95.3	-	-	-1.9	-	-	-0.7	-0.2	-2.8	92.5	71.5	21.0
Grants			1,448.2	143.0	186.0	218.0	268.4	729.2	542.8	443.9	2,531.3	3,979.5	-	3,979.5
MILITARY ASSISTANCE PROGRAM - (Chg. to FAA App.) c/			508.8	144.0	193.7	185.2	274.7	170.0	- c/	- c/	967.6	1,476.4 c/	-	1,476.4
Credit Assistance			-	-	-	-	-	-	-	-	-	-	-	-
Grants			508.8	144.0	193.7	185.2	274.7	170.0	-	-	967.6	1,476.4	-	1,476.4
(Additional Grants from Excess Stocks)			(52.6)	(23.7)	(13.8)	(16.0)	(63.4)	1.6)	(-)	(-)	(118.5)	(171.1)	(-)	(171.1)
OTHER MILITARY ASSISTANCE GRANTS			-	-	4.4	1.7	-	-	-	-	6.1	6.1	-	6.1
TOTAL MILITARY			508.8	144.0	198.1	186.9	274.7	170.0	-	-	973.7	1,482.5	-	1,482.5
TOTAL ECONOMIC AND MILITARY			2,052.3	287.0	384.1	403.0	543.1	899.2	542.1	443.7	3,502.2	5,554.5	71.5	5.483.0
Loans			95.3	-	-	-1.9	-	-	-0.7	-0.2	-2.8	92.5	71.5	21.0
Grants			1,957.0	287.0	384.1	404.9	543.1	899.2	542.8	443.9	3,505.0	5,462.0	-	5,462.0

a/ Excludes $3.3 million loan in FY 1958 financed by Asian Economic Development Fund. b/ Excludes aid to Indochina prior to partition. c/ Annual data represent deliveries; total shown is the cumulative program through 1966 when military assistance under the FAA was transferred to regular Department of Defense funding.

ASSISTANCE FROM INTERNATIONAL AGENCIES - COMMITMENTS

	FY 1967	FY 1968	FY 1946-68
TOTAL	1.6	0.9	9.3
UNDP-Special Fund	1.1	-	2.6
UNDP-TA (CY)	0.3	0.3	3.4
Other UN (CY)	0.2	0.6	3.3

D.A.C. COUNTRIES (EXCLUDING U.S.)
OFFICIAL BILATERAL GROSS EXPENDITURES

DONOR	CY 1966	CY 1967	CY 1960-67
TOTAL	13.4	10.8	119.8
Japan	0.4	0.5	49.3
France	5.6	3.9	39.6 e/
Germany	4.4	1.6	19.1
Other	3.0	4.8	11.7

ASSISTANCE FROM COMMUNIST COUNTRIES
(Loans and Grants Extended)

1967 (Calendar Year)	-
1968 (Calendar Year)	-
Cumulative Thru 1968	-

d/ Excludes $43.1 million in FY 1967 and $34.6 million in FY 1968 in reimbursements by the Department of Defense for grants.
e/ Aid from France in 1961 and 1962 not available separately.

BEST AVAILABLE

MULTILATERAL
ORGANIZATIONS &
PROGRAMS (L)

MULTILATERAL ORGANIZATIONS AND PROGRAMS

VOLUNTARY CONTRIBUTIONS TO
MULTILATERAL ORGANIZATIONS AND PROGRAMS

(In thousands of dollars)

	FY 1967 Actual[a]	FY 1968 Actual[a]	FY 1969 Estimated[a]	FY 1970 Proposed
Technical Assistance				
UN Development Program	70,000	75,000	70,300	100,000
UN Children's Fund	13,000	12,000	13,000	13,000
UN Technical and Operational Assistance to the Congo	3,500	2,150	500	500
UN/FAO World Food Program	2,000	2,000	1,300	1,500
UN Population Program	-	500	2,500[e]	2,500
UN Institute for Training and Research	500	500	300	400
UN Special Programs for Southern Africans	-	50	-	50
Special Contributions for Vietnam	706	1,000	400	1,000
International Atomic Energy Agency-Operational Program	984	1,000	1,000	1,450
World Health Organization-Medical Research	150	150	150	150
World Meterological Organization-Voluntary Assistance Program	-	-	1,500	2,000
International Secretariat for Volunteer Service	45	-	50	70
Total	90,885	94,350	91,000[e]	122,620
Supporting Assistance				
UN Relief and Works Agency	15,300	13,300	13,300	13,300
UN Peacekeeping Operations				
UN Emergency Force (Near East)	6,837	5,197	-	-
UN Force in Cyprus	8,000	8,000[b]	6,300	6,300
Total	30,137	26,497[b]	19,600	19,600
Indus Basin Development Fund				
Grants	22,614	26,889[c]	24,072[d]	7,530
Loans	-	-	10,340	2,480
Total	22,614	26,889[c]	34,412[d]	10,010
TOTAL PROGRAM	143,636	147,736	145,012	152,230

a/ Funded from International Organizations and Programs account unless otherwise noted.
b/ Includes $6,813,000 from Contingency Fund.
c/ Includes $5,989,000 from Contingency Fund.
d/ Includes $6,472,000 from Contingency Fund.
e/ Includes $2,000,000 from Supporting Assistance for population programs under Title X of the Foreign Assistance Act.

Through participation in and support of these multilateral programs the United States pursues its objectives of (1) assisting the economic and social development of the less developed countries and (2) promoting stability and maintaining peace through international action in areas of tension in the Eastern Mediterranean.

Advantages of Multilateral Programs

U.S. cooperation with other nations within the framework of multilateral organizations and programs has several advantages. For example, our contributions encourage the sharing of financial burdens with other countries. In most cases the United States pledges financial contributions under matching formulas, usually on a 40/60 ratio. The U.S. national income represents about 40% of the total incomes of all UN members after adjustment for low per capita incomes.

The organizations to which we contribute provide assistance on conditions which require substantial matching local cost contributions from assisted countries. The UN Development Program requires that recipient governments meet the local costs of projects and also provide counterpart personnel, buildings and other local resources. Each dollar expended by the UNDP from its central account is matched by local contributions. The UN Children's Fund estimates that assisted governments put up about $2.30 for every dollar spent by the fund from its resources.

Multilateral organizations are particularly suitable as channels of assistance to less developed countries in areas of sensitivity such as family planning. In this area the international approach of the United Nations and the World Health Organization is useful in responding to the growing appreciation of the need to address the problem of population growth outstripping resource growth. Other functional fields where developing countries tend to prefer assistance from international organizations include surveys of mineral resources and transportation surveys with strategic implications.

The multilateral approach to planning and developing resources in areas of tension is often the only practical channel. The work of the committee of the four riparian states along the lower Mekong River in drawing up a broad plan for the development of the Mekong Basin is an example. This committee, established under the UN Economic Commission for Asia and the Far East, has throughout the period of conflict in Southeast Asia succeeded in carrying out detailed planning and starting the actual construction of several dams in the Basin.

MULTILATERAL ORGANIZATIONS AND PROGRAMS

In areas of actual or potential conflict, such as the Middle East and Cyprus, the UN is the only instrumentality through which peacekeeping forces can be introduced, as is now the case in Cyprus, and through which essential care can be provided to refugees, as in the case of the UN Relief and Works Agency (UNRWA) for Palestine Refugees.

Distribution of Funds

About 87% of the funds requested for contributions to multilateral organizations for FY 1970 are proposed for multilateral programs of economic and social development. The UN Development Program, headed by Mr. Paul Hoffman, is at the core of the UN effort to promote the development of the poorer countries. It finances preinvestment surveys and institution-building projects and helps transmit techniques and skills through the provision of experts and fellowships. The UN Children's Fund, headed by Mr. Henry Labouisse, has gained a worldwide reputation for its work in improving the health and welfare of children and mothers. The World Food Program uses food for economic and social development and also provides emergency feeding in disaster situations. The Indus Basin Development Fund, administered by the World Bank, is nearing completion of a major undertaking to make productive use of the waters of the Indus River and at the same time to remove a source of friction between India and Pakistan.

The remaining 13% is proposed for contributions to UN organizations helping to promote stability in the Eastern Mediterranean area--UNRWA and the UN Force in Cyprus.

Balance of Payments Effect

The United States seeks to minimize the unfavorable balance of payments effect of contributions to international organizations by using, where appropriate, resources which do not add to the dollar drain. U.S. agricultural commodities available under P.L. 480 are used to meet a portion of the U.S. contribution to UNRWA and the World Food Program. Excess foreign currencies are used as part of the U.S. contribution to UNRWA and the UN Development Program.

The major UN programs have their headquarters and administrative staff in this country and purchase substantial quantities of U.S. supplies, equipment and services for program activities. Thus a large portion of the dollars which we contribute are actually spent in the United States. Estimates made by the UN agencies indicate that they will spend in the United States in 1970 an amount which is about 88% of the dollar funds contributed by the United States in that year.

FY 1970 PROGRAM

The President has requested the appropriation of a total of $152.2 million for contributions to multilateral organizations and programs in FY 1970. The request is divided into three components:

-- Funds for contributions to the UN Development Program, the UN Children's Fund, and ten other programs are proposed under the authorization for technical assistance through multilateral organizations (Section 202 of the Foreign Assistance Act of 1969). The request in this category is $122,620,000.

-- Contributions to the UN Relief and Works Agency and the UN Force in Cyprus totaling $19.6 million are proposed as part of the request for Supporting Assistance (Section 452).

-- For contributions to the Indus Basin Development Fund, a grant of $7.53 million is proposed under Section 401 (d). In addition $2.48 million is requested under a previous authorization for Indus Basin loans--($0.8 million of which is requested for appropriation in FY 1970).

UNITED NATIONS DEVELOPMENT PROGRAM

The United Nations Development Program (UNDP), created and improved through initiatives of the United States, is at the core of all activities in the UN family designed to raise the economic levels of the developing countries. Under the leadership of Mr. Paul Hoffman, it is a well administered multilateral program providing pre-investment and technical assistance. In recent years it has attracted growing financial support from donor countries, both developed and developing, while requests from less-developed countries for UNDP services are also rising, particularly in the fields of physical resource surveys, agriculture and industrialization.

The U.S. contribution to UNDP is pledged on a 40% matching basis. This practice has been successful in encouraging others to share the burden of the development effort. Every $4 contributed by the United States generates at least $6 from other donors to the central fund and an equal contribution to their projects by the recipient developing countries. Thus each U.S. dollar is multiplied by four on development projects under UNDP auspices. In the past four years, the U.S. pledge has been consistently matched and has been instrumental in inducing increasing contributions from other

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donors. Sixty-two countries have already increased their 1969 pledges over 1968, and an appropriate increase in the U.S. contribution would help greatly in maintaining this upward curve.

UNDP represents the combination of two formerly separate programs--the Expanded Program for Technical Assistance and the Special Fund --which merged in 1966. Unified direction of these programs, begun at the top, is being extended to the system as a whole. At the country level the UNDP accredits Resident Representatives, whose functions are being extended to cover most of the activities of the UN family of agencies. The Resident Representatives coordinate UN assistance activities with those of the host government, as well as with A.I.D. and other bilateral assistance programs.

The Special Fund part of the UNDP performs the survey work and other types of pre-investment effort necessary to attract capital to the areas involved. The projects are requested by the country, developed with the assistance of the Resident Representative and presented to the UNDP Governing Council for approval. As of January 31, 1969 the UNDP had allocated $1 billion to 1,025 Special Fund projects, of which a total of 242 had been completed. Counterpart contributions from recipient governments for these projects were $1.4 billion. Of these projects 411 were resource surveys, 372 were for technical education and training, 218 for applied research and 24 for economic development planning. By region, 378 were located in Africa, 258 in Asia and the Far East, 241 in the Americas, 77 in the Middle East and 69 in Europe. There were also two inter-regional projects.

The UNDP Administrator has recently announced that by the end of 1968, capital investment commitments amounting to $2,800 million had been reported as resulting from or related to the findings of projects assisted under the Special Fund component.

The Technical Assistance part of UNDP provides experts and fellowships for up-grading the human resources of the participating countries. New continuous programming procedures for technical assistance will be inaugurated in 1969. Now it will be possible for recipient countries to plan for UNDP technical assistance projects of a duration of up to four years, although expenditures will be determined on the basis of annual targets for each country. Prior to a Governing Council meeting in January 1969 the Administrator had reviewed and approved country projects amounting to almost $25 million for 1969. This was a preliminary figure and should rise as additional projects are approved, since the total earmarking for country programs for 1969 is $47.1 million. The UNDP also has earmarked $11.9 million for regional and inter-regional technical assistance programs in 1969.

Pledges announced at the 1969 UNDP pledging conference, and subsequently, indicate substantial increases by other governments. As of February 1969, 62 countries had increased their pledges by $18 million over 1968 levels. It now appears that the U.S. contribution to UNDP for 1969 will amount to about 33% of the total of all governments' contributions, whereas in previous years the U.S. contribution represented close to 40% of the total.

UNDP estimates that contributions from other governments will total at least $150 million for 1970. It is proposed that for 1970 the United States contribute $100 million to the UNDP, subject to the condition that its contribution not exceed 40% of total government contributions.

UNITED NATIONS CHILDREN'S FUND

The goal of the United Nations Children's Fund (UNICEF) is to improve the lot of children and youth. UNICEF pursues this goal by providing needed supplies and equipment and furnishing assistance for the training of national personnel to operate programs in behalf of children.

UNICEF is currently providing assistance in 119 countries. Its accomplishments are many:

- -- UNICEF has helped equip over 1,080 teacher-training schools and about 37,900 associated primary schools, 24,700 of them for the first time in 1968.
- -- Over 670 pre-vocational training schools for young people have been equipped, including 160 in 1968.
- -- Aid has been given to 3,000 mothers' clubs and 1,500 day-care centers. Of the latter, 400 were assisted in 1968.
- -- Over 470 training institutions for welfare workers have been helped, including 55 in 1968.
- -- More than 430,000 national personnel were trained with UNICEF stipends, of whom 100,000 completed training in 1968.
- -- In nutrition programs, 7,000 schools have been assisted to establish gardens or canteens, including 1,100 in 1968.

-- More than 11,300 main health centers and 29,600 subsidiary health centers have been equipped by UNICEF. In 1968, the number of main centers newly assisted was over 600 and the number of sub-centers about 2,500. In addition, nearly 1,500 training institutions for various categories of health personnel have been equipped.

-- Over 283 million children have been vaccinated against tuberculosis in UNICEF-aided projects, including 25 million in 1968.

-- About 32 million children were protected against malaria in 1968 with insecticides and other materials provided by UNICEF.

-- More than 22.7 million children have been treated for yaws in campaigns assisted by UNICEF, including 300,000 in 1968.

-- More than 39 million children have been treated for trachoma with UNICEF help, including 2 million in 1968.

-- About 300,000 children have completed treatment for leprosy and 850,000 children were under treatment at the end of 1968.

In June 1968 the UNICEF Executive Board approved a 1969 calendar year program of $44,504,600. Forty-eight percent of the allocations were for health activities, 13.6% for nutrition, 27% for education, and 4.1% for family and child welfare. It is expected that the UNICEF Executive Board meeting in May 1969 will approve allocations of about $45 million.

Contributions came from 119 governments in 1968. Thirty-six of these governments increased their 1968 contributions over their 1967 pledges. Governmental contributions totaled $28.8 million and when combined with non-governmental contributions and other income brought UNICEF's total income for 1968 to $43.5 million.

UNICEF estimates that contributions, including administrative costs of field offices, will come from approximately 134 governments in 1969 and that contributions of other governments will amount to $19.3 million.

It is proposed that the United States pledge $13 million to UNICEF on a 40% matching basis for the calendar year 1970.

UNITED NATIONS TECHNICAL AND OPERATIONAL ASSISTANCE TO THE CONGO(K)

Since achieving independence in 1960, one of the Congo's critical problems has been the lack of trained personnel to carry on essential governmental operations. To help meet this need, experts with the required technical skills and language competence have been made available through the UN program, as well as through bilateral channels. The UN program provides experts in agriculture, aviation, public administration, public works, public health, communications, education, transportation, postal services and economic planning. With this assistance, the Congo Government has been able to keep central and provincial operations functioning at a tolerable level.

Thus the UN program contributes to the U.S. objective of establishing the Congo as a unified, viable, independent state capable of maintaining political stability, internal security and a reasonable rate of economic and social development.

As Congolese counterparts have achieved competence to take over operational responsibilities, the number of experts provided by the UN has declined from 300 in 1967 to an authorized strength of 191; on board strength was 148 in 1968, with 108 projected for 1969, 60 for 1970 and 45 for 1971. Eventually essential experts and advisers are expected to be provided under the normal criteria of the UN Development Program, with the remainder engaged and paid directly by the Congo Government.

The total costs of the program for CY 1969 are estimated at $2.4 million in foreign exchange and $500,000 equivalent in local currency for local costs. Canada, Belgium and perhaps other donors are expected to contribute to the 1969 program. The United States has pledged $970,000--$470,000 from FY 1968 and $500,000 from FY 1969 funds. The Congo Government has agreed to meet any foreign exchange deficit in the program up to $1 million in foreign exchange as well as paying the $500,000 in local currency costs cited above.

UN/FAO - WORLD FOOD PROGRAM

The World Food Program (WFP), administered jointly by the UN and the Food and Agriculture Organization, uses food aid to stimulate economic and social development, to assist in pre-school and school feeding programs, and to meet emergency food needs. Begun on an experimental basis in 1963, WFP was extended indefinitely in 1965. Through the end of 1968 WFP had approved commitments of $455 million for 321 development projects in 75 countries. During the

same six-year period it had allocated an additional $61 million for 76 emergency operations in 49 countries.

Contributions are mainly in food, but also include cash and services such as ocean transportation. Donors during the present pledging period (1969-70) now total 63 countries.

About one-fourth of WFP's commitment for development purposes have been allocated to pre-school education and youth projects. Through such programs, which use food aid to support improved diets and nutritional needs of children, savings effected by recipient governments are made available to finance improvements in educational and training facilities.

Agricultural development itself has benefited from food aid used to support activities such as land reclamation, watershed management and soil conservation. In the promotion of forestry development, a slowly maturing but long lasting development, WFP assistance in China and Turkey, for example, has been quite successful. Livestock development projects in countries such as India and Tunisia have been similarly effective. Such projects are designed to increase local production of animal protein.

An integral part of WFP projects are the self-help measures required of recipient countries. Depending on the nature and needs of the project, the recipient countries are required to provide support services, manpower or other essential requirements. Project agreements stipulate that the recipient country be willing and able to assume responsibility for the continuation of the project or the operation of the facility developed, once WFP assistance has been terminated.

In continuing to deal with emergency situations, WFP recently has assisted victims of floods in Indonesia, Turkey, Pakistan and Syria. Countries such as Jamaica, Botswana and Lesotho were granted food aid following situations of drought. Turkey was given earthquake disaster relief, and help was provided for victims of two cyclones in Mauritius. Following military hostilities in the Middle East in 1967, WFP helped feed displaced persons in several countries.

WFP is now in its third operational period (1969-70). Pledges total $166 million towards a target of $200 million for the two-year period. The United States has pledged (1) commodities up to a maximum of $70 million, subject to the condition that the U.S. contribution in commodities does not exceed 50% of the contributions in commodities and cash used for the purchase of commodities, (2) shipping services, currently estimated at up to $27 million, to transport commodities supplied by the United States, and (3) up to $3 million cash toward 40% of the reasonable and necessary administrative expenses of WFP. $1.5 million is requested to meet the cash portion of the U.S. pledge for FY 1970.

U.S. contributions of commodities and shipping services are provided under the Food for Peace Act (P.L. 480).

UNITED NATIONS POPULATION PROGRAM

The Congress has endorsed assistance to countries desiring to establish population and family planning programs. The UN system affords a unique instrument, free from political connotations, to provide such assistance effectively. During the past few years the major UN agencies have laid the legal and organizational groundwork for undertaking action programs in family planning; as a consequence these agencies are now in a position to develop and pursue effective operational programs.

Toward this end, Secretary-General U Thant has established a Special Trust Fund for Population and has asked the United States and other nations for contributions. From FY 1968 funds the United States contributed $500,000 to the Trust Fund for financing a field staff to help countries identify and prepare action project requests in the population field. In addition to providing for the costs of the advisers in the field, the U.S. contribution provides an appropriate share of the costs of a training program for the field advisers and some of the Headquarters costs for backstopping the field staff.

For FY 1969 $2.5 million was requested for a voluntary contribution to UN population activities. Early in the fiscal year $235,000 was contributed to the Trust Fund to assist in funding increased staff and an expanded program of the UN Regional Economic Commission for Asia and the Far East (ECAFE) in the population field. In December 1968, in connection with the observance of Human Rights Week, a further contribution of $1 million to the Trust Fund was announced, to fund action projects in population/family planning requested by countries. Program proposals are being developed by the UN Economic Commission for Africa, the World Health Organization, and the Food and Agriculture Organization. The balance of the $2.5 million is expected to be pledged in the near future to assist in financing these programs.

The growing awareness among governments of the relationship of a sound population program to development and rising living standards is expected to give rise to a constantly increasing number of country requests to UN organizations for assistance in the

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population/family planning field. To meet this demand in FY 1970, $2.5 million is requested for a U.S. contribution to the Secretary-General's Population Trust Fund to help further the expansion of the United Nations Population Program. This program is expected to involve increasingly greater attention to population within the UN and its specialized agencies, and will permit positive responses by the UN system to an increasing number of requests from countries or groups of countries for assistance in this field.

UNITED NATIONS INSTITUTE FOR TRAINING AND RESEARCH

The UN Institute for Training and Research (UNITAR) benefits this country by working to improve the effectiveness of the UN system in several ways: applying modern research techniques to UN operations, clarifying problems and issues that face the UN, improving the competence of UN personnel and providing a broad range of training in international organizations and programs.

UNITAR has succeeded in organizing seminars and training courses in diplomacy, technical assistance and industrial investment promotion and in providing specialized regional training for young diplomats from developing nations. It is organizing courses for higher level personnel and is planning a colloquium during 1969 for the exchange of relevant experiences among high-level officials of the UN system.

UNITAR has completed, or is close to completing, projects on the criteria for evaluating UN economic assistance programs, the status and problems of very small states, the acceptance of multilateral treaties, UN public information activities and the implications of the brain drain. Studies in progress deal with UN organization and administration (planning, programming and budgetary systems and UN relations with regional organizations), with development and modernization, with methods and machinery for the settlement of international disputes, with the programming of UN development assistance and with international implications of science and technology.

From the U.S. point of view UNITAR's principal research contribution is that it looks at UN activity as a whole. By being specifically concerned with scholarly research and analysis designed to enhance the effectiveness of the entire UN system rather than with the value or effectiveness of particular programs, UNITAR seeks to avoid duplicating the research of other UN bodies.

The UNITAR budget for 1969 is $1,334,000, close to last year's $1,290,000. Since inception of UNITAR in 1965, through 1968, cumulative pledges from 76 governmental sources totaled $4,195,654, of which the United States had pledged $1,100,000 ($300,000 in FY 1966 and $400,000 each in FY 1967 and FY 1968). The United States expects to pledge $400,000 in FY 1969. It is proposed that the United States also pledge $400,000 in FY 1970, subject to the condition that U.S. cumulative contributions do not exceed 40% of total cumulative contributions from governments.

UN EDUCATIONAL AND TRAINING PROGRAM FOR SOUTHERN AFRICANS

Along with other UN members, the United States has expressed its opposition to discriminatory racial practices in southern Africa and its hope that progress can be made toward the fuller realization of the fundamental rights of all the inhabitants through peaceful and practical means. To that end, the UN has begun several humanitarian programs in the region. It is proposed that the United States contribute to one of these programs--the UN Educational and Training Program for Southern Africans.

The Program was established in 1967 through the consolidation of programs providing "technical education, education for leadership, and teacher training" for refugees from South West Africa (since 1961), Portuguese Africa (1962) and South Africa (1964). Some Southern Rhodesians also are accepted into the Program. The purpose of consolidation was to improve the administrative efficiency of the UN's training efforts.

At last report, 273 South Africans, 60 South West Africans, 145 Portuguese Africans, and 24 Southern Rhodesians were in the Program, and 58 others had qualified for awards for which funds were lacking. Eighteen countries in all, including the United Kingdom, Sweden, Norway, Denmark, Canada and Japan had contributed $1,284,800, while an additional $600,000 had been provided by the regular UN budget. The United States has contributed $100,000, accounting for about 8% of total voluntary contributions.

The Program is short of funds and cannot continue at present levels without additional voluntary contributions. Even at present levels, it is not reaching all of those in need of educational assistance. We propose that the United States pledge $50,000 from FY 1970 funds as a concrete demonstration of our interest in constructive action in southern Africa, and to make it possible for greater numbers of southern Africans to obtain an education without having to accept scholarships from countries unfriendly to the United States.

MULTILATERAL ORGANIZATIONS AND PROGRAMS

SPECIAL CONTRIBUTIONS FOR VIETNAM

With U.S. encouragement, various UN agencies have increased their humanitarian and economic development aid to South Vietnam. The United States believes that present UN programs will help lay a foundation for the increased multilateral assistance that will be needed in the post-hostilities era for rehabilitation and social and economic development.

Assistance financed by the UNDP and executed by the specialized agencies plays a key role in the UN-system effort. Two UNDP Special Fund projects have moved into the operational stage. In November 1967, the Government of the Republic of Vietnam, the UNDP and the Food and Agriculture Organization (FAO) signed a plan of operations for a project designed to improve the supply of fish from offshore waters. In January 1968, the plan of operations for a second UNDP project in Vietnam was signed, providing for the establishment of a National Technical Center for secondary-level technical education. This latter project is being executed by UNESCO.

In addition to programs funded from their own resources, UN agencies active in Vietnam have indicated that they will accept voluntary contributions for funds-in-trust arrangements for specific projects. In 1967, the United States entered into a funds-in-trust arrangement with FAO following a request from the Vietnamese Government to FAO to enlarge the scope of the UNDP fisheries project, mentioned above. Under this arrangement, the United States will contribute up to $2,012,000 to FAO in three installments; the first payment of $705,600 was made from FY 1967 funds. The Netherlands Government has also contributed $220,000 for construction of a fishing vessel to be used in the project which is designed to expand the capacity of the Vietnamese fishing industry to provide needed protein for the people's diet.

In May 1968, the United States entered into a funds-in-trust arrangement with the World Health Organization (WHO) following a request from the Vietnamese Government to WHO for assistance in establishing a National Institute of Public Health. WHO will provide the experts to train technicians, while the Government will provide the site for the Institute. Subsequently the Netherlands agreed to contribute $500,000 to WHO for this project. The plan of Operations for the project was signed on November 24, 1968.

The United States also is exploring with UNICEF the possibility of helping establish an Institute of Social Welfare, to which the Dutch have already contributed $355,000 on a funds-in-trust basis. The Institute will train relocation and rehabilitation specialists to help with the problems of Vietnamese displaced by the war.

It is proposed that $1 million be made available in FY 1970 as the U.S. contribution to special UN projects in Vietnam.

INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)--OPERATIONAL PROGRAM

The IAEA Operational Program, established in 1962, provides technical assistance to developing countries to advance the peaceful uses of atomic energy. The United States played a leading role in setting up this Program and is committed to its continuation.

The important safeguards provisions of the Nuclear Non-Proliferation Treaty (NPT) to prevent the diversion of nuclear materials from peaceful to military uses will be implemented by the IAEA when the Treaty comes into force. The Agency already has an effective safeguards system in operation, financed from the assessed budget by all IAEA Member States. We believe this system must be expanded to meet the requirements of the NPT. Many of the less developed countries, however, consider the problem of proliferation of nuclear weapons to be largely academic. Yet they are deeply interested in technical assistance enabling them to benefit from peaceful applications of nuclear energy. By supporting the technical assistance activities of direct benefit to the less developed countries, the United States contributes to the economic and social objectives of these countries and also helps to gain their support for the safeguards program.

The IAEA Operational Program, which is funded primarily by voluntary contributions from Member States, provides fellowships for training in nuclear science, and experts and equipment for technical assistance projects including the use of modern nuclear technology in hydrology, industrial processes, energy generation, medical diagnosis and treatment, and food preservation, etc.

During 1968 the program financed the assignment of 160 experts and visiting professors to Member States, the award of approximately 280 fellowships, and 13 international or regional training courses and seminars.

A contribution of $1,450,000 to the Operational Program is proposed for FY 1970, an increase of $450,000 over 1969. Of this contribution, $650,000 would be in cash and the remainder in kind. The cash contribution, $50,000 over the 1969 availability, will provide for matching the total unrestricted cash contributions of all Member States on the 40% basis generally used by the United States for matching voluntary contributions in programs of this type. The U.S. pledge to IAEA for 1969 was restricted to 32.5%.

MULTILATERAL ORGANIZATIONS AND PROGRAMS

The $800,000 request for contributions-in-kind, an increase from $400,000 in 1969, will provide about $400,000 ($113,000 in 1969) for the services of U.S. experts for assistance projects, technical seminars and meetings, training courses, and small equipment grants for the Agency's technical assistance projects and laboratories. This portion of the program is administered by the Atomic Energy Agency. The request will also provide about $400,000 ($287,000 in 1969) for about 50 fellowships for training in the United States of scientists and technicians from developing countries. This fellowship program is administered by the National Academy of Sciences. The United States, in supplying contributions-in-kind, selects those of greatest interest to this country from projects developed by the IAEA.

WORLD HEALTH ORGANIZATION - MEDICAL RESEARCH

The International Agency for Research on Cancer (IARC) was established by a resolution of the World Health Assembly in May 1965. Membership is open to all WHO members who wish to participate. There are now nine members: Australia, France, Germany, Israel, Italy, the Netherlands, the United Kingdom, the U.S.S.R. and the United States. Each member contributes $150,000 annually.

Operations began in May 1967, under Director John Higginson, an American. The Agency is now working on the identification of cancer incidence on a global basis in order to draw attention to specific needs and problems in cancer prevention, including those relating to populations of high and unusual cancer risk. Studies of the causes of human cancer under different environmental conditions are being launched.

One typical IARC project is designed to measure the level of exposure to aflatoxin in the diet and to relate this to the incidence of liver cancer in different populations in several parts of the world. Another is the collection in Africa, Asia and Latin America of human fat tissues to investigate the potential carcinogenic hazard of DDT. Still another is a small program initiated by the Singapore Regional Center to investigate soy sauce and other products as a possible source of dietary aflatoxin exposure.

The Director of the National Cancer Institute, who heads the U.S. Delegation to IARC meetings, has said that the Agency is carrying out projects which, were it not for the Agency, NCI would have to do on its own.

$150,000 is requested for FY 1970 for the calendar year 1969 U.S. annual contribution to the Agency.

WORLD METEROLOGICAL ORGANIZATION(WMO) VOLUNTARY ASSISTANCE PROGRAM

The WMO Voluntary Assistance Program, funded by voluntary contributions, was established by the WMO Congress in April 1967. At this same Congress, the WMO launched the World Weather Watch, a system which is designed to bring the global atmosphere under surveillance and provide for the rapid collection and exchange of weather data. This plan should improve weather forecasting for end-users, including agricultural producers and the construction, transportation and fisheries industries.

The successful global implementation of the World Weather Watch is important to the United States. At present, adequate weather data is unavailable for over 80% of the earth's surface, primarily the oceans and the less developed countries.

Under the World Weather Watch, each of the 132 Members of the WMO is called upon to implement needed improvements in observations, data processing and communications in their territories. To the extent that less developed countries lack foreign exchange resources to obtain equipment required for the implementation of the World Weather Watch in their territories, the WMO Voluntary Assistance Program will assist them with the necessary equipment such as rawinsonde ground equipment, observation balloons, radiosondes, and receiving and transmitting communications equipment. The assisted countries will be expected to provide local facilities and personnel.

The WMO Voluntary Assistance Program has a total annual target of $5 million and is in two parts: (1) an Equipment and Services Program, to which member countries make contributions-in-kind; and (2) a Voluntary Assistance Fund, administered by the WMO, to which members make cash contributions.

Under the Equipment and Services Program, advanced countries will provide technical equipment and services for projects which they select from a list approved by the WMO. The United States will assist projects which we believe are most important to this country. The Voluntary Assistance Fund will permit the WMO to provide equipment and services for high priority projects which need assistance but are not undertaken directly by advanced countries.

An appropriation of $2 million in FY 1970 is proposed as a U.S. contribution to the Voluntary Assistance Program. This estimate would provide a U.S. cash contribution of $200,000 to the Voluntary Assistance Fund for CY 1970 on the basis of matching at a 40%

rate the unrestricted cash contributions of all WMO Members. It would also provide $1,800,000 for contributions-in-kind to the Equipment and Services Program. These contributions will consist of U.S. equipment, experts and services, and the training in the United States of persons from less developed countries in the field of meteorology. This program will be administered by the Environmental Science Services Administration, which will be reimbursed from this appropriation for administrative costs estimated at 6% of project costs.

The appropriation request reflects an increase over 1969 of $500,000 for the contribution-in-kind. The United States believes that this program has been established on a sound basis and that an increase in the U.S. contribution is necessary to enable the WMO to meet its target level and thus to make a major contribution to obtaining the vital weather data needed by this country.

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE

In March 1967, the member countries of the International Secretariat for Volunteer Service (ISVS) voted to extend its life for four years. The United States continues to participate in the ISVS because it continues to fulfill its original role: to function as a clearinghouse on information concerning volunteer service activities the world over and to encourage and assist other countries wishing to organize their own Peace Corps-type programs. The participation of the United Stated fulfills the objectives of Title III of the Peace Corps Act, i.e., to encourage volunteer activity in the field of development.

The ISVS has stimulated the exchange of information through its publications, seminars, workshops and operational meetings. For example, in the latter half of 1968 the ISVS organized an administrative workshop, a legal workshop and a medical workshop. The ISVS has also been instrumental in bringing together from time to time the directors of various national volunteer sending agencies. The exchange of views and cultivation of new ideas which have occurred at these meetings have proven very helpful to the Peace Corps as well as to other volunteer sending programs in facing many of their problems. The ISVS is continuing these exchanges and before the end of FY 1969 will have organized additional workshops in evaluation techniques, training and language preparation. The ISVS also keeps its membership informed of developments in the field of international programming and the implications of these developments.

The budget for FY 1969 amounts to $200,000, to which the United States has pledged $50,000 from FY 1969 funds on condition that the U.S. contribution does not exceed 28% of total governmental contributions and that it will be used only to finance international clearinghouse functions.

It is expected that the new interest in international volunteer activities will require expansion of the ISVS clearinghouse function along with increased activity in multinational programming. Volunteer organizations have already begun to tax the resources of the ISVS in requesting information and services of it in these new fields of activity.

The ISVS is expected to adopt a budget for FY 1970 of at least $250,000, to which the United States proposes to pledge $70,000, limited to 28% of total contributions.

In addition to the U.S. cash contribution, the Peace Corps plans to continue the detail of two staff members to the ISVS and the Department of State expects to detail one Foreign Service officer.

UNITED NATIONS RELIEF AND WORKS AGENCY

The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), created in 1949, helps feed, house, educate and provide health services for the Arab refugees of the 1948 Arab-Israel conflict. U.S. support for UNRWA meets a clear humanitarian need. It also helps inject an element of political stability in the Middle East, complementing current efforts to achieve peace and helping protect our basic interests there.

By the end of 1968 this refugee population numbered 1,375,915 (of whom 825,679 were receiving rations from UNRWA), distributed as follows: Jordan East Bank, 478,369; Israeli-occupied Jordan West Bank, 269,065; Israeli-occupied Gaza strip, 307,824; Lebanon, 168,927; and Syria, 151,730.

UNRWA's work of helping these refugees was made more difficult by the June 1967 Arab-Israel war. UNRWA eqipment was damaged, supply lines were disrupted and, most important, approximately 175,000 of the refugees fled from the Israeli-occupied West Bank of Jordan to the East Bank, where UNRWA had to develop new facilities to help care for them.

In addition, at the request of the UN General Assembly UNRWA, through its administrative services, is helping the governments of Jordan and the other host countries to feed, educate and provide health services to approximately 200,000 persons displaced by the June war who were not registered with UNRWA.

UNRWA's budget calls for expenditures of $42.8 million on its "regular" programs during calendar year 1969, down $1.2 million from the 1968 figure as a result of Agency efforts to keep expenditures brought on by the emergency resulting from the 1967 hostilities within bounds. Of this, $19.3 million is for relief, $17.8 million for education and $5.7 million for health services. Contributions from non-governmental sources and miscellaneous income are expected to provide $2.4 million toward the regular program in 1969, leaving $40.4 million in pledges needed from governments.

The United States pledged $22.2 million to UNRWA in each of the fiscal years 1968 and 1969. The U.S. contributions were made in U.S.-owned excess foreign currencies, dollars and commodities made available under Title II of P.L. 480. The market value of the commodity portion of the U.S. contribution in each of these years, which consisted of flour and edible oils, was $8.9 million.

In the present situation, we plan to maintain our contribution to the regular UNRWA program at the same level in FY 1970 as in FY 1969 ($22.2 million) and with the same division between cash ($13.3 million) and commodities ($8.9 million at market value). As in previous years, we will attempt to maximize the portion of our pledge which is contributed in the form of surplus commodities and U.S.-owned local currencies. Of the FY 1969 cash contributions of $13.3 million, $7.2 million will have been contributed in U.S.-owned local currencies and $6.1 million in dollars.

In proposing that the U.S. contribution to UNRWA be maintained at the same level in FY 1970 as in FY 1969, account has been taken of general cost increases, the progress made in 1967 in rectifying the relief rolls in Jordan, continuing demands arising from the emergency created by the June 1967 war, and the fact that, as UNRWA's expenditures increase, our own contribution becomes proportionately smaller (it has dropped from 70% to a projected 55% of total governmental contributions for FY 1970). Moreover, the UN General Assembly in December called upon all governments as a matter of urgency to make the most generous efforts possible to meet the anticipated needs of UNRWA. Even with a U.S. contribution in FY 1970 at the same level as in FY 1969, UNRWA will face a deficit of approximately $3.8 million in its regular program. As has been the case in previous years, the U.S. contribution to UNRWA program will be expressly limited to 70% or less of government contributions.

UNITED NATIONS FORCE IN CYPRUS

The UN Force in Cyprus (UNFICYP) was established in March 1964 to contribute to the restoration and maintenance of constitutional government and order in Cyprus, and a return to normal conditions. The Security Council since 1964 has periodically extended UNFICYP's mandate, and the latest extension continues the force until June 15, 1969. The size of the force requested in 1964 was 7,000 men. Several reductions have been made over the years and the force numbered about 3,600 men in January 1969.

U.S. interest in the Cyprus problem reflects our goal of maintaining peace in the Eastern Mediterranean. Eruption of another round of inter-communal fighting would run the very strong risk of mutually destructive conflict between Greece and Turkey and incalculable damage to the southeastern flank of NATO. Experience has shown that UNFICYP is a stabilizing factor essential under present conditions.

The situation in Cyprus, although greatly improved over the past year, remains potentially explosive, with 20,000 armed men in close and hostile confrontation. In the aftermath of the close brush with war that followed an outbreak of violence on the island in November 1967, intensive diplomatic efforts were made with the parties, in which the Secretary-General and his Special Representatives in Cyprus played a key role, to establish a viable basis for negotiating a settlement. These efforts were successful, and since the summer of 1968 representatives of the two communities have been holding direct talks to seek a solution. The United States supports all measures that may assist in this process. It would be unwise to reduce UNFICYP's role unless and until significant progress toward settlement is achieved. We expect that a UN Force will be required in Cyprus at least through FY 1970.

The larger portion of the total costs of the UNFICYP operation are met from a fund administered by the UN and financed by voluntary contributions from member states and other governments. The UN estimates that the costs to be borne from this fund are $102.9 million through June 15, 1969, of which the U.S. has thus far pledged $40.1 million for costs through December 15, 1968. The remainder of the costs are borne by governments which provide military and police contingents and themselves bear a substantial share of the financial burden of such contingents. From the inception of UNFICYP through December 1968 such contributions-in-kind are estimated at $28 million of which the U.S. furnished airlift services valued at $1.3 million. Taking into account both categories of contributions, the United States has pledged or furnished about one-third of the total costs.

It is proposed that the U.S. pledge $6.3 million to the support of UNFICYP during FY 1970. This amount would represent about 40% of the estimated cash costs to the UN for maintenance of the force.

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MULTILATERAL ORGANIZATIONS AND PROGRAMS

INDUS BASIN DEVELOPMENT FUND

The Indus Basin Settlement Agreements of 1960 and 1964 provide for the establishment of the Indus Basin Development Fund (IBDF) to finance a construction program which ensures an equitable division of the waters of the Indus Basin between India and Pakistan. The United States and eight other donors (The World Bank, Australia, New Zealand, Pakistan, United Kingdom, Canada, Germany and India) contribute to the fund.

The Indus Basin Settlement succeeded in forestalling imminent hostilities between India and Pakistan over the Indus waters. Under the agreements, India receives the use of the waters of the three eastern rivers--the Ravi, Beas and Sutlej--and Pakistan the use of the waters of the three western rivers--the Indus, Jhelum and Chenab. The downstream irrigated areas in Pakistan formerly dependent on water from the three eastern rivers are being supplied with water brought from the three western rivers through a series of barrages (low dams) and link canals supplemented by the construction of high storage dams on the Jhelum and Indus rivers.

Approximately 90% of the replacement works of the Indus Basin has been completed, including the Mangla Dam, 300 miles of link canals and 7 barrages. The Taunsa-Panjnad 50 mile link canal, the Chasma-Jhelum 70 mile link canal and the Chasma Barrage are currently under construction. The Taunsa-Panjnad Canal will be completed in 1969 and the remaining two works in 1971.

In addition to replacing water diverted to India, the agreements provide for an element of development for Pakistan which has been identified largely with the Tarbela Dam on the Indus. This structure will impound 11 million acre feet of water for irrigation and have an initial power capacity of 700 megawatts. The Government of Pakistan, with the approval of the IBRD, concluded a contract for the main civil works with Impreglio, a French-Italian construction firm, after the Tarbela Agreement was signed by contributors in May 1968. Tarbela is scheduled for completion in 1976.

Under the Indus Settlement, any balance available after the completion of the replacement works can be used for Tarbela Dam. The carry-over from the Indus Fund will provide $324 million, and the remaining $168 million needed in foreign exchange for the completion of the Tarbela Dam will be supplied under the 1968 Tarbela Agreement by Great Britain, Italy, France, Canada, the United States Export-Import Bank and the IBRD.

The total commitment to the Indus Fund, including the carry-over for Tarbela, amounts to $1,541.2 million in foreign exchange and rupees. The United States has pledged $295 million in grants, $121.2 million in loans, and $235 million equivalent in P.L. 480 Pakistan rupees. India is contributing $168.8 million in foreign exchange, and Pakistan is contributing $1.2 million in foreign exchange and $360.5 million in equivalent rupees. In addition, Pakistan is meeting all rupee requirements for Tarbela Dam, which amount to about $500 million equivalent.

Disbursements through December 1968 included $501.1 million from the United States, $153 million from India, $361.7 million from Pakistan and $260 million from other donors.

The Indus Basin Development Fund Agreement provides that contributors make payments to the Indus Fund according to a fixed apportionment upon semiannual call from the World Bank. Funds are called on the basis of the anticipated rate of construction and disbursements. On the basis of Bank estimates, we are proposing for FY 1970 $7.5 million in grants and $2.5 million in loans ($1.7 million to be carried over from FY 1969 and $0.8 million to be appropriated in FY 1970).

Indus project has proved to be very successful. Construction is proceeding at a rapid rate. Mangla Dam, for example, was completed a year ahead of schedule. The project has removed a critical source of friction between the two nations and is supplementing irrigation and helping provide arable land for over 50 million people in Pakistan and India.

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ADMINISTRATIVE &
INTERREGIONAL
REQUESTS (M)

ADMINISTRATIVE EXPENSES, A.I.D.

Administrative funds are used for the direction and supervision of the A.I.D. program in Washington and overseas. This includes establishing program policies and standards, planning, supervising and reviewing the implementation of these policies, evaluating programs and projects, and providing such essential management services as accounting, inspection, auditing, personnel administration, management analysis and administrative support. About half the Administrative Expense funds are used in overseas operations. Domestic costs include reimbursements to State Department for logistic and administrative support services provided A.I.D. overseas operations, as well as A.I.D. direction and supervision of the program.

The FY 1970 appropriation request for Administrative Expenses is $54,250,000. This amount, together with an estimated total of $750,000 expected to remain unobligated in the various FY 1968 and prior year administrative accounts overseas at the end of this fiscal year, will make available a total of $55 million for Administrative Expenses in FY 1970.

The FY 1969 Administrative Expenses appropriation was $51 million. In addition $1.65 million of unobligated funds were carried over from FY 1968 and made available for use in FY 1969, and appropriation transfer authority of $1.5 million is provided in H.R. 11400 to fund (a) the second phase of the pay increase provided by the Postal Revenue and Federal Salary Act of 1967, and (b) the Executive Salary Increase of 1969. The total FY 1969 availability for Administrative Expenses will therefore be $54.15 million. This amount less $192 thousand transferred to GSA to cover rental expenses for office space provides a total program of $53.95 million.

Comparison of FY 1969 and FY 1970 Availability
(In thousands of dollars)

	FY 1969 Estimated	FY 1970 Proposed
Foreign Assistance Act Appropriation	51,000.0	54,250.0
Unobligated Balances Authorized	1,646.1	750.0
Pay Raise Appropriation	1,500.0	-
Transfer to GSA for rental expenses	-191.6	-
Total Program	53,954.5	55,000.0
Net program increase, FY 1970	1,045.5	-
	55,000.0	55,000.0

The FY 1970 program as proposed results in a net increase of $1,045,500 over the FY 1969 program. Major changes in the program accounting for this net increase are as follows:

Increases	($000)
Overseas Wage and Price Increases	375.0
Periodic Increases - U.S. Nationals	330.0
Annualization of the Executive Salary Increase of 1969	332.5
Additional Audit Staff	717.0
Expansion and improvement of Automated Management Systems	709.0
	2,463.5
Decreases	
Net decrease in recurring costs	1,418.0
Net Increase	1,045.5

The first three items are for rising costs of personnel and services governed by legislation and economic conditions over which A.I.D. has no control.

An increase of $717,000 is being requested for the hiring of 29 additional auditors. Both the General Accounting Office and Congressional investigating committees have urged A.I.D. to give additional attention to auditing and financial control for its overseas posts. This addition in auditing staff is the only increase in staff requirements being requested in FY 1970.

The increase of $709,000 is for further improvement and strengthening of our management practices by the application of advanced management techniques including sytems analysis, automatic data processing and information retrieval in accordance with Sec. 621A of the Foreign Assistance Act. $151,600 will be required in FY 1970 over FY 1969 for rental of an advanced computer and related equipment. In addition, an increase of $557,400 is required to update and modify several existing computer applications as well as for new computer based systems improvements to meet management requirements in effectively planning and implementing the A.I.D. program.

These program increases are offset in large part by savings of $1,418,000 resulting from significant reductions in staffing levels made during FY 1969 and continued through FY 1970.

ADMINISTRATIVE EXPENSES, A.I.D.

This budget request does not include administrative-type costs which will be financed out of cooperating country local currency trust funds during FY 1970, nor for conversion of any such costs to dollar funding. While cooperating countries are encouraged to maximize their contribution to cover local currency costs as a self-help measure, we expect no substantial further application of costs to cooperating country trust funds.

The FY 1970 program of $55 million does not include funds to support the expanded Vietnam effort beyond the level originally contemplated for FY 1966. Funds for the expanded Vietnam program will be transferred from the Supporting Assistance account to the Administrative Expenses account as has been done since FY 1966.

A.I.D. will receive an estimated $2.3 million in FY 1970 in reimbursements from other agencies. These funds will not be available for A.I.D. program purposes, but are used to defray the costs of services requested by these agencies.

ADMINISTRATIVE AND OTHER EXPENSES, STATE

The Department of State, under the authority of Section 637(b) of the Foreign Assistance Act of 1961, as amended, is responsible for certain activities involving U.S. foreign assistance: (a) the U.S. Missions to NATO and the Organization for Economic Cooperation and Development (OECD); (b) the Mutual Defense Control Act (Battle Act); and (c) coordination of military assistance activities with political and economic considerations, as required by Section 622 of the Foreign Assistance Act.

An appropriation of $3.8 million is requested for FY 1970 to administer these activities--an increase of $300,000 over the FY 1969 appropriation. However, because of (1) the 1968 Federal salary increase for which a transfer from other A.I.D. funds is proposed and (2) the availability of funds carried over from prior-year appropriations, the actual increase over the amount available in FY 1969 will be $160,000. The increase is required primarily for statutory salary adjustments, overseas wage and price increases, and expenses required to move into a new OECD building in Paris.

The U.S. Missions are staffed by personnel from the Departments of State, Treasury, A.I.D. and USIA. Their primary objective is to plan and provide for the defense of the North Atlantic Treaty area and to coordinate economic policies and programs.

Of the $3.8 million requested for FY 1970, $2.6 million is required for the expenses of the U.S. Missions (USNATO and OECD); $1,084,000 for costs of the State Department related to carrying out responsibilities under the Battle Act; and $116,500 for coordination of military assistance activities with political and economic considerations.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Section 214 of the Foreign Assistance Act (new Section 304(b)) authorizes the President to furnish assistance to schools, libraries and hospital centers for medical education and research outside the United States when these insitutions are founded or sponsored by U.S. citizens and meet various legislative and administrative criteria.

The dollar request of $12.9 million for FY 1970 is $2.21 million lower than the estimated FY 1969 program, reflecting both lower construction requirements and a decision to reduce allocations for operating support of participating institutions. No new local currency appropriation is being requested for FY 1970. The recipient institutions proposed for dollar assistance in FY 1970 are the same seven A.I.D. assisted in FY 1969.

The estimated FY 1969 program and proposed FY 1970 program follow:

	FY 1969 Estimated Program	FY 1970 Proposed Program
1. American University of Beirut	$10,490,000	$ 9,490,000
2. American Farm School Thessaloniki, Greece	120,000	100,000
3. Robert College, Istanbul	2,500,000	2,300,000
4. American University in Cairo	200,000	200,000
5. Escuela Agricola Panamericana, Honduras	200,000	200,000
6. Admiral Bristol Hospital, Istanbul	80,000	75,000
7. Project HOPE	1,500,000	500,000
Program Support	20,000	35,000
Total	$15,110,000	$12,900,000
Local Currency 1/	(5,100,000)	-

1/ Above dollar total does not include $5.1 million equivalent in local currencies for the following three institutions: $1 million equivalent in Egyptian pounds for the American University in Cairo; $2.1 million equivalent in Polish zlotys for the Polish Children's Hospital, Krakow, Poland; and $2 million equivalent in Moroccan dirhams for the proposed University of North Africa Association.

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AMERICAN SCHOOLS AND HOSPITALS ABROAD

The proposed allocation to the American University of Beirut includes funds to complete construction of the new medical school complex. The substantial reduction proposed in the allocation to Project HOPE is due to reduced current needs for government assistance in light of the Project's continuing success in its private fund raising activities.

A.I.D. provides assistance to these various institutions to strengthen their capacity to contribute to the economic and social development of the countries and regions in which they are located. Each of these institutions has been accepted by the government of the country where it is located as an important contributor in efforts to meet essential educational needs. Their graduates become teachers, administrators, government officials, agriculturalists, businessmen, doctors, nurses and other specialists who are needed in modern society. Many have become leaders in the political life of their respective countries.

Some of the institutions assisted serve as education centers for the entire region in which they are located. This is particularly true of the American University of Beirut, which attracts students from the entire Middle East and from Africa as well. The excellent facilities of the American University of Beirut are used by A.I.D. for overseas training programs which have been found less expensive and more relevant than U.S. training, while at the same time providing U.S. content and method of instruction.

A continuous effort is made in the administration of the program to provide the residual financing required to enable selected institutions to continue to perform their functions effectively while encouraging them to develop operating and financing plans to achieve self-supporting status.

PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES

PROGRAM SUMMARY
($000)

	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
A.I.D./Washington Program Support	20,135	20,198	20,782
Program Support-Department of State	10,942	9,428	9,428
Construction of Facilities	928	403	370
Dependent Education	2,452	2,000	2,500
Participant Training	8,565	7,757	7,978
A.I.D.	(3,862)	(3,657)	(3,878)
Other Federal Agencies	(4,703)	(4,100)	(4,100)
War on Hunger(Population Programs)	5,563	14,565	16,910
War on Hunger(Other Programs)	3,679	3,400	4,700
Overseas Freight-Voluntary Agency Support	5,300	5,000	6,000
International Executive Service Corps	3,900	1,900	2,900
Development of Cooperatives	927	940	750
Pre-Investment Assistance	303	1,765	2,040
Asia Foundation	-	1,800	2,800
Special Program-East Asia	4,500	5,400	5,400
General Technical Services	4,928	3,296	3,527
A.I.D.	(1,474)	(865)	(1,050)
Other Federal Agencies	(3,454)	(2,431)	(2,477)
International Aid Coordination	285	273	270
Inspector General of Foreign Assistance	696	780	780
Disaster Relief	2,036	2,475	-
Other	560	175	220
Total Program Support and Interregional Activities[a]	75,699	81,555	87,355
Research-Sec. 241(new Sec. 205)	7,536	7,500	10,000
Institutional Grants-Sec. 211(d) (New Sec. 305)	7,350	5,000	10,000
Total	90,585	94,055	107,355
Sources of Funding:			
Technical Assistance	59,820	48,152	70,010
Alliance for Progress:			
Loans	5,090[b]	3,153[b]	165
Technical Assistance	10,173	12,641	20,100
Supporting Assistance	13,205[c]	27,334[c]	16,780[c]
Contingency Fund	2,036	2,475	-
Development Loans	261	300	300

a/ Excludes amounts for A.I.D./Washington program staff which support the expanded Vietnam program. Amounts are included in Vietnam totals.

b/ Includes grants of $4,950,000 in FY 1968 and $2,988,000 in FY 1969 for population programs under Title X of the Foreign Assistance Act.

c/ Includes $6,147,000 in FY 1968 and $12,254,000 in FY 1969 for technical assistance purposes for population programs under Title [illegible] of the Foreign Assistance Act.

Program support and interregional activities are A.I.D. Washington-administered programs for direct support of A.I.D. field programs. These activities provide for the support and technical services rendered to field personnel, and include programs of a world-wide nature which cannot be readily funded or administered by one mission or region. Financing for these activities is provided from several appropriations--chiefly Technical Assistance and Supporting Assistance funds--based on a distribution of the interregional program costs among the five regional bureaus.

The total amount proposed for FY 1970 for program support and interregional activities is $107.4 million.

A.I.D. Washington (A.I.D./W) Program Support. The costs for activities in Washington which directly support program operations in the field are charged to program funds. The majority of these costs are for salaries of the staff of professional employees in Washington who furnish regular services; e.g., contract officers, training officers, technicians, and research personnel. Also included are travel costs, contractual services, and services of other Government agencies engaged in or related to these support activities. For FY 1970, $20.8 million is proposed to fund these support costs.

Program Support by the Department of State. The Department of State performs certain common services--such as communications, health, fiscal, transportation and custodial services--in Washington and overseas for A.I.D. and other agencies for which it charges the various agencies on a pro-rata basis. Of the A.I.D. share in such costs for FY 1970, $9.4 million will be applicable to program personnel and charged to the interregional program. The remainder of A.I.D.'s share will be charged to other A.I.D. funding categories, mainly Administrative Expenses, and where they are available, to local currencies of cooperating countries in which the services are provided.

Construction of Facilities. Section 636(c) of the Foreign Assistance Act of 1961, as amended, provides that $3 million of the funds available in any fiscal year (excluding Development Loans) may be used to construct or acquire facilities essential to the support of U.S. Government personnel and their dependents at overseas posts. For FY 1970, an estimated $370,000 is proposed for construction of residences in Brazil and motor maintenance facilities in Laos.

Dependent Education. Section 636(d) of the Foreign Assistance Act of 1961, as amended, authorizes the use of foreign assistance funds

to assist schools already established (or to be established) or for other types of educational assistance to assure educational opportunities equivalent to those available in the United States for dependents of A.I.D. and other U.S. Government personnel overseas. This authorization was sought by the Agency and approved by the Congress as essential for recruitment and retention of the high caliber personnel required by A.I.D. and other U.S. Government agencies in carrying out U.S. Government programs, particularly in the less developed areas of the world.

Comprehensive surveys by Regional Education Officers of the Office of Overseas Schools indicate the need for the Department of State and A.I.D. to take prompt and adequate action to up-grade existing schools or to establish schools at posts where none exist in order to meet the dependents' need for an American type of education. Basic problems identified include inadequate staffing by reason of little or no training in up-to-date American educational concepts and practices coupled with a high turn-over of teaching personnel; lack of up-to-date curriculum guides and materials; inadequate libraries and laboratories; inadequate physical facilities; and general lack of opportunity for students overseas to obtain a comprehensive high school education. In FY 1970, $2.5 million is required for continued support of the dependent education program.

Participant Training. Approximately 6,000 foreign nationals are brought to the United States each year under A.I.D. programs for study and advanced training in a wide variety of professional and technical fields. This training, a component of A.I.D. country programs, is directly related to the manpower needs of specific country development programs. During FY 1970, $8 million will be required for A.I.D./W non-regional funded services to participants in the United States in carrying out orientation, placement, guidance, counseling, training resources development, insurance and other necessary services to participants, including $4.1 million for participant training by other Federal agencies at A.I.D. request. Training in other Federal agencies is also provided for UN Fellows, including those from specialized agencies, most of whom are from developing nations.

War on Hunger.

The centrally-financed War on Hunger program provides the guidance and support for assistance to the developing countries in their self-help efforts to increase the quality and quantity of foods, to achieve good health standards, to develop and implement a voluntary family planning program and to combat malnutrition. In addition the War on Hunger program is responsible for coordinating the efforts of international organizations, private foundations, and other non-profit organizations in these activities.

In FY 1970, $21.6 million--$16.9 million for Population Programs and $4.7 million for Other Programs--will be required to finance the centrally administered programs and activities which are outlined below.

1. The Population Program, the War on Hunger's centrally funded population activity provides guidance, assistance and support for A.I.D. activities in population and family planning. Centrally funded projects cover a wide range of activities and functions. They support, as appropriate, regional and country population programs, but also encompass activities of a global nature or of an experimental or pilot and demonstrational value.

In FY 1970 centrally financed programs will include conferences and workshops; program development; training; distribution and development of technical family planning information and demographic data; special studies and surveys; pilot tests to develop new approaches; and evaluation. Activities will also include liaison with other donors and provision of support to non-profit and international organizations which are working with the developing countries. In many of these countries useful work can be carried out by private organizations upon which A.I.D. relies heavily to carry out family planning activities. Approximately $16.9 million will be required to implement the War on Hunger's centrally funded population program, including $7 million for population research (discussed in further detail under the Development Research Program on page M-9 below).

2. The Agricultural and Rural Development Program provides leadership for development and use of the new high yielding varieties of the major cereals that underlie the "green revolution". The expertise of private foundations, international organizations, U.S. universities and government agencies is being drawn on to provide the required support for overseas programs. Assistance is provided to help develop new agricultural programs; review, evaluate and monitor new and on-going programs; develop and coordinate technical assistance and U.S. and country research; collect information on production potential of developing countries' agricultural sector; make short term analyses and studies of agricultural input and other problems; and provide selective support to international and regional research institutions engaged in the agricultural development process.

Continuing assistance in development and refinement of new techniques and application to specific conditions is also being

undertaken. Some of the areas where such assistance is provided are seed and plant material processing and testing; use of agricultural chemicals for production and pest control; grain storage; processing and marketing; and animal protein production. Additional activities include developing and providing technical literature and helping local skilled manpower. In FY 1970 approximately $2.1 million will be required for the agricultural and rural development program.

3. The Food from the Sea program seeks to encourage use of marine resources to meet a portion of the world's protein deficiency. Major emphasis is placed on the development of a viable industry for producing Fish Protein Concentrate (FPC) in one or more developing countries. Preliminary surveys have been made in a number of countries of Latin America, Asia and Africa. As a result, more intensive studies have been started in Chile, Korea and Morocco to determine whether and in what form FPC-fortified foods can be produced and marketed commercially in these countries. These studies encompass:

--market analysis, including identification of factors contributing to dietary patterns and determination of opportunities for encouraging consumer acceptability of FPC such as introducing FPC into government feeding programs;

--supply analysis to determine availability of an adequate supply of inexpensive under-utilized fish stocks; and

--product development and testing to determine the suitability of FPC in fortifying local foods such as flour, bread, and pasta.

Attention will also be given to studies to investigate the developmen of fisheries industries, including marketing channels, leading toward greater local consumption of fish. Approximately $850,000 will be required for centrally administered projects, including the purchase of FPC for blending with P.L. 480 Title II food grains.

4. The Health Program is responsible for providing leadership, coordination and technical guidance in the formulation and administration of new and ongoing health activities in developing countries in such fields as disease control, environmental health, education and training, and research. Major support is given to the world-wide malaria eradication program in collaboration with WHO and host governments. Support is given to health activities that assist family planning, nutrition and child feeding, and elements of agricultural development. Agricultural and nutrition programs will be handicapped without improvement of water, waste disposal and limitation of enteric diseases. Centrally funded activities include program development, technical information and analysis, training, interregional elements of disease control programs such as malaria eradication, and pilot tests to develop new approaches in disease reduction. A major effort will be directed to the study and testing of means to limit food waste from enteric diseases.

Renewed emphasis will be given to the strengthening of multilateral relationships and the coordination of activities with those of international agencies. U.S. professional organizations and universities, and overseas regional institutions, will be drawn on in providing technical guidance in health education and training. Approximately $1.1 million will be required for the health program in FY 1970.

5. Nutrition and Child Feeding provides the focus in the development of programs to improve diets in developing countries. Particular emphasis is given to the pre-school child. Assistance activities will include program development and workshops, provision and development of technical information and nutrition education aids, and professional exchange and training. Grants to private U.S. voluntary agencies will also be made to stimulate and assist the trying out of new approaches in nutrition education and child feeding. Two other areas of emphasis will be development of food enrichment and fortification programs and evaluation of nutrition activities. Approximately $600,000 is required for these centrally funded activities in FY 1970.

6. Food for Freedom is the implementing office within A.I.D. for the Food for Peace Act. The Food for Freedom Service in the Office of the War on Hunger is the central staff office responsible for carrying out A.I.D. responsibilities in the programming and administration of the approximately $1.5 billion worth of commodities that are exported annually under P.L. 480. Included in this office's general responsibilities for food programming is administration of the U.S. contribution to the World Food Program (WFP). In FY 1970 approximately $50,000 will be required to carry out these administrative functions.

Overseas Freight - Voluntary Agency Support

A.I.D. supports the efforts of 76 private U.S. voluntary agencies registered with A.I.D.'s Advisory Committee on Voluntary Foreign Aid by paying the ocean freight costs of donated supplies and U.S. Government domestic and foreign excess property sent by the agencies to approved relief and technical assistance projects abroad.

PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES

Each A.I.D. dollar spent for ocean freight transports abroad an estimated $15 worth of supplies donated by such agencies as CARE, Church World Service, Catholic Relief Services and the American Jewish Joint Distribution Committee. In FY 1970, $6 million is requested for the overseas freight subsidy program. This will enable the voluntary agencies to ship supplies in support of their programs in 92 countries. The increase of $1 million over the $5 million FY 1969 program is attributable to higher freight rates and the acceleration of voluntary agencies' shipments to Vietnam and Nigeria.

To help other provide for their own needs, U.S. voluntary agencies are placing more and more emphasis on technical assistance programs which include education, vocational training, agriculture, health, nutrition, family planning, community development, small industries and other self-help activities.

International Executive Service Corps

The International Executive Service Corps (IESC) is a private, non-profit organization established by leading American businessmen to provide management assistance to businesses in developing countries. Sound business practices are essential to the development of a growing economy and to attract needed investment capital.

During calendar year 1968, 415 projects were completed. This is IESC's highest annual project rate. Since its inception four years ago, 1,770 requests for business management assistance have been received from entrepreneurs in the developing countries. For FY 1970, $2.9 million of A.I.D. support is proposed. This is the same level at which the program functioned in both FY 1968 and FY 1969. The work of the IESC is described in detail on page D-3, under the tab "Private Enterprise."

Development of Cooperatives

Continuing support is proposed for seven national non-profit cooperative organizations which (1) provide specialized technical assistance training services, (2) supervise A.I.D.-sponsored cooperative development programs in developing countries, and (3) mobilize and direct the use of private technical assistance and investment resources in developing cooperative-type institutions in developing countries. This includes such organizations as the Agricultural Cooperative Development International, National Rural Electric Cooperative Association, Credit Union National Association, Inc., and National League of Insured Savings and Loan Associations.

Plans have been made to start a Cooperative Service Corps somewhat comparable to the International Executive Service Corps. The Cooperative Service Corps will provide the voluntary services of experienced U.S. cooperative managers and technicians to cooperatives in developing countries requesting assistance in improving management and operations. A small-scale pilot operation is scheduled to begin in FY 1970 as an additional function of one of the U.S. cooperative organizations. A total of $750,000 is proposed for the Cooperative Service Corps and general A.I.D. cooperative organization assistance.

Pre-Investment Assistance

Technical Assistance funds will be used to cover the expenses of identifying and "packaging" private investment projects in less developed countries. The objective is to re-direct private investment from developed countries to less developed countries where the need is greatest. Experience to date with several new approaches to pre-investment assistance indicates that the cheapest and most effective way to encourage private investment is to involve the investor or his financial advisor as early as possible in the process of pinpointing promising opportunities. For FY 1970, $2 million is proposed for pre-investment assistance and other private resources projects including support for Volunteers for International Technical Assistance (VITA), Council for International Progress in Management (CIPM) and the Technical Assistance Information Clearing House (TAICH).

The Asia Foundation

A.I.D. proposes in FY 1970 to make a grant of $2.8 million to the Asia Foundation to enable it to continue its programs in Vietnam, in other East Asia countries, and in some countries of the Near East and South Asia region. The grant will enable the foundation to increase non-government support and participation in its programs, which include assistance to: (1) institutions of law and administration; (2) education and training; (3) book programs, libraries, and local publishing; (4) voluntary, community, and other non-government institutions instrumental in the development process; (5) professional organizations; and (6) Asian regional institutions and patterns of cooperation.

Special Program - East Asia

In support of its programs in the rural areas of East Asia, A.I.D. finances air services to locations where transportation of personnel and materials by surface is not feasible. These services

are utilized on a reimbursable basis by other U.S. government agencies. The requirement for FY 1970 is $5.4 million.

General Technical Services

As a part of the interregional program, A.I.D. sponsors pilot projects and exploratory studies of potential new areas of activity prior to implementation at the country level. Included in the FY 1970 program are country case studies and evaluations to test potential Title IX activities, evaluation of operating educational television projects to formulate guidelines for other countries, a study of strategies for educational development, and a study of the newly-inaugurated A.I.D. project evaluation system. In support of these activities, $1 million will be required in FY 1970.

Where the use of private resources is not feasible, A.I.D. relies on the facilities and specialized technical skills of other U.S. Federal agencies on a reimbursable basis under the Participating Agency Support Program. These agencies provide technical advice and services to A.I.D. personnel both in Washington and in the country missions, answer technical inquiries related to the A.I.D. program, and administer special continuing services. Extensive economies in this program were effected in FY 1968 through reduced personnel levels in the servicing agencies. The FY 1970 requirement of $2.5 million provides for a level comparable to FY 1969. Approximately half of the FY 1970 amount is for funding agriculture and health activities through the Department of Agriculture and the Public Health Service of HEW.

International Aid Coordination

In FY 1970, $270,000 is required to cover (a) salary and other expenses connected with U.S. participation in the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), and (b) salary and related expenses of an International Aid Coordination liaison officer serving in the U.S. embassy in London. The DAC is a 16-nation committee of the OECD formed at the initiative of the United States. It is currently pursuing an active program of improving foreign aid coordination and effectiveness especially in the fields of terms and conditions of aid, performance, agricultural development and food production, and private enterprise.

Inspector General of Foreign Assistance

This office, which is organizationally located in the Department of State, has broad statutory responsibilities for reviewing the effectiveness of economic and military assistance programs, and Peace Corps and P.L. 480 activities. As authorized by Section 624(d) of the Foreign Assistance Act of 1961, as amended, the operating costs of the office are funded by a combination of A.I.D., Military Assistance and Peace Corps program appropriations. In FY 1970, A.I.D.'s share of these costs is $780,000.

Other

Included in the "Other" category is $200,000 for A.I.D./W engineering services which include continuation of a study of engineering problem soils, updating and improvement of standards and procedures for engineering and economic feasibility studies, development of standard engineering designs for various types of projects including applications of water desalination plants, continuation of study of methods for electric power market projections, and the study of project cost factors. In addition, $20,000 is provided for travel of Congressional members and staff to review programs in the field.

DEVELOPMENT RESEARCH

A.I.D.'s central research program is designed to create and supply new information in the scientific and technological fields which can be used for economic development in less developed countries. For this reason, the small research budget is of great significance in the accomplishment of Agency objectives.

Section 241 of the Foreign Assistance Act of 1961, as amended (new Section 205), authorizes the use of funds to conduct a centrally-organized program of research into factors which affect the success of development activities. This authority was included in the 1961 legislation following the recommendation of the President's Science Advisory Committee. Authorization is also provided under Title X of the same Act (new Section 208) for research in population programs which may be financed from any A.I.D. funds.

The direction, content and scope of the Agency's research program are subject to professional review as well as approval of the A.I.D. Administrator. Research projects are executed through contractual arrangements with U.S. universities, research institutions and other private organizations, as well as by reimbursable agreements with other Government agencies, particularly the U.S. Department of Agriculture and the U.S. Public Health Service. Research projects are being carried out in such needed development areas as agriculture and rural development, health nutrition and child feeding, population and family planning, education, food from the sea, economics, and development of democratic institutions--Title IX (new Section 207).

Since inception of the program in 1962, a total of 114 projects have been approved, and as of April 1969, 55 were active, 5 were in process and 51 were completed. The 55 active projects utilize the scientific and technical capabilities of 27 U.S. universities, 19 U.S. research institutions and the U.S. Departments of Agriculture, Interior, and Health, Education and Welfare. Thirty-six of these active projects concern agriculture, health and nutrition, and bear directly on resolving problems such as those dealing with food production, protein sources and malaria eradication.

The central research program, while small and relatively new, serves to make foreign assistance more effective. It creates and supplies the basis for making technical and institutional processes more efficient, thereby making human energies and resources more productive. Its products are just beginning to emerge, and they portend dramatic results. For example:

--Texas A&M University has provided important information concerning alleviation of animal diseases which have depressed livestock production in large areas of the less developed countries.

--The Educational Development Center, Inc. has developed a much more effective means of teaching mathematics and basic science in Africa.

--Purdue University and the University of Nebraska are developing high-protein-yielding varieties of wheat, sorghums and corn, so that the very severe protein shortage which physically and mentally cripples children in many underdeveloped areas of the world can be eliminated at its source by improving the nutritional quality of the local food supply.

--A project based in India and Iran gives promise of greatly increasing the protein content of pulses and legumes.

--Ohio State University is providing significantly improved understanding of the power of local capital and its use on farms.

--The University of Illinois is seeking to develop a vaccine for use in the prevention and treatment of malaria. The project has made significant advances in methodology and concepts related to the pathogenesis of malaria. Immunization of rodents has produced considerable results in the production of anti-malaria antibodies.

--Research by the U.S. Department of Agriculture has resulted in significantly improved yields in major cereal crop production in East Africa.

The FY 1969 Appropriation Act limits central research programs to $8 million. A $10 million ceiling is requested for FY 1970 to permit not only the financing of continuing projects, but also the undertaking of new research programs, particularly in those important areas dealing with nutrition and health improvements, increased food production, marine resources, and popular participation in development (Title IX).

A.I.D. also plans a Title X population research program of $7 million for FY 1970. This will permit continuing emphasis on programs like those of FY 1969 which provide for the study of contraceptive technology--including research toward once-a-month contraceptive medication--and various other areas such as motivation and maximizing return from existing health facilities.

GRANTS TO U.S. INSTITUTIONS

Under Section 211(d) of the Foreign Assistance Act (new Section 305), A.I.D. is permitted to make grants to American universities and other qualified institutions to strengthen their capacity to plan and carry out programs to assist Agency objectives in economic and social development. Such planning and execution is expected to develop an expanding reservoir of expert manpower, and a broadened scientific base of knowledge, methods and materials especially relevant to the multiple problems of the less developed countries. A correlative aim is also to benefit capability in the developing countries through cooperation with appropriate institutions, so that the concerned countries would increase their own applications of manpower and resources towards economic development.

By virtue of experience, A.I.D. is aware of the gaps that exist in development knowledge, trained personnel, and capacities, and will therefore be responsible for determining fields of emphasis to be given priority attention under this program. Awards will be made to those institutions that present the best case for developing and using new capabilities and techniques towards identified foreign assistance objectives. The recipient institution will be asked to create or restructure curricula, recruit and train personnel, strengthen research and advisory services, and design new methodology or equipment, which in the end will produce a "center of competence" that can deal effectively with a professional or technical discipline, and upon which A.I.D. can draw as required in carrying out its programs.

The Institutional Grants program, consistent with the objective of strengthening the long-term U.S. university capability in areas of A.I.D. interest, also permits long-term funding of up to 5 years, which greatly simplifies administrative procedures and has stimulated a major resource input into the program by the universities themselves.

All Institutional Grants carry normal protective provisions. The proposals are carefully reviewed by qualified technical personnel of the Agency, further screened by a professional committee, and approved by the A.I.D. Administrator. It should be noted that no overhead costs are permitted in the grants.

This program became operational in FY 1968, and during this period 10 grants, amounting to $7.4 million, were made to U.S. universities. Grants to three universities (North Carolina, Michigan and Johns Hopkins) were directed at improving their capabilities for supporting expanded work in population and family planning. A grant dealing with the study of popular participation in development (Title IX) in the less developed countries was made to Tufts University. A consortium of six universities (Illinois, Kansas State, Missouri, Ohio State, Penn State and Tennessee) was provided grants to develop a coordinated scientific competence tailored to varied agricultural problems in India.

The FY 1969 Institutional Grants program is estimated at $5 million, primarily for increasing institutions' capabilities to deal with problems of agricultural production, utilization of marine resources as protein sources and political development. In FY 1970, $10 million is proposed for developing competence in fields which, in addition to agriculture and Title IX, may include education, combatting malnutrition, and establishment of other health programs in the developing countries.

SUMMARY TABLES
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Summary of Availabilities and Programs for FY 1969 and FY 1970

(In thousands of dollars)

	FY 1969							FY 1970					
	Unauth./Unob. Bal. Carried Forward	Appropri-ations	Transfers	Receipts and Reimbursements	Recoveries	Total Avail-able for Programming	FY 1969 Program	Unauth./Unob. Bal. Carried Forward	Appropri-ations	Transfers	Receipts and Reimbursements	Recoveries	Total Avail-able and FY 1970 Program
Technical Assistance	1,844	167,000		800	19,817	189,312	189,312	-	463,120	-	1,200	21,180	485,500
American Schools and Hospitals Abroad	510	14,600b/		-	-	15,110	15,110	-	12,900	-	-	-	12,900
Supporting Assistance	94,126	365,000	-1,760c/	6,825	38,290	502,481	482,481	20,000	514,600	-	7,030	35,910	577,540
(Administrative Expenses for expanded Vietnam program included above)	-	(7,000)	-	-	-	(7,000)	(7,000)	-	(6,500)	-	-	-	(6,500)
Contingency Fund	20,130	5,000	1,800d/	-	200	27,130	17,130	10,000	40,000	-	-	-	50,000
Alliance for Progress: Development Loans	4,781	255,000	-5,706e/	20,252	31,041	305,368	305,368	-	437,500	-5,000i/	24,900	25,265	482,665
Technical Assistance	128	81,500	-	400	4,571	86,600	86,600	-	j/	-	-	-	j/
Development Loans	72	300,000	-	46,788	91,397	438,257	438,257	-	675,500	-15,000i/	60,000	43,000	763,500
Indus Basin Development, grantsf/	-	-	-	-	-	-	-	-	7,530	-	-	-	7,530
Indus Basin Development, loansf/	-	-	-	-	-	-	-	1,660f/	820	-	-	-	2,480
Administrative Expenses, A.I.D.:													
Regular Expenses	1,646	51,000	1,308g/	-	750	54,704	53,954	750	54,250	-	-	-	55,000
Reimbursable Costs	-	-	-	2,300	-	2,300	2,300	-	-	-	2,300	-	2,300
Administrative and Other Expenses, State	66	3,500	75h/	-	-	3,641	3,641	-	3,800	-	-	-	3,800
International Organizations and Programs:													
Grants	26	126,000	-	-	174	126,200	126,200	-	k/	-	-	-	k/
Loans (Indus Basin)	-	12,000	-	-	-	12,000	10,340	(1660)f/	f/	-	-	-	f/
Surveys of Investment Opportunities	1,713	-	-	-	387	2,100	1,500	600	-	-600l/	-	-	-
TOTAL A.I.D. ASSISTANCE	125,043	1,380,600	-4,432	77,365		1,765,203	1,732,193	33,010	2,210,020	-20,600	95,430	125,355	2,443,215
Overseas Private Investment Corporation	-	-	-	-	-	-	-	-	75,000	-	-	-	m/

a/ Transferred to GSA for rental costs.
b/ In addition, $5.1 million in excess local currencies was appropriated.
c/ Represents transfer of $1,500,000 to Administrative Expenses, A.I.D. and $75,000 to Administrative Expenses, State, for pay raise costs, and $185,000 to GSA for rental costs.
d/ Transfer from H.E.W. as repayment of advance in FY 1968 for Cuban refugee program.
e/ Transfer to State Department for Czech refugee relief.
f/ Indus Basin grants and loans were included in International Organizations and Programs in FY 1969.

g/ Represents transfer of $1,500,000 from Supporting Assistance for pay raise costs, net of $192,000 transferred to GSA for rental costs.
h/ Transfer from Supporting Assistance for pay raise costs.
i/ Represents transfer of receipts to Treasury for first payment on purchase of capital stock of the Overseas Private Investment Corporation.
j/ Included in Technical Assistance Appropriation in FY 1970.
k/ In FY 1970 International Organizations and Programs are divided among Technical Assistance, Supporting Assistance and Indus Basin Development grants and loans.
l/ To be returned to Treasury.
m/ The appropriation request is to provide reserves to back certain investment guaranty programs of the Corporation. No obligations or expenditures are expected.

Summary of Fund Availabilities and Programs for FY 1969 and FY 1970
(FY 1969 adjusted for comparability with FY 1970 appropriation structure)

(In thousands of dollars)

	FY 1969							FY 1970					
	Unauth./Unob. Bal. Carried Forward	Appropri-ations	Transfers	Receipts and Reimbursements	Recoveries	Total Avail-able for Programming	FY 1969 Program	Unauth./Unob. Bal. Carried Forward	Appropri-ations	Transfers	Receipts and Reimbursements	Recoveries	Total Avail-able and FY 1970 Program
Technical Assistance - Total	(1,998)	(337,300)	(149)	(1,200)	(24,562)	(364,912)	(364,912)	-	463,120	-	1,200	21,180	485,500
World Wide	1,844	167,000	-149	800	19,817	189,312	189,312	-	(224,500)	-	(800)	(16,580)	(241,880)
Alliance for Progress,	128	81,500	-	400	4,571	86,600	86,600	-	(116,000)	-	(400)	(4,600)	(121,000)
Multilateral Organizations	26	88,800	-	-	174	89,000	89,000	-	(122,620)	-	-	-	(122,620)
American Schools and Hospitals Abroad	510	14,600	-	-	-	15,110	15,110	-	12,900	-	-	-	12,900
Supporting Assistance	94,126	384,600	-1,760	6,825	38,290	522,081	502,081	20,000	514,600	-	7,030	35,910	577,540
(Administrative Expenses for expanded Vietnam Program included above)	-	(7,000)	-	-	-	(7,000)	(7,000)	-	(6,500)	--	-	-	(6,500)
(Multilateral Organizations included above)	-	(21,600)	-	-	-	(21,600)	(21,600)	-	(19,600)	-	-	-	(19,600)
Contingency Fund	20,130	5,000	1,800	-	200	27,130	17,130	10,000	40,000	-	-	-	50,000
Alliance for Progress, Development Loans	4,781	255,000	-5,706	20,252	31,041	305,368	305,368	-	437,500	-5,000	24,900	25,265	482,665
Development Loans	72	300,000	-	46,788	91,397	438,257	438,257	-	675,500	-15,000	60,000	43,000	763,500
Indus Basin Development, grants	-	17,600	-	-	-	17,600	17,600	-	7,530	-	-	-	7,530
Indus Basin Development, loans	-	12,000	-	-	-	12,000	10,340	1,660	820	-	-	-	2,480
Administrative Expenses, A.I.D.													
Regular Expenses	1,646	51,000	1,308	-	750	54,704	53,954	750	54,250	-	-	-	55,000
Reimbursable Costs	-	-	-	2,300	-	2,300	2,300	-	-	-	2,300	-	2,300
Administrative and Other Expenses, State	66	3,500	75	-	-	3,641	3,641	-	3,800	-	-	-	3,800
Surveys of Investment Opportunities	1,713	-	-	-	387	2,100	1,500	600	-	-600	-	-	-
TOTAL A.I.D. ASSISTANCE	125,043	1,380,600	-4,432	77,365	186,627	1,765,203	1,732,193	33,010	2,210,020	-20,600	95,430	125,355	2,443,215

ECONOMIC ASSISTANCE - SUMMARY OF PROGRAMS BY AREA AND COUNTRY
(FY 1968 and FY 1969 adjusted for comparability with FY 1970 appropriation structure)

FISCAL YEARS 1968, 1969 AND 1970

(In thousands of dollars)

	TOTAL ECONOMIC ASSISTANCE			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			SUPPORTING ASSISTANCE			CONTINGENCY FUND			OTHER PROGRAMS		
	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
SUMMARY - ALL PROGRAMS	2,212,646	1,732,193	2,443,215	1,043,985	743,625	1,246,165	390,372	364,912	485,500	655,110	502,081	577,540	27,538	17,130	50,000	95,641	104,445	84,010
LATIN AMERICA	548,423	394,414	605,465	433,614	305,368	482,665	88,706	86,600	121,000	26,103	2,446	1,800	-	-	-	-	-	-
AFRICA	159,699	153,127	186,300	74,828	61,707	92,200	68,046	60,000	73,500	16,625	29,520	20,600	200	1,900	-	-	-	-
NEAR EAST AND SOUTH ASIA	532,899	346,696	624,745	478,901	306,250	581,000	35,020	33,700	43,745	18,978	6,746	-	-	-	-	-	-	-
EAST ASIA	241,018	214,600	233,885	56,381	70,000	90,000	44,430	47,460	54,625	127,707	94,435	89,260	12,500	2,705	-	-	-	-
VIETNAM	400,278	329,000	440,000	-	-	-	-	-	-	400,278	329,000	440,000	-	-	-	-	-	-
(Administrative expenses for expanded Vietnam Program included above)	(6,336)	(7,000)	(6,500)	-	-	-	-	-	-	(6,336)	(7,000)	(6,500)	-	-	-	-	-	-
DEPARTMENT OF DEFENSE REIMBURSABLE COSTS	34,589	-	-	-	-	-	-	-	-	34,589	-	-	-	-	-	-	-	-
MULTILATERAL ORGANIZATIONS AND PROGRAMS	147,736	145,012	152,230	-	-	-	94,350	89,000	122,620	19,684	21,600	19,600	12,802	6,472	-	20,900	27,940	10,010
(Indus Basin Development Fund included above)	(26,889)	(34,412)	(10,010)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(5,989)	(6,472)	(-)	(20,900)	(27,940)	(10,010)
AMERICAN SCHOOLS AND HOSPITALS ABROAD	11,067	15,110	12,900	-	-	-	-	-	-	-	-	-	-	-	-	11,067	15,110	12,900
SURVEYS OF INVESTMENT OPPORTUNITIES	512	1,500	-	-	-	-	-	-	-	-	-	-	-	-	-	512	1,500	-
ADMINISTRATIVE EXPENSES, A.I.D.	58,995	56,254	57,300	-	-	-	-	-	-	-	-	-	-	-	-	58,995	56,254	57,300
(Regular Expenses)	(57,056)	(53,954)	(55,000)	-	-	-	-	-	-	-	-	-	-	-	-	(57,056)	(53,954)	(55,000)
(Reimbursable Costs)	(1,939)	(2,300)	(2,300)	-	-	-	-	-	-	-	-	-	-	-	-	(1,939)	(2,300)	(2,300)
ADMINISTRATIVE AND OTHER EXPENSES, STATE	4,167	3,641	3,800	-	-	-	-	-	-	-	-	-	-	-	-	4,167	3,641	3,800
RESEARCH AND ANALYSIS	7,537	7,500	10,000	-	-	-	7,537	3,000	8,000	-	4,500	2,000	-	-	-	-	-	-
INSTITUTIONAL GRANTS, SEC. 211 (d)	7,350	5,000	10,000	4,950	-	-	2,400	5,000	10,000	-	-	-	-	-	-	-	-	-
PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES	83,358	89,555	95,355	401	3,453	465	60,056	52,793	72,110	20,865	30,834	22,780	2,036	2,475	-	-	-	-
FUNDED FROM ALLIANCE FOR PROGRESS FOR PROGRAM SUPPORT, INTERREGIONAL ACTIVITIES, RESEARCH AND SEC. 211 (d)	-15,263	-15,794	-20,265	-5,090	-3,153	-165	-10,173	-12,641	-20,100	-	-	-	-	-	-	-	-	-
FUNDED FROM VIETNAM FOR PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES	-9,719	-17,000	-18,500	-	-	-	-	-	-	-9,719	-17,000	-18,500	-	-	-	-	-	-
UNDISTRIBUTED CONTINGENCY FUND	-	3,578	50,000	-	-	-	-	-	-	-	-	-	-	3,578	50,000	-	-	-

NOTE: Detail may not add to totals due to rounding.

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ECONOMIC ASSISTANCE - SUMMARY OF PROGRAMS BY AREA AND COUNTRY

FISCAL YEARS 1968, 1969 AND 1970

(In thousands of dollars)

	TOTAL ECONOMIC ASSISTANCE			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			SUPPORTING ASSISTANCE		
	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
LATIN AMERICA - TOTAL	548,423	394,414	605,465	433,614	305,368	482,665	88,706 a/	86,600	121,000	26,103	2,446	1,800
Contributions to Inter-American Organizations	9,292	9,000	15,100	-	-	-	9,292	9,000	15,100	-	-	-
Regional Programs	12,128	20,254	49,606	2,369	11,808	25,000	9,759 b/	8,446	24,606	-	-	-
Argentina	2,822	1,500	400	1,000	-	-	1,822	1,500	400	-	-	-
Bolivia	8,613	10,625	15,300	194 c/	7,325	11,400	3,469	3,300	3,900	4,950	-	-
Brazil	193,843	42,450	187,000	180,864	30,000	174,000	12,979	12,450	13,000	-	-	-
Central American Economic Community:												
Regional Office of Central America and Panama (ROCAP)	3,803	34,097	13,716	424 c/	30,429	10,000	3,379	3,668	3,716	-	-	-
Costa Rica	5,102	10,528	5,015	3,810	9,303	3,500	1,292	1,225	1,515	-	-	-
El Salvador	8,248	11,013	10,474	6,255	9,063	8,000	1,993	1,950	2,474	-	-	-
Guatemala	11,246	3,750	18,100	8,996	1,000	15,000	2,250	2,455	3,100	-	295	-
Honduras	13,104	2,694	9,450	11,080	669	7,000	2,024	2,025	2,450	-	-	-
Nicaragua	25,487	1,637	6,693	23,839	112 c/	5,000	1,648	1,525	1,693	-	-	-
Chile	57,893	68,331	77,633	55,268	65,855	75,000	2,625	2,476	2,633	-	-	-
Colombia	77,477	102,520	94,721	73,116	99,050	91,000	4,361	3,470	3,721	-	-	-
Dominican Republic	43,466	9,965	21,267	22,320	5,210	16,000	4,726	4,400	4,967	16,420	355	300
Ecuador	3,570	6,066	8,328	597 c/	3,509	5,200	2,973	2,557	3,128	-	-	-
Guyana	8,305	15,100	7,700	4,700	14,100	6,400	1,105	1,000	1,300	2,500	-	-
Haiti	2,094	1,848	1,500	94 d/	52 d/	-	-	-	-	2,000	1,796	1,500
Jamaica	961	915	535	275 c/	315 c/	-	686	600	535	-	-	-
Mexico	185	185	-	-	-	-	185	185	-	-	-	-
Panama	19,571	9,100	16,625	16,301	6,300	13,000	3,037	2,800	3,625	233	-	-
Paraguay	2,665	9,539	6,350	1,015	7,745	4,000	1,650	1,794	2,350	-	-	-
Peru	5,477	4,700	3,500	652 c/	250 c/	-	4,825	4,450	3,500	-	-	-
Uruguay	16,349	1,700	9,200	15,000	-	7,000	1,349	1,700	2,200	-	-	-
Venezuela	1,410	1,053	887	356 c/	120 c/	-	1,054	933	887	-	-	-
Eastern Caribbean Regional Programs	50	50	6,100	-	-	6,000	50	50	100	-	-	-
Program Support, Inter-regional Activities, Research and Sec. 211 (d)	15,263	15,794	20,265	5,090	3,153	165	10,173	12,641	20,100	-	-	-

a/ Includes IASEP funds, $309 thousand applicable to six countries, and Technical Assistance funds of $1,150 thousand.
b/ Includes $1,150 thousand Technical Assistance funds.
c/ Grants for population programs under Title X of the Foreign Assistance Act.
d/ Not new assistance. Represents only capitalization of interest on prior year loan.
e/ Includes $595 thousand in grants for population programs and $57 thousand for capitalization of interest on prior year loan.

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ECONOMIC ASSISTANCE - SUMMARY PROGRAMS BY AREA AND COUNTRY

FISCAL YEARS 1968, 1969 AND 1970

(In thousands of dollars)

	TOTAL ECONOMIC ASSISTANCE			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			SUPPORTING ASSISTANCE			CONTINGENCY FUND		
	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
AFRICA - TOTAL	159,699	153,127	186,300	74,828	61,707	92,200	68,046	60,000	73,500	16,625	29,520	20,600	200	1,900	-
Regional/Multidonor Programs	(33,697)	(40,743)	(69,563)	(13,600)	(15,950)	(35,700)	(18,897)	(23,031)	(33,263)	(1,000)	(1,762)	(600)	(200)	-	-
Africa Regional/Multidonor Programs	30,446	31,081	62,493	13,000	10,600	33,700	16,246	18,719	28,193	1,000	1,762	600	200	-	-
East Africa Regional	(3,251)	(9,662)	(7,070)	(600)	(5,350)	(2,000)	(2,651)	(4,312)	(5,070)	-	-	-	-	-	-
Development Emphasis Countries:															
East Africa	(10,433)	(18,374)	(14,712)	(600)	(8,550)	(3,500)	(9,833)	(9,407)	(11,212)	-	(417)	-	-	-	-
East Africa Regional	3,251	9,662	7,070	600	5,350	2,000	2,651	4,312	5,070	-	-	-	-	-	-
Kenya	2,624	2,162	2,405	-	-	500	2,624	1,930	1,905	-	232a/	-	-	-	-
Tanzania	2,508	1,400	3,072	-	-	1,000	2,508	1,400	2,072	-	-	-	-	-	-
Uganda	2,050	5,150	2,165	-	3,200	-	2,050	1,765	2,165	-	185a/	-	-	-	-
Ghana	19,337	3,571	17,535	17,491	1,642b/	15,000	1,846	1,738	2,535	-	191a/	-	-	-	-
Tunisia	13,500	8,902	11,015	10,757	6,690	9,000	2,743	1,984	2,015	-	228a/	-	-	-	-
Ethiopia	6,850	17,025	10,900	1,000	13,000	6,000	5,550	4,025	4,900	300	-	-	-	-	-
Liberia	5,638	10,357	5,254	525	5,625	500	5,113	4,458	4,754	-	274a/	-	-	-	-
Morocco	14,933	9,513	14,716	13,000	8,000	13,000	1,933	1,338	1,716	-	175a/	-	-	-	-
Nigeria - Economic Development Program	21,334	20,903	23,750	9,700	7,200	2,500	11,634	10,150	11,250	-	3,553	10,000	-	-	-
Nigeria - International Relief Effort	-	19,820	10,000	-	-	-	-	-	-	-	17,920	10,000	-	1,900	-
Congo (Kinshasa)	16,065	6,239	10,975	-	-	9,000	740	1,239	1,975	15,325	5,000	-	-	-	-
Other Bilateral Aid Countries:															
Senegal	322	115	225	-	-	-	322	115	225	-	-	-	-	-	-
Somali Republic	3,708	2,475	2,375	-	-	-	3,708	2,475	2,375	-	-	-	-	-	-
Special Development Authority c/	(468)	600	600	-	-	-	(468)	600	600	-	-	-	-	-	-
Other African Countries:															
Botswana	65	-	-	-	-	-	65d/	d/	d/	-	-	-	-	-	-
Burundi	35	-	-	-	-	-	35d/	d/	d/	-	-	-	-	-	-
Cameroon	359	57	-	-	-	-	359	57	d/	-	-	-	-	-	-
Central African Republic	223	-	-	-	-	-	223	d/	d/	-	-	-	-	-	-
Chad	559	-	-	-	-	-	559	d/	d/	-	-	-	-	-	-
Dahomey	345	-	-	-	-	-	345	d/	d/	-	-	-	-	-	-
Equatorial Guinea	-	-	-	-	-	-	-	-	d/	-	-	-	-	-	-
Gabon	325	-	-	-	-	-	325	d/	d/	-	-	-	-	-	-
Gambia	36	-	-	-	-	-	36d/	d/	d/	-	-	-	-	-	-
Guinea	1,084	797	-	-	-	-	1,084	797	d/	-	-	-	-	-	-
Ivory Coast	159	80	-	-	-	-	159	80	d/	-	-	-	-	-	-
Lesotho	50	-	-	-	-	-	50d/	d/	d/	-	-	-	-	-	-
Malagasy Republic	296	490	-	-	400e/	-	296	90	d/	-	-	-	-	-	-
Malawi	8,137	775	-	7,000	-	-	1,137	775	d/	-	-	-	-	-	-
Mali	1,105	45	-	855e/	-	-	250	45	d/	-	-	-	-	-	-
Mauritius	50	-	-	-	-	-	50d/	d/	d/	-	-	-	-	-	-
Niger	1,055	135	-	900e/	-	-	155	135	d/	-	-	-	-	-	-
Rwanda	100	-	-	-	-	-	100	d/	d/	-	-	-	-	-	-
Sierra Leone	1,104	-	-	-	-	-	1,104	d/	d/	-	-	-	-	-	-
Sudan	337	-	-	-	-	-	337f/	-	-	-	-	-	-	-	-
Swaziland	-	-	-	-	-	-	-	d/	d/	-	-	-	-	-	-
Togo	147	15	-	-	-	-	147	15	d/	-	-	-	-	-	-
Upper Volta	348	90	-	-	-	-	348	90	d/	-	-	-	-	-	-
Zambia	1,214	-	-	-	-	-	1,214	d/	d/	-	-	-	-	-	-
Self-Help Projects	(1,448)	1,668	1,750	-	-	-	(1,448)g/	1,668g/	1,750g/	-	-	-	-	-	-

a/ For population programs under Title X of the Foreign Assistance Act.
b/ Not new assistance. Represents only capitalization of interest on prior year loan.
c/ Special development authority up to $50,000 for bilateral country programs.
d/ Self-help funds only.
e/ Loan amendment only.
f/ Funds programmed only for necessary expenses of winding up program under Section 617 of the Foreign Assistance Act.
g/ Self-help projects and special development authority activities are included in country totals for FY 1968. All countries listed above except Sudan and Equatorial Guinea are programmed to receive such funds ranging from $50-100 thousand in FY 1969 and all except Sudan in 1970.

ECONOMIC ASSISTANCE - SUMMARY OF PROGRAMS BY AREA AND COUNTRY

FISCAL YEARS 1968, 1969 AND 1970

(In thousands of dollars)

Area and Country	TOTAL ECONOMIC ASSISTANCE			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			SUPPORTING ASSISTANCE			CONTINGENCY FUND		
	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
NEAR EAST AND SOUTH ASIA - TOTAL	532,899	346,696	624,745	478,901	306,250	581,000	35,020	33,700	43,745	18,978	6,746	-	-	-	-
Afghanistan	8,621	8,887	7,800	711 a/	1,250	1,000	7,910	7,550	6,800	-	87 b/	-	-	-	-
Ceylon	-	-	5,000	-	-	5,000	-	-	-	-	-	-	-	-	-
India	300,916	205,952	399,500	285,000	194,000	385,000	8,595	9,000	14,500	7,321 b/	2,952 b/	-	-	-	-
Iran	138	-	-	-	-	-	138 c/	-	-	-	-	-	-	-	-
Jordan	12,157	1,525	1,600	-	-	-	1,982	1,525	1,600	10,175	-	-	-	-	-
Nepal	2,386	2,947	2,565	-	-	-	2,341	2,725	2,565	45 b/	222 b/	-	-	-	-
Pakistan	132,212	79,350	148,700	125,190	71,000	140,000	6,240	6,050	8,700	782 b/	2,300 b/	-	-	-	-
Turkey	72,182	44,000	54,235	68,000	40,000	50,000	4,182	4,000	4,235	-	-	-	-	-	-
CENTO	400	350	350	-	-	-	400	350	350	-	-	-	-	-	-
Regional Programs	3,887	3,685	4,995	-	-	-	3,232	2,500	4,995	655 b/	1,185 b/	-	-	-	-
EAST ASIA - TOTAL	241,018	214,600	233,885	56,381	70,000	90,000	44,430	47,460	54,625	127,707	94,435	89,260	12,500	2,705	-
Burma	211	200	-	-	-	-	211	200	-	-	-	-	-	-	-
Indonesia	35,820	56,600	66,500	20,000	50,000	60,000	3,320	5,100	6,500	-	1,500 b/	-	12,500	-	-
Korea	75,231	45,800	49,800	32,000	20,000	30,000	6,740	4,100	4,800	36,491	21,700	15,000	-	-	-
Laos	62,942	51,490	48,160	-	-	-	9,742	10,500	11,900	53,200	40,990	36,260	-	-	-
Philippines	10,345	6,500	6,675	4,381	-	-	5,964	5,100	6,675	-	1,400 b/	-	-	-	-
Thailand	46,736	35,800	45,000	-	-	-	10,045	9,500	10,000	36,691	26,300	35,000	-	-	-
Regional Program	9,733	18,210	17,750	-	-	-	8,408	12,960	14,750	1,325 b/	2,545	3,000	-	2,705	-
VIETNAM - TOTAL	400,278	329,000	440,000	-	-	-	-	-	-	400,278	329,000	440,000	-	-	-
Country Programs	384,223	305,000	415,000	-	-	-	-	-	-	384,223	305,000	415,000	-	-	-
Expanded Vietnam Program:															
Administrative Expenses	6,336	7,000	6,500	-	-	-	-	-	-	6,336	7,000	6,500	-	-	-
Program Support and Interregional Activities	9,719	17,000	18,500	-	-	-	-	-	-	9,719	17,000	18,500	-	-	-

a/ Amendment of prior year loan only.
b/ For population programs under Title X of the Foreign Assistance Act.
c/ Funds programmed only for necessary expenses of winding up programs terminated under Section 617 of the Foreign Assistance Act.

ECONOMIC ASSISTANCE - SUMMARY OF MULTILATERAL ORGANIZATIONS AND PROGRAMS

FISCAL YEARS 1968, 1969 AND 1970

(In thousands of dollars)

	TOTAL ECONOMIC ASSISTANCE			DEVELOPMENT LOANS			TECHNICAL ASSISTANCE			SUPPORTING ASSISTANCE			CONTINGENCY FUND			OTHER PROGRAMS		
	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed	FY 1968 Actual	FY 1969 Estimated	FY 1970 Proposed
MULTILATERAL ORGANIZATIONS AND PROGRAMS - TOTAL.	147,736	145,012	152,230	-	-	-	94,350	89,000	122,620	19,684	21,600	19,600	12,802	6,472	-	20,900	27,940	10,010
International Atomic Energy Agency Operational Program.	1,000	1,000	1,450	-	-	-	1,000	1,000	1,450	-	-	-	-	-	-	-	-	-
International Secretariat for Voluntary Services.	-	50	70	-	-	-	-	50	70	-	-	-	-	-	-	-	-	-
Special Contributions for Vietnam	1,000	400	1,000	-	-	-	1,000	400	1,000	-	-	-	-	-	-	-	-	-
UN Children's Fund.	12,000	13,000	13,000	-	-	-	12,000	13,000	13,000	-	-	-	-	-	-	-	-	-
UN Development Fund	75,000	70,300	100,000	-	-	-	75,000	70,300	100,000	-	-	-	-	-	-	-	-	-
UN Emergency Force (Near East).	5,197	-	-	-	-	-	-	-	-	5,197	-	-	-	-	-	-	-	-
UN Food and Agriculture Organization World Food Programs. . . .	2,000	1,300	1,500	-	-	-	2,000	1,300	1,500	-	-	-	-	-	-	-	-	-
UN Force in Cyprus.	8,000	6,300	6,300	-	-	-	-	-	-	1,187	6,300	6,300	6,813	-	-	-	-	-
UN Institute for Training and Research. .	500	300	400	-	-	-	500	300	400	-	-	-	-	-	-	-	-	-
UN Population Programs.	500	2,500	2,500	-	-	-	500	500	2,500	-	2,000	-	-	-	-	-	-	-
UN Program for Southern Africans.	50	-	50	-	-	-	50	-	50	-	-	-	-	-	-	-	-	-
UN Relief and Works Agency.	13,300	13,300	13,300	-	-	-	-	-	-	13,300	13,300	13,300	-	-	-	-	-	-
UN Technical and Operational Assistance to the Congo	2,150	500	500	-	-	-	2,150	500	500	-	-	-	-	-	-	-	-	-
World Health Organizations Medical Research.	150	150	150	-	-	-	150	150	150	-	-	-	-	-	-	-	-	-
World Meteorological Organization-Voluntary Assistance Program.	-	1,500	2,000	-	-	-	-	1,500	2,000	-	-	-	-	-	-	-	-	-
Indus Basin Development, Loans	-	10,340	2,480	-	-	-	-	-	-	-	-	-	-	-	-	-	10,340	2,480
Indus Basin Development, Grants	26,889	24,072	7,530	-	-	-	-	-	-	-	-	-	5,989	6,472	-	20,900	17,600	7,530

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A.I.D. Programs Subject to the "Number of Country" Limitations
Contained in the Foreign Assistance Act*

Program and Region	Number of Countries			
	FY 1967	FY 1968	FY 1969	FY 1970
Development Loans				
Near East and South Asia	7	3	4	5
Africa	13	7	6	9
East Asia	3	3	3	2
Total Development Loans	23	13	13	16
Technical Assistance				
Near East and South Asia	7	6	6	6
Africa	35	28	28	12
East Asia	6	6	6	5
Total Technical Assistance	48	40	40	23
Supporting Assistance				
Latin America	5	5	3	2
Near East and South Asia	2	1	-	-
Africa	4	2	2	1
East Asia	4	3	3	3
Vietnam	1	1	1	1
Total Supporting Assistance	16	12	9	7

*Includes countries receiving Contingency Funds in accordance with the provisions applicable to the relevant funding category.

Excludes countries receiving only: (1) amendments of prior year loans without change of scope, (2) funds programmed for necessary expenses of winding up terminated programs under Section 617 of the Foreign Assistance Act, (3) self-help funds totaling $600,000 or less for countries over 40 in FY 1968 and FY 1969, and all self-help funds in FY 1970, or (4) capitalized interest on prior year loans. Supporting Assistance used in FY 1968 and FY 1969 as Technical Assistance for population programs under Title X of the Foreign Assistance Act is counted as Technical Assistance.

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ECONOMIC ASSISTANCE

Estimated Gross Expenditures and Unexpended Balances by Appropriation

For Fiscal Years 1969 and 1970

(In thousands of dollars)

	Unexpended Balance 6/30/68	Appro-priations FY 1969	Receipts, Transfers, Reimbursements	Total Available for Expenditure	Estimated Gross Expenditures FY 1969	Estimated Unexpended Balance 6/30/69	Requested Appropriations FY 1970	Receipts, Transfers, Reimbursements	Total Available for Expenditure	Estimated Gross Expenditures FY 1970	Estimated Unexpended Balance 6/30/70
Budgeted Programs											
Technical Assistance	202,001	167,000	651	369,652	212,500	375,706 a/ b/	463,120	1,200	840,026	399,100	440,926
American Schools and Hospitals Abroad	13,525	14,600	-	28,125	14,800	13,325	12,900	-	26,225	16,000	10,225
Supporting Assistance	845,099	365,000	5,065	1,215,164	505,325	718,239 a/	514,600	7,030	1,239,869	514,830	725,039
Contingency Fund:											
General	69,667	5,000	1,800	76,467	41,956	34,511	40,000	-	74,511	25,700	48,811
Southeast Asia Program	16,586	-	-	16,586	9,544	7,042	-	-	7,042	4,400	2,642
Alliance for Progress:											
Development Loans	1,146,685	255,000	14,546	1,416,231	346,952	1,069,279	437,500	19,900	1,526,679	311,200	1,215,479
Technical Assistance	61,122	81,500	400	143,022	83,900	c/	c/	-	-	-	-
Development Loans	1,620,301	300,000	46,788	1,967,089	624,440	1,342,649	675,500	45,000	2,063,149	578,070	1,485,079
Indus Basin Development, Grants	-	-	-	-	-	3,915 a/	7,530	-	11,445	5,500	5,945
Indus Basin Development, Loans	-	-	-	-	-	2,000 a/	820	-	2,820	1,700	1,120
Administrative Expenses, A.I.D.	11,113	51,000	3,608	65,721	58,200	7,521	54,250	2,300	64,071	60,300	3,771
Administrative and Other Expenses, State	421	3,500	75	3,996	3,500	496	3,800	-	4,296	3,900	396
International Organizations & Programs:											
Grants	193,247	126,000	-	319,247	147,500	(171,747) d/	d/	-	-	-	-
Loans	-	12,000	-	12,000	10,000	(2,000) d/	d/	-	-	-	-
Surveys of Investment Opportunities	3,540	-	-	3,540	200	3,340	-	-600	2,740	200	2,540
Total Budgeted Programs	4,183,309	1,380,600	72,933	5,636,842	2,058,817	3,578,025	2,210,020	74,830	5,862,873	1,920,900	3,941,973
Social Progress Trust Fund	156,450	-	-	156,450	79,500	76,950	-	-	76,950	62,000	14,950

a/ Includes applicable portion of estimated June 30, 1969, unexpended balance for International Organizations and Programs.

b/ Includes estimated June 30, 1969, unexpended balance for Alliance for Progress Technical Assistance.

c/ Alliance for Progress Technical Assistance included in World-Wide Technical Assistance in FY 1970.

d/ In FY 1970 International Organizations and Programs are divided among Technical Assistance, Supporting Assistance and Indus Basin Development, grants and loans.

ECONOMIC ASSISTANCE

Authorization and Appropriation Legislative History
(including supplementals)

FY 1948 - 1969
(In millions of dollars)

Fiscal Year	Authorization Request a/	Amount Authorized by Congress b/	Original Appropriation Request a/	Adjusted Appropriation Request c/	Amount Appropriated by Congress d/
1948 - 49	7,370.0	6,913.0	7,370.0	6,858.0	6,446.3
1950	4,280.0	4,280.0	4,280.0	4,198.2	3,728.4
1951	2,950.0	2,762.5	2,950.0	2,657.7	2,262.5
1952	2,197.0	1,585.7	2,197.0	1,485.4	1,540.4
1953	2,499.0	1,894.3	2,499.0	1,894.3	1,782.1
1954	1,543.2	1,475.7	1,543.2	1,475.9	1,301.5
1955	1,798.1	1,571.9	1,788.5	1,571.9	1,528.8
1956	1,812.8	1,851.8	1,812.8	1,824.5	1,681.1
1957	1,860.0	1,815.1	1,860.0	1,815.1	1,749.1
1958	1,964.4	1,786.9	1,964.4	1,786.9	1,428.9
1959	2,142.1	2,070.6	2,142.1	2,070.6	1,933.1
1960	2,330.0	2,176.8	2,330.0	2,176.8	1,925.8
1961	2,875.0	2,786.3	2,875.0	2,786.3	2,631.4
1962	2,883.5	2,559.5	2,883.5	2,559.5	2,314.6
1963	3,281.3	3,074.8	3,281.3	3,074.8	2,573.9
1964	3,124.6	2,602.1	3,124.6	2,596.9	2,000.0
1965	2,461.7	2,452.0	2,461.7	2,452.0	2,195.0
1966	2,704.5	2,605.0	2,704.5	2,605.0	2,463.0
1967	3,443.4	2,628.0	2,469.0	2,413.9	2,143.5
1968	2,785.6	2,165.0	2,630.4	2,330.8	1,895.6
1969	2,554.2	1,609.8	2,498.5	1,609.8	1,380.6

NOTE: Excludes Investment Guaranty Program (borrowing Authority and Appropriations).
a/ Adjusted to fiscal year basis and including Executive Branch adjustments.
b/ Adjusted to fiscal year basis.
c/ Adjusted to fiscal year basis and to limitations of authorizing legislation as well as adjustments by Executive Branch.
d/ Includes borrowing authority (other than for Investment Guaranties) during Marshall Plan period April 1948 - 1952.

SECTION 634 (d) TABLES

U.S. ECONOMIC ASSISTANCE/MILITARY ASSISTANCE AND SALES PROGRAMS PROPOSED FOR FY 1970

(In thousands of dollars)

Region and Program	Economic Assistance				Military Assistance	Total Economic and Military Assistance	Military Sales			Total Military	Total Economic and Military
	A.I.D.	P.L. 480	Peace Corps	Total Economic			DOD Credit	Other	Total Sales		
SUMMARY - ALL PROGRAMS	2,443,215	1,100,000	101,100	3,644,315	434,000	4,078,315	350,000	752,300	1,102,300	1,536,300	5,180,615
LATIN AMERICA	605,465	187,400	22,279	815,144	21,379	836,523	50,000	18,000	68,000	89,379	904,523
AFRICA	186,300	146,708	20,824	353,832	20,501	374,333	16,000	5,700	21,700	42,201	396,033
NEAR EAST AND SOUTH ASIA	624,745	515,998	11,124	1,151,867	151,141	1,303,008	226,000	123,000	349,000	500,141	1,652,008
EAST ASIA	233,885	248,745	11,031	493,661	214,288	707,949	41,000	33,400	74,400	288,688	782,349
VIETNAM	440,000	173,325	-	613,325	-	613,325	-	-	-	-	613,325
EUROPE	-	5,886	-	5,886	2,105	7,991	-	492,200	492,200	494,305	500,191
CANADA	-	-	-	-	DATA CLASSIFIED						
OCEANIA	-	156	3,867	4,023	DATA CLASSIFIED						
NEW COUNTRIES	-	-	340	340	-	340	-	-	-	-	340
WORLD FOOD PROGRAM	-	24,000	-	24,000	-	24,000	-	-	-	-	24,000
OCEAN FREIGHT, VOLUNTARY RELIEF AGENCIES	6,000	42,000	-	48,000	-	48,000	-	-	-	-	48,000
GRANTS OF TITLE I CURRENCIES, SEC. 204 OF TITLE II	-	6,600	-	6,600	-	6,600	-	-	-	-	6,600
MULTILATERAL ORGANIZATIONS AND PROGRAMS	142,220	-	-	142,220	-	142,220	-	-	-	-	142,220
INDUS BASIN PROGRAM	10,010	-	-	10,010	-	10,010	-	-	-	-	10,010
AMERICAN SCHOOLS AND HOSPITALS ABROAD	12,900	-	-	12,900	-	12,900	-	-	-	-	12,900
ADMINISTRATIVE EXPENSES, A.I.D.	57,300	-	-	57,300	-	57,300	-	-	-	-	57,300
Regular Expenses	(55,000)	-	-	(55,000)	-	(55,000)	-	-	-	-	(55,000)
Reimbursable Costs	(2,300)	-	-	(2,300)	-	(2,300)	-	-	-	-	(2,300)
ADMINISTRATIVE AND OTHER EXPENSES, STATE	3,800	-	-	3,800	-	3,800	-	-	-	-	3,800
RESEARCH AND ANALYSIS	10,000	-	-	10,000	-	10,000	-	-	-	-	10,000
INSTITUTIONAL GRANTS, SEC. 211 (d)	10,000	-	-	10,000	-	10,000	-	-	-	-	10,000
CONTINGENCY	-	-	-	-	-	-	17,000	-	17,000	17,000	17,000
NON-REGIONAL	-	-	31,635	31,635	26,154	57,789	-	-	-	26,154	57,789
Administrative Expenses	-	-	(30,600)	(30,600)	(17,800)	(48,400)	-	-	-	(17,800)	(48,400)
Other Expenses	-	-	(1,035)	(1,035)	(8,354)	(9,389)	-	-	-	(8,354)	(9,389)
MAP ASSETS APPLIED	-	-	-	-	-1,568	-1,568	-	-	-	-1,568	-1,568
PROGRAM SUPPORT AND INTER-REGIONAL ACTIVITIES	89,355	-	-	89,355	-	89,355	-	-	-	-	89,355
FUNDED FROM ALLIANCE FOR PROGRESS FOR PROGRAM SUPPORT, INTERREGIONAL ACTIVITIES, RESEARCH AND SEC. 211 (d)	-20,265	-	-	-20,265	-	-20,265	-	-	-	-	-20,265
FUNDED FROM VIETNAM FOR PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES	-18,500	-	-	-18,500	-	-18,500	-	-	-	-	-18,500
CONTINGENCY FUND	50,000	-	-	50,000	-	50,000	-	-	-	-	50,000
ADJUSTMENT TO NET ASSISTANCE - P.L. 480											
U.S. Uses and Initial Payments (TitleI)	-	-96,900	-	-96,900	-	-96,900	-	-	-	-	-96,900
Less 20% to Market Value (Title II)	-	-85,784	-	-85,784	-	-85,784	-	-	-	-	-85,784
Estimated Slippage in Program (Title II)	-	-68,134	-	-68,134	-	-68,134	-	-	-	-	-68,134

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SECTION 634(a) TABLES

U.S. ECONOMIC ASSISTANCE/MILITARY ASSISTANCE AND SALES PROGRAMS PROPOSED FOR FY 1970

(In thousands of dollars)

Country and Programs	Economic Assistance				Military Assistance	Total Economic and Military Assistance	Military Sales			Total Military	Total Economic and Military
	A.I.D.	P.L. 480	Peace Corps	Total Economic			DOD Credit	Other	Total Sales		
LATIN AMERICA - TOTAL	605,465	187,400	22,279	815,144	21,379	836,523	50,000	18,000	68,000	89,379	904,523
Contributions to Inter-American Organizations	15,100	-	-	15,100	-	15,100	-	-	-	-	15,100
Regional Programs	49,606	-	-	49,606	-	49,606	-	-	-	-	49,606
Argentina	400	-	-	400							
Bolivia	15,300	11,500	1,785	28,585				DATA CLASSIFIED			
Brazil	187,000	48,000	3,581	238,581							
Central American Economic Community: Regional Office of Central America and Panama (ROCAP)	13,716	150	274	14,140	-	14,140	-	-	-	-	14,140
Costa Rica	5,015	800	827	6,642	-	6,642	-	-	-	-	6,642
El Salvador	10,474	2,600	485	13,559							
Guatemala	18,100	3,400	618	22,118							
Honduras	9,450	1,200	607	11,257							
Nicaragua	6,693	1,000	205	7,898							
Chile	77,633	42,000	1,872	121,505				DATA CLASSIFIED			
Colombia	94,721	31,000	2,942	128,663							
Dominican Republic	21,267	21,000	883	43,150							
Ecuador	8,328	6,100	1,436	15,864							
Guyana	7,700	500	258	8,458	-	8,458	-	-	-	-	8,458
Haiti	1,500	2,000	-	3,500	-	3,500	-	-	-	-	3,500
Jamaica	535	3,000	693	4,228	-	4,228	-	-	-	-	4,228
Mexico	-	-	-	-							
Panama	16,625	800	892	18,317							
Paraguay	6,350	3,100	416	9,866				DATA CLASSIFIED			
Peru	3,500	7,900	1,460	12,860							
Trinidad and Tobago	-	100	-	100	-	100	-	-	-	-	100
Uruguay	9,200	1,000	139	10,339							
Venezuela	887	-	2,287	3,174				DATA CLASSIFIED			
Eastern Caribbean Regional	6,100	190	619	6,909	-	6,909	-	-	-	-	6,909
Other West Indies	-	60	-	60	-	60	-	-	-	-	60
Program Support, Inter-regional Activities, Research and Sec. 211 (d)	20,265	-	-	20,265	-	20,265	-	-	-	-	20,265
Latin America Area	-	-	-	-							
Other Latin America	-	-	-	-				DATA CLASSIFIED			

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SECTION 634(d) TABLES

U.S. ECONOMIC ASSISTANCE/MILITARY ASSISTANCE AND SALES PROGRAM PROPOSED FOR FY 1970

(In thousands of dollars)

Country and Program	Economic Assistance				Military Assistance	Total Economic and Military Assistance	Military Sales			Total Military	Total Economic and Military
	A.I.D.	P.L. 480	Peace Corps	Total Economic			DOD Credit	Other	Total Sales		
AFRICA - TOTAL	186,300	146,708	20,824	353,832	20,501	374,333	16,000	5,700	21,700	42,201	396,033
Regional/Multidonor Programs	(69,563)	(50)	-	(69,613)	-	(69,613)	-	-	-	-	(69,613)
Africa Regional/Multidonor Programs	62,493	50	-	62,543	-	62,543	-	-	-	-	62,543
East Africa Regional	(7,070)	-	-	(7,070)	-	(7,070)	-	-	-	-	(7,070)
Development Emphasis Countries:											
East Africa	(14,712)	(3,508)	(2,414)	(20,634)	-	(20,634)	-	-	-	-	(20,634)
East Africa Regional	7,070	-	-	7,070	-	7,070	-	-	-	-	7,070
Kenya	2,405	1,000	1,831	5,236	-	5,236	-	-	-	-	5,236
Tanzania	3,072	2,500	32	5,604	-	5,604	-	-	-	-	5,604
Uganda	2,165	8	551	2,724	-	2,724	-	-	-	-	2,724
Ghana	17,535	20,800	1,139	39,474	-	39,474	-	-	-	-	39,474
Tunisia	11,015	27,200	1,001	39,216							
Ethiopia	10,900	1,030	2,418	14,348				DATA CLASSIFIED			
Liberia	5,254	1,264	1,872	8,390							
Morocco	14,716	38,600	832	54,148							
Nigeria - Economic Development Program	23,750	26,500	993	51,243	-	51,243	-	-	-	-	51,243
Nigeria - International Relief Effort	10,000	-	-	10,000	-	10,000	-	-	-	-	10,000
Congo (Kinshasa)	10,975	12,600	200	23,775				DATA CLASSIFIED			
Other Bilateral Aid Countries:											
Senegal	225	1,300	757	2,282	-	2,282	-	-	-	-	2,282
Somali Republic	2,375	1,015	899	4,289	-	4,289	-	-	-	-	4,289
Special Development Authority	600 a/	-	-	600	-	600	-	-	-	-	600
Other African Countries:											
Botswana	b/	-	416	416	-	416	-	-	-	-	416
Burundi	b/	15	-	15	-	15	-	-	-	-	15
Cameroon	b/	234	547	781	-	781	-	-	-	-	781
Central African Republic	b/	1	-	1	-	1	-	-	-	-	1
Chad	b/	30	340	370	-	370	-	-	-	-	370
Dahomey	b/	340	342	682	-	682	-	-	-	-	682
Equatorial Guinea	b/	100	-	100	-	100	-	-	-	-	100
Gabon	b/	5	-	5	-	5	-	-	-	-	5
Gambia	b/	215	138	353	-	353	-	-	-	-	353
Guinea	b/	7,330	273	7,603	-	7,603	-	-	-	-	7,603
Ivory Coast	b/	70	689	759	-	759	-	-	-	-	759
Lesotho	b/	500	347	847	-	847	-	-	-	-	847
Libya	-	-	793	793				DATA CLASSIFIED			
Malagasy Republic	b/	328	-	328	-	328	-	-	-	-	328
Malawi	b/	83	762	845	-	845	-	-	-	-	845
Mali	b/	150	-	150	-	150	-	-	-	-	150
Mauritius	b/	100	143	243	-	243	-	-	-	-	243
Niger	b/	500	693	1,193	-	1,193	-	-	-	-	1,193
Rwanda	b/	555	-	555	-	555	-	-	-	-	555
Sierra Leone	b/	1,200	1,659	2,859	-	2,859	-	-	-	-	2,859
Sudan	-	50	-	50	-	50	-	-	-	-	50
Swaziland	b/	40	273	313	-	313	-	-	-	-	313
Togo	b/	265	545	810	-	810	-	-	-	-	810
Upper Volta	b/	730	339	1,069	-	1,069	-	-	-	-	1,069
Zambia	b/	-	-	-	-	-	-	-	-	-	-
Africa Area	-	-	-	-				DATA CLASSIFIED			
Other Africa	-	-	-	-	-	-	-				
Self-Help Projects	1,750c/	-	-	1,750	-	1,750	-	-	-	-	1,750

a/ Special development authority up to $50,000 for bilateral country programs.
b/ Self-help funds only.
c/ Available for countries with footnote b/.

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U.S. ECONOMIC ASSISTANCE/MILITARY ASSISTANCE AND SALES PROGRAMS PROPOSED FOR FY 1970

(In thousand of dollars)

Country and Program	Economic Assistance				Military Assistance	Total Economic and Military Assistance	Military Sales			Total Military	Total Economic and Military
	A.I.D.	P.L. 480	Peace Corps	Total Economic			DOD Credit	Other	Total Sales		
NEAR EAST/SOUTH ASIA - TOTAL	624,745	515,998	11,124	1,151,867	151,141	1,303,008	226,000	123,000	349,000	500,141	1,652,008
Afghanistan	7,800	7,000	1,289	16,089	-	16,089	-	-	-	-	16,089
Ceylon	5,000	17,700	277	22,977	-	22,977	-	-	-	-	22,977
Greece	-	-	-	-	DATA CLASSIFIED						
India	399,500	356,200	5,760	761,460							
Iran	-	-	1,464	1,464							
Iraq	-	200	-	200							
Israel	-	30,600	-	30,600							
Jordan	1,600	8,000	-	9,600							
Lebanon	-	100	-	100							
Nepal	2,565	8	1,386	3,959	-	3,959	-	-	-	-	3,959
Pakistan	148,700	70,200	-	218,900	DATA CLASSIFIED						
Syria	-	200	-	200	-	200	-	-	-	-	200
Saudi Arabia	-	-	-	-	DATA CLASSIFIED						
Turkey	54,235	8,500	948	63,683							
UNRWA	-	16,000	-	16,000	-	16,000	-	-	-	-	16,000
Yemen	-	90	-	90	-	90	-	-	-	-	90
CENTO	350	-	-	350	-	350	-	-	-	-	350
Regional Programs	4,995	1,200	-	6,195	-	6,195	-	-	-	-	6,195
NESA Area	-	-	-	-	DATA CLASSIFIED						
EAST ASIA - TOTAL	233,885	248,745	11,031	493,661	214,288	707,949	41,000	33,400	74,400	288,688	782,349
Burma	-	583	-	583	DATA CLASSIFIED						
Cambodia	-	13	-	13	-	13	-	-	--	-	13
China (Taiwan)	-	-	-	-	DATA CLASSIFIED						
Hong Kong	-	479	-	479	-	479	-	-	-	-	479
Indonesia	66,500	160,134	-	226,634	DATA CLASSIFIED						
Japan	-	-	-	-							
Korea	49,800	72,462	1,772	124,034							
Laos	48,160	979	-	49,139	-	49,139	-	-	-	-	49,139
Malaysia	-	4,293	2,903	7,196	DATA CLASSIFIED						
Philippines	6,675	6,542	3,584	16,801							
Ryukyu Islands	-	2,400	-	2,400	-	2,400	-	-	-	-	2,400
Singapore	-	82	-	82	-	82	-	-	-	-	82
Thailand	45,000	600	1,902	47,502	-	47,502	-	-	-	-	47,502
Western Samoa	-	-	870	870	-	870	-	-	-	-	870
Regional Programs	17,750	178	-	17,928	-	17,928	-	-	-	-	17,928
East Asia Area	-	-	-	-	DATA CLASSIFIED						
VIETNAM - TOTAL	440,000	173,325	-	613,325	-	613,325	-	-	-	-	613,325
Country Programs	415,000	173,325	-	588,325	-	588,325	-	-	-	-	588,325
Expanded Vietnam Program:											
Administrative Expenses	6,500	-	-	6,500	-	6,500	-	-	-	-	6,500
Program Support & Interreg. Activities	18,500	-	-	18,500	-	18,500	-	-	-	-	18,500

SECTION 634(d) TABLES

U.S. ECONOMIC ASSISTANCE/MILITARY ASSISTANCE AND SALES PROGRAMS PROPOSED FOR FY 1970

(In thousands of dollars)

Country and Programs	Economic Assistance				Military Assistance	Total Economic and Military Assistance	Military Sales			Total Military	Total Economic and Military
	A.I.D.	P.L. 480	Peace Corps	Total Economic			DOD Credit	Other	Total Sales		
EUROPE - TOTAL	-	5,886	-	5,886	2,105	7,991	-	492,200	492,200	494,305	500,191
Austria	-	-	-	-							
Belgium	-	-	-	-							
Denmark	-	-	-	-							
France	-	-	-	-							
Germany	-	-	-	-							
Iceland	-	2,000	-	2,000	-	2,000	-	-	-	-	2,000
Italy	-	-	-	-							
Malta	-	186	-	186	-	186	-	-	-	-	186
NAMSO	-	-	-								
Netherlands	-	-	-								
Norway	-	-	-								
Poland	-	3,700	-	3,700	-	3,700	-	-	-	-	3,700
Portugal	-	-	-	-							
Spain	-	-	-	-							
Sweden	-	-	-	-							
Switzerland	-	-	-	-							
United Kingdom	-	-	-	-							
Europe Area	-	-	-	-							
CANADA	-	-	-	-							
OCEANIA - Total	-	156	3,867	4,023	-	4,023					
Australia	-	-	-	-							
New Zealand	-	-	-	-							
Regional Program	-	156	3,867	4,023	-	4,023	-	-	-	-	4,023
WORLD FOOD PROGRAM	-	24,000	-	-	-	-	-	-	--	-	-
OCEAN FREIGHT, VOLUNTARY RELIEF AGENCIES	6,000	42,000	-	48,000	-	48,000	-	-	-	-	48,000
GRANTS OF TITLE I CURRENCIES, SEC. 204 of TITLE II	-	6,600	-	6,600	- -	6,600	-	-	-	-	6,600

DATA CLASSIFIED

U.S. ECONOMIC ASSISTANCE/MILITARY ASSISTANCE AND SALES PROGRAMS PROPOSED FOR 1970

(In thousands of dollars)

Programs	ECONOMIC ASSISTANCE				Military Assistance	Total Economic and Military Assistance	MILITARY SALES			Total Military	Total Economic and Military
	A.I.D.	P.L. 480	Peace Corps	Total Economic			DOD Credit	Other	Total Sales		
MULTILATERAL ORGANIZATIONS AND PROGRAMS - TOTAL	142,220	-	-	142,220	-	142,220	-	-	-	-	142,220
International Atomic Energy Agency - Operational Program	1,450	-	-	1,450	-	1,450	-	-	-	-	1,450
International Secretariat for Voluntary Services	70	-	-	70	-	70	-	-	-	-	70
Special Contributions for Vietnam	1,000	-	-	1,000	-	1,000	-	-	-	-	1,000
UN Children's Fund	13,000	-	-	13,000	-	13,000	-	-	-	-	13,000
UN Development Fund	100,000	-	-	100,000	-	100,000	-	-	-	-	100,000
UN Food and Agriculture Organization World Food Program	1,500	-	-	1,500	-	1,500	-	-	-	-	1,500
UN Force in Cyprus	6,300	-	-	6,300	-	6,300	-	-	-	-	6,300
UN Institute for Training and Research	400	-	-	400	-	400	-	-	-	-	400
UN Population Programs	2,500	-	-	2,500	-	2,500	-	-	-	-	2,500
UN Programs for Southern Africans	50	-	-	50	-	50	-	-	-	-	50
UN Relief and Works Agency	13,300	-	-	13,300	-	13,300	-	-	-	-	13,300
UN Technical and Operational Assistance to the Congo	500	-	-	500	-	500	-	-	-	-	500
World Health Organizations - Medical Research	150	-	-	150	-	150	-	-	-	-	150
World Meteorlogical Organization - Voluntary Assistance Program	2,000	-	-	2,000	-	2,000	-	-	-	-	2,000
Indus Basin Development, Loans	2,480	-	-	2,480	-	2,480	-	-	-	-	2,480
Indus Basin Development, Grants	7,530	-	-	7,530	-	7,530	-	-	-	-	7,530

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SUBSCRIPTIONS AND CONTRIBUTIONS
TO MULTILATERAL FINANCIAL AGENCIES
FOR FY 1969 AND PROPOSED FOR FY 1970
(In thousands of dollars)

	FY 1969	FY 1970
Inter-American Development Bank (IDB)		
Fund for Special Operations	300,000	300,000
Third installment of U.S. share of the 1968-1970 increase in the resources of the Fund is proposed for FY 1970. Second installment for FY 1969 has been appropriated. A total U.S. contribution of $900 million over the three-year period was authorized in 1967.		
Ordinary Capital	205,880	-
First installment of a U.S. subscription of $411.8 million to increase the callable capital of the Bank was appropriated for FY 1969. This installment and the previous U.S. subscriptions of callable capital (totaling $817.6 million) are kept in the U.S. Treasury, enabling the IDB to market the equivalent value of its bonds. None of it has ever had to be spent. (The remaining installment of $205,880 thousand will be requested for FY 1971.)		
International Development Association (IDA)	160,000	160,000
Second installment of a three-year contribution to an enlarged IDA replenishment is proposed for FY 1970. First installment proposed for FY 1969 is requested in supplemental appropriation bill. Total U.S. contribution of $480 million was authorized in 1969. Over the three-year period, replenishment of IDA resources will total $1.2 billion. Contributions from other donors will amount to $720 million--$240 million a year for three years.		
Asian Development Bank (ADB)		
Ordinary funds	20,000	20,000
Fourth installment of a $100 million U.S. subscription to paid-in ordinary capital is proposed for FY 1970. Third installment for FY 1969 has been appropriated. (Another $100 million in callable capital to enable the Bank to market the equivalent of its bonds was previously appropriated.)		
Special Fund	25,000	25,000
Proposed U.S. contribution for FY 1970 under legislation to be submitted.	-	25,000

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EXPORT-IMPORT BANK LONG-TERM LOANS[a] AUTHORIZED IN FY 1968
Authorizations by Region, Country, Obligor, Purpose, Interest Rate, and Final Maturity Date

Region, Country and Obligor	Purpose	Amount ($ millions)	Interest Rate (Percent)	Final Maturity Date
GRAND TOTAL		$1,472.7		
Latin America		301.4		
Argentina		41.0		
Sociedad Mixta Siderurgia Argentina (SOMISA)	Modification of rolling and finishing facilities, etc.	33.7	6.0	5-15-82
Servicios Electricas del Gran Buenos Aires, S.A. (SEGBA)	Expansion of electric facilities	4.4	6.0	6-1-80
Servicios Electricas del Gran Buenos Aires, S.A. (SEGBA)	Convert electric generating station from oil-firing to coal-firing	2.8	6.0	1-31-79
Bahamas		6.8		
Government of the Bahama Is.	Expansion of electric generating plants	1.4	6.0	9-30-76
Government of the Bahama Is.	Expansion of telecommunications and related facilities	5.4	6.0	1-15-81
Brazil		50.8		
Cia. Siderurgica Nacional (CSN)	Expansion of steel plant	30.0	6.0	10-15-82
Empresa Brasileira de Telecommunicacoes	Construction of earth satellite receiving station	2.4	6.0	12-21-77
Viacao Aerea Sao Paulo, S.A. (VASP)	Boeing 737 jet aircraft and spare parts	8.4	6.0	6-30-76
S.A. Empresa de Viacao Aerea Rio Grandense (VARIG)	Boeing 707-320C jet aircraft and spare parts	9.9	6.0	8-15-75
Chile		14.5		
Empresa Nacional de Telecommunicaciones S.A.	Construction of an earth satellite station	5.4	6.0	9-1-77
Basques e Industrias Madereras S.A.	Machinery and service for development of timber reserves including construction of sawmill	0.1	5.5	3-1-79
Chilean State Railways	Track, airbrake, signalling and auxiliary equipment and components for freight cars	8.8	6.0	7-31-77
Bosques e Industrias Madereras, S. A.	Construction of sawmills	0.2	6.0	3-1-79

EXPORT-IMPORT BANK LONG -TERM LOANS[a] AUTHORIZED IN FY 1968
Authorizations by Region, Country, Obligor, Purpose, Interest Rate, and Final Maturity Date

Region, Country and Obligor	Purpose	Amount ($ millions)	Interest Rate (Percent)	Final Maturity Date
Latin America (Cont'd)				
Colombia		5.9		
Instituto de Aprovechamiento de Aquas y Fomento Electrico	Expansion of electric generation and distribution systems	0.9	6.0	6-15-84
Empresa de Acueductos y Alcantarillado Bogota, d.e.	Improvement & expansion of the water supply in Bogota	3.0	6.0	6-15-78
Empresa de Energia Electrica de Bogota	Improvement & expansion of EEB's electric power system	2.0	6.0	6-15-78
Dominican Republic		6.3		
Corporacion Dominicana de Electricidad	Expansion of electric power generation, transmission and distribution system	6.3	6.0	3-31-84
Ecuador		7.5		
Empresa Electrica del Ecuador, Inc.	Expansion of electric generating and distribution facilities	6.0	6.0	12-31-84
Ecuatoriana de Desarrollo S.A. Compania Financiera (COFIEC)	Subject to allocation	1.5	6.0	12-15-74
Mexico		87.3		
Nacional Financiera, S.A.	Expansion program of Altos Hornos de Mexico, S.A.	26.0	6.0	12-15-80
Nacional Financiera S.A.	Expansion of paper manufacturing facilities	4.1	6.0	3-31-77
Nacional Financiera S.A.	Power and service national microwave system under construction	4.3	6.0	12-15-78
Petrolsos Mexicanas	Construction of hydrocracking unit and facilities for operation of refinery	13.6	6.0	1-31-82
Hullera Mexicana, S.A.	Establishment of coking plant	10.0	6.0	9-30-77
Banco Nacional de Obras y Servicias Publicos, S.A.	Components and services for manufacture of buses	7.9	6.0	5-30-75
Nacional Financiera, S.A.	Modernization and rehabilitation of National Railways	20.7	6.0	9-30-78
Nacional Financiera, S.A.	Equipment for nuclear research	0.8	6.0	12-15-73
Nicaragua		4.9		
Atlantic Coast Chemical Co. (ATCHEMCO)	Equipment for Naval Stores Plant	0.4	6.0	9-15-73
Banco Nacional de Nicaragua(BNN)	Grain Storage facilities	4.5	6.0	4-30-78

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EXPORT-IMPORT BANK LONG - TERM LOANS[a/] AUTHORIZED IN FY 1968
Authorizations by Region, Country, Obligor, Purpose, Interest Rate, and Final Maturity Date

Region, Country and Obligor	Purpose	Amount ($ millions)	Interest Rate (Percent)	Final Maturity Date
Latin America (Cont'd)				
Panama		0.5		
Republic of Panama	Refuse collection equipment	0.5	6.0	7-31-73
Peru		4.7		
Compania de Aviacion "Faucett" S.A.	Boeing 727 - 100 jet aircraft	4.7	6.0	4-30-75
Trinidad and Tobago		5.9		
Trinidad and Tobago Electricity Commission	Construction of an 80 MW steam turbine power plant	5.9	6.0	7-15-84
Venezuela		65.3		
Manufacturas de Papel C.A.	Expansion of paper manufacturing facilities	0.5	6.0	7-15-74
Banco Agricola y Pecuario (BAP)	General Agricultural purposes and cattle raising	5.0	6.0	1-20-75
Aluminio del Caroni, S.A.	Plant for reduction and fabricating aluminum	8.0	6.0	1-15-81
Orinoco Mining Company	Construction of high iron briquette plant and related mining facilities	50.0	6.0	9-15-82
Aerovias Venezolanas, S.A.	One D.C. 9-30 jet aircraft	1.8	6.0	4-30-76
Near East and South Asia		173.7		
India		45.0		
Air - India Corporation	Boeing 747 aircraft and spare parts	25.0	6.0	3-31-78
Government of India	Capital equipment - subject to allocation	20.0	6.0	12-15-82
Iran		27.6		
Government of Iran	Two 156 MW electric power generating units and related facilities at the Sharyar power station	27.6	6.0	9-30-86
Israel		23.7		
Government of Israel	Thermal electric generating unit	7.5	6.0	7-15-84
El Al Israel Airlines, Ltd.	Boeing 707 jet aircraft	16.2	6.0	4-15-78

EXPORT-IMPORT BANK LONG - TERM LOANS[a] AUTHORIZED IN FY 1968
Authorizations by Region, Country, Obligor, Purpose, Interest Rate, and Final Maturity Date

Region, Country and Obligor	Purpose	Amount ($ millions)	Interest Rate (Percent)	Final Maturity Date
Near East and South Asia Cont'd				
Pakistan		65.5		
Government of Pakistan	Construction of two earth satillite stations	9.0	6.0	6-1-78
Government of Pakistan	Construction of dam and facilities	50.0	6.0	12-30-81
Government of Pakistan	Construction of a microwave system in East Pakistan	1.5	6.0	6-1-78
Pakistan Industrial Credit & Investment Corp. Ltd. (PICIC)	Development and expansion edible oil extraction & other industries	5.0	6.0	5-1-76
Saudi Arabia		12.0		
Saudi Arabian Fertilizer Co.	Construction of a fertilizer plant near Dammam, Saudi Arabia	12.0	6.0	12-31-74
Africa		49.4		
Angola		6.7		
Companhia Mineira do Lobito, SARL and Sociedade Mineira do Lombige, SARL	Diesel locomotives and spare parts	6.7	6.0	4-30-79
Ghana		5.3		
Volta Aluminum Co. Ltd.	Aluminum smelter plant	2.5	5.75	2-2-89
Firestone Ghana Limited	Plant for manufacture of tires and related rubber products	2.8	6.0	10-31-73
Ivory Coast		36.5		
Republic of the Ivory Coast	Construction of hydroelectric project	36.5	6.0	12-31-88
Senegal		0.9		
Hotel Company	Construction of hotel	0.9	6.0	9-30-80
East Asia		121.1		
Indonesia		7.7[b]		
Republic of Indonesia	Capitalized interest on refunded maturities	7.7	3.0	1-2-79

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EXPORT- IMPORT BANK LONG-TERM LOANS[a/] AUTHORIZED IN FY 1968
Authorizations by Region, Country, Obligor, Purpose, Interest Rate, and Final Maturity Date

Region, Country and Obligor	Purpose	Amount ($ millions)	Interest Rate (Percent)	Final Maturity Date
East Asia Cont'd				
Japan		93.1		
Japan Air Lines Co. Ltd.	Boeing 727 jet aircraft	3.4	6.0	11-15-74
Japan Air Lines Company, Ltd.	DC-8 jet aircraft	31.5	6.0	9-30-76
Missan Motor Company, Ltd.	Expansion of facilities for manufacture of motor vehicles	16.2	6.0	1-10-76
Japan Air Lines Company, Ltd.	Boeing 747 jet aircraft	42.0	6.0	7-15-78
Korea		16.2		
Daehan Synthetic Fiber Co. Ltd.	Expansion of polyester fiber plant	4.3	6.0	3-15-79
Government of Korea	Constr. of satellite earth station	3.7	6.0	3-31-78
Government of Korea	Deisel locomotives for Korea National Railroad	4.8	6.0	9-30-76
Korea Nylon Company, Ltd.	Expansion of nylon fiber plant	3.4	6.0	10-1-73
Thailand		4.2		
Rama Tower Company, Ltd.	Hotel construction	2.1	6.0	12-31-79
Tawana Hotel Company, Ltd.	Hotel construction	1.0	6.0	12-31-79
Bangkok Bank, Ltd.	Agriculture and manufacture materials - subject to allocation	1.0	6.0	1-11-74
Europe		557.2		
Germany (Fed. Rep.)		8.8		
Gesellschaft fur Kernforschung, mbh	Heavy water	8.8	6.0	7-20-76
Ireland		11.8		
Aerlinte Eireann Teoranta	Boeing 747 jet aircraft	11.8	6.0	2-15-78
Italy		85.9		
Institute Mobilaire Italiano	Expansion of silicon semiconductor manufacturing facilities	2.5	6.0	5-1-75
Instituto Mobilaire Italiano	Boeing 747 jet aircraft	21.0	6.0	11-15-77
Instituto Mobilaire Italiano	Military equipment and services	62.4	4.875	4-30-73
Portugal		4.8		
Transportes Aereas Portugueses, S.A.R.L.	Boeing 707 and 727 jet aircraft	4.8	6.0	1-31-76

EXPORT-IMPORT BANK LONG-TERM LOANS[a] AUTHORIZED IN FY 1968
Authorizations by Region, Country, Obligor, Purpose, Interest Rate, and Final Maturity Date

Region, Country and Obligor	Purpose	Amount ($ millions)	Interest Rate (Percent)	Final Maturity Date
Europe Cont'd				
Spain		6.0		
Central Termica de la Robla, S.A.	Construction of thermal electric power plant	6.0	6.0	11-1-79
Sweden		32.4		
Scandinavian Airlines System	Boeing 747 jet aircraft	19.4	6.0	3-15-79
Scandinavian Airlines System	DC-9 jet aircraft	13.0	6.0	1-31-78
United Kingdom		395.9		
Britannia Airways Limited	Boeing 737 jet aircraft	2.8	6.0	5-15-76
British Overseas Airways Corporation (BOAC)	Boeing 747 jet aircraft	40.1	6.0	9-1-77
Government of United Kingdom	Military equipment and services	28.0	6.0	6-30-75
Government of United Kingdom	Aircraft and related equipment	325.0	4.75	6-30-75
Yugoslavia		11.6		
Government of Yugoslavia	Transfer from Guaranty	0.8	6.0	7-31-76
Government of Yugoslavia	Transfer from Guaranty	10.9	6.0	4-30-76
Oceania		239.6		
Australia		179.0		
Commonwealth of Australia	U.S. capital equipment	10.0	6.875	10-1-82
Commonwealth of Australia	Boeing 747 jet aircraft and spare parts	23.8	6.0	12-15-78
Commonwealth of Australia	Military equipment and services	95.0	4.75	6-30-76
Commonwealth of Australia	Military equipment and services	6.4	5.5	6-30-74
Commonwealth of Australia	Military equipment and services	43.7	5.5	6-30-74
New Zealand		60.7		
New Zealand National Airways Corp.	Boeing 737 jet aircraft	5.7	6.0	10-1-78
Government of New Zealand	Military equipment and services	17.0	5.5	4-30-78
Government of New Zealand	Military equipment and services	38.0	5.5	5-31-76

EXPORT-IMPORT BANK LONG-TERM LOANS[a] AUTHORIZED IN FY 1968
Authorizations by Region, Country, Obligor, Purpose, Interest Rate, and Final Maturity Date

Region, Country and Obligor	Purpose	Amount ($ millions)	Interest Rate (Percent)	Final Maturity Date
Canada		30.2		
Western Co-operative Fert. Ltd.	Expansion of fert. mfg. plant	20.5	6.0	3-15-81
Canadian Pacific Air Lines Ltd.	7 Boeing 737 jet aircraft, spare engines and related equipment	9.7	6.0	6-15-76

NOTE: Data represent authorizations for loans of five years or more maturity, less cancellations or terminations and less individual loans bought by private banks and other institutions. The data exclude $192.2 million in purchased military loans guaranteed by the Department of Defense; they also exclude all export guaranties and insurance authorized by the Bank.

Detail may not add to totals due to rounding.

a/ Loans of five years or more maturity.

b/ Total excludes refunding of $30.6 million on which capitalized interest of $7.7 million was authorized.