AGENCY FOR INTERNATIONAL DEVELOPMENT

PROPOSED PROGRAMS
FISCAL YEAR 1964

VOLUME II:

NEAR EAST AND SOUTH ASIA
AFRICA
EUROPE
NON-REGIONAL ACTIVITIES
ADMINISTRATIVE EXPENSES

CONFIDENTIAL

FY 64

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April 19, 1963

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CLASSIFICATION OF VOLUMES

This year A.I.D. has endeavored to present the maximum possible amount of information on an unclassified basis, and to reduce the classification of other materials to the lowest possible level consistent with security considerations. The book titled "Proposed Mutual Defense and Assistance Programs - FY 1964" in both the loose leaf and bound formats has been prepared as a completely unclassified document and is available for unlimited use by the members of the Congress. The FY 1964 A.I.D. proposals by country, as well as other statistical data which must remain classified, have been incorporated in the classified regional books (Volumes I and II).

These classified Volumes I and II not only provide the Congress with A.I.D.'s long-term aid objectives and the FY 1964 economic assistance programs country-by-country, but also provide a frank evaluation of the political, economic and social situations existing in the countries for which assistance is proposed. Clearly, candid judgments by the U.S. Government with respect to the effectiveness of foreign governments in responding to demands for reform and development, for example, cannot be published on an unclassified basis. And yet just this kind of judgment and evaluation is essential for the comprehension by the Congress of the foreign policy interests underlying this aid request, as well as an understanding of the specific country aid proposals themselves. Those portions of the narratives and amounts which are security classified have been shaded. All other material is unclassified.

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TABLE OF CONTENTS FOR VOLUME II

VOLUME II

Page No.

NEAR EAST AND SOUTH ASIA

Map of Near East and South Asia and FY 1964 Program . 1
Summary of Programs by Country and Function 2
Regional Statement 3
Afghanistan 7
Ceylon 11
Cyprus 13
Greece 15
India 19
Iran 23
Iraq 27
Israel 29
Jordan 33
Lebanon 37
Nepal 39
Pakistan 41
Syria 45
Turkey 47
UAR (Egypt) 51
Yemen 55
Regional Programs 57

AFRICA

Map of Africa and FY 1964 Program 59
Summary of Programs by Country and Function 60
Regional Statement 61
Algeria 69
Congo (Leopoldville) 71
East Africa 75
Kenya 77
Tanganyika 79
Uganda 83
Zanzibar 75
Ethiopia 85
Ghana 89
Guinea 93
Liberia 95
Libya 99
Mali 101
Morocco 105
Nigeria 109
Rhodesia and Nyasaland 113
Sierra Leone 115

VOLUME II (Continued)

Page No.

Somali Republic 117
Sudan 121
Tunisia 125
UAM and Other States (Africa and Malagasy Union States (UAM) and Togo and Burundi) 131
List of UAM Countries 135
Regional Programs 137

EUROPE

Summary of Programs by Country and Function 141

NON-REGIONAL ACTIVITIES

Summary of Programs by Function 145

PRIVATE ENTERPRISE PROGRAM 146

INTERNATIONAL ORGANIZATIONS

Voluntary Contributions to International Organizations (General) 157
UNTA and Special Fund 158
UN Economic Assistance to the Congo 159
UN Relief and Works Agency for Palestine Refugees .. 160
UN Children's Fund 161
FAO World Food Program 161
International Atomic Energy Agency Operational Program 162
World Health Organization Special Programs 162
Indus Waters 163

OTHER PROGRAMS

Research for Development 165
Excess Property 168
Ocean Freight, Voluntary Relief Agencies 169
Civic Action 170
Internal Security 171
American Schools and Hospitals Abroad 172
General Technical Services-Human Resources and Social Development 173
Office of Inspector General, Foreign Assistance 173
Interregional Programs 174

TABLE OF CONTENTS FOR VOLUME II

VOLUME II (Continued)

Page No.

ADMINISTRATIVE EXPENSES

Administrative Expenses-Agency for International Development 179
Administrative and Other Expenses-Department of State. 182

SECTION 634(d) REPORT 183

NEAR EAST &
SOUTH ASIA

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NEAR EAST and SOUTH ASIA [redacted]

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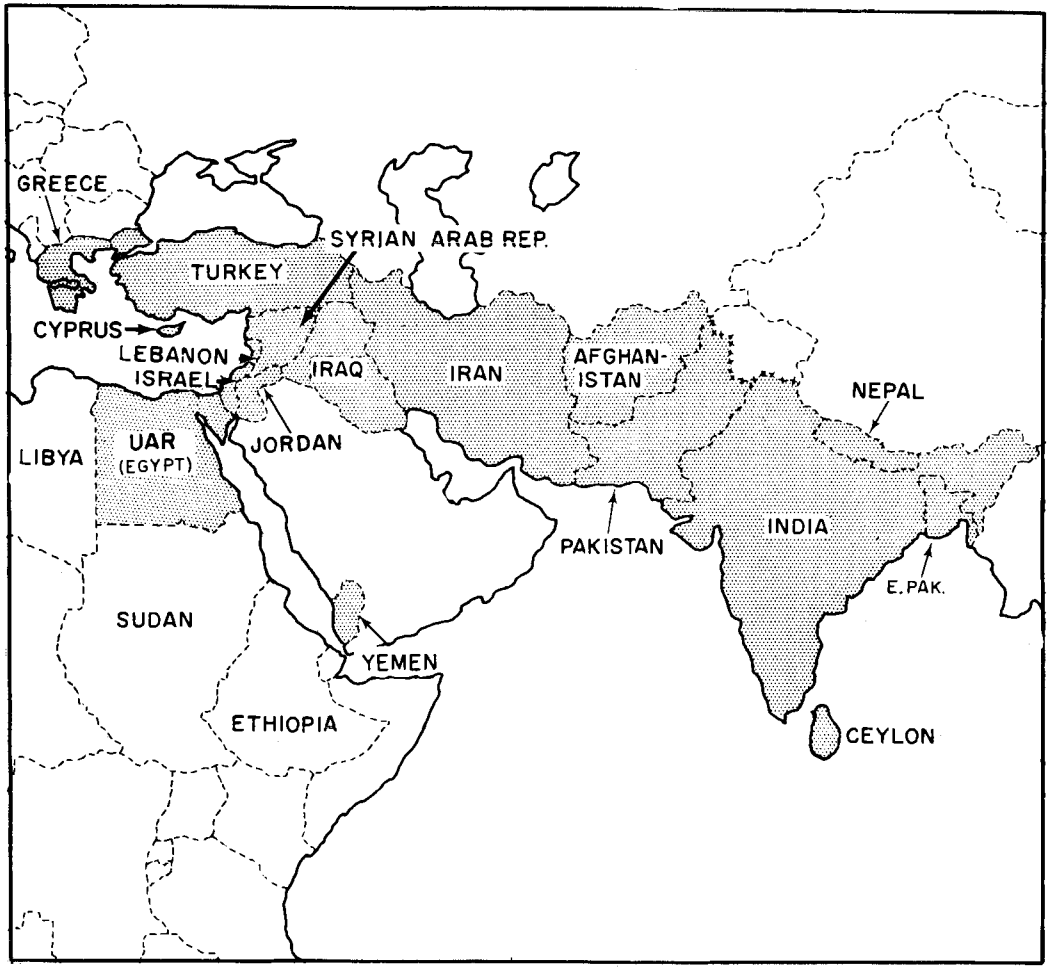

FY 1964 PROGRAM

County	Type of Assistance (Thousands of Dollars)				
	Total	Development Loans	Development Grants and Tech Coop.	Supporting Assistance	Inter-natianal Org.
Total	1,088,945-1,148,945	890,000-950,000	62,445	76,200	60,300
Afghanistan	29,900-34,900	15,000-20,000	14,900	–	–
Ceylon	825	–	825	–	–
Cyprus	1,000	*	1,000	–	–
Greece	25,000	25,000	–	–	–
India	458,115	450,000	8,115	–	–
Iran	29,100-44,100	25,000-40,000	4,100	–	–
Iraq	975	–	975	–	–
Israel	20,000	20,000	–	–	–
Jordan	41,500	*	7,500	34,000	–
Lebanon	–	–	–	–	–
Nepal	4,500	*	4,500	–	–
Pakistan	234,900	225,000	9,900	–	–
Syria	600	*	600	–	–
Turkey	134,700-164,700	95,000-125,000	4,700	35,000	–
U.A.R.(Egypt)	17,200-27,200	15,000-25,000	2,200	–	–
Yemen	6,000	–	–	6,000	–
Unprogrammed	20,000	20,000	–	–	–
Regional Prog.	64,630	–	3,130	1,200	60,300
CENTO 1/	*(1,600)*	–	*(400)*	*(1,200)*	–
Indus Waters	*(43,100)*	–	–	–	*(43,100)*
UNRWA 2/	*(17,200)*	–	–	–	*(17,200)*
Other	*(2,730)*	–	*(2,730)*	–	–

* Development lending contemplated. Project applications will be considered.
1/ Central Treaty Organization. 2/ UN Relief and Works Agency.

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SUMMARY OF PROGRAMS - NEAR EAST AND SOUTH ASIA

By Country and Function

(In thousands of dollars)

Country	TOTAL			Development Loans			Development Grants			Supporting Assistance			Other Programs		
	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964
Afghanistan	37,668	20,100	29,900-34,900	-700	5,000	15,000-20,000	7,268	15,100	14,900	31,100	-	-	-	-	-
Ceylon	1,251	530	825	-	-	-	1,251	530	825	-	-	-	-	-	-
Cyprus	679	2,900	1,000	-	2,000	a/	679	900	1,000	-	-	-	-	-	-
Greece	30,300	35,000	25,000	10,000	35,000	25,000	300	-	-	20,000	-	-	-	-	-
India	465,467	402,450	458,115	445,900	395,000	450,000	19,567	7,450	8,115	-	-	-	-	-	-
Iran	53,026	24,896	29,100-44,100	5,655	20,000	25,000-40,000	4,179	4,300	4,100	43,192	596	-	-	-	-
Iraq	678	800	975	-	-	-	678	800	975	-	-	-	-	-	-
Israel	44,946	45,000	20,000	45,000	45,000	20,000	-46	-	-	-8	-	-	-	-	-
Jordan	42,815	43,000	41,500	-1,000	-	a/	6,862	7,000	7,500	36,953	36,000	34,000	-	-	-
Lebanon	-132	150	-	-500	-	-	368	150	-	-	-	-	-	-	-
Nepal	3,714	3,900	4,500	-	-	a/	3,714	3,900	4,500	-	-	-	-	-	-
Pakistan	240,086	226,750	234,900	207,145	217,000	225,000	7,985	9,750	9,900	24,956	-	-	-	-	-
Saudi Arabia	-99	-	-	-	-	-	-	-	-	-99	-	-	-	-	-
Syria	23,861	337	600	14,700	-	a/	161	320	600	9,000	17	-	-	-	-
Turkey	71,094	135,250	134,700-164,700	10,000	75,000	95,000-125,000	4,998	5,250	4,700	56,096	55,000	35,000	-	-	-
UAR (Egypt)	41,948	54,000	17,200-27,200	20,000	41,000	15,000-25,000	1,948	3,000	2,200	20,000	10,000	-	-	-	-
Yemen	6,675	5,900	6,000	-	-	-	-	-	-	6,675	5,900	6,000	-	-	-
CENTO	2,358	2,100	1,600	-	-	-	332	400	400	2,026	1,700	1,200	-	-	-
Indus Waters	34,500	24,600	43,100	-	-	-	-	-	-	-	-	-	34,500	24,600	43,100
Other	2,419	2,730	22,730	-	-	20,000	2,294	2,730	2,730	125	-	-	-	-	-
U.N. Emergency Force	1,800	1,322	-	-	-	-	-	-	-	-	-	-	1,800	1,322	-
U.N. Relief and Works Agency	17,938	17,200	17,200	-	-	-	-	-	-	-	-	-	17,938	17,200	17,200
Program Adjustment	-	-65,000	-	-	-65,000	-	-	-	-	-	-	-	-	-	-
NEAR EAST AND SOUTH ASIA - TOTAL	1,122,992	983,915	1,088,945-1,148,945	756,200	770,000	890,000-950,000	62,538	61,580	62,445	250,016	109,213	76,200	54,238 b/	43,122 b/	60,300 b/

a/ Included in "Other."

b/ The following programs are funded under International Organizations and Programs: Indus Waters, U.N. Relief and Works Agency, and U.N. Emergency Force. Details contained in corresponding sections in this volume under Index Tab "International Organizations."

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The Near East and South Asia (NESA) region has two focal points: one group of countries form the southern border of the Sino-Soviet bloc, the other consists of the Near East Arab countries and Israel.

The main thrust of the NESA aid program is directed at the seven countries which lie along the borders of the Sino-Soviet bloc. Greece and Turkey, the eastern flank of North Atlantic Treaty Organization (NATO), make a vital contribution to European and U.S. security. Iran, joined with Turkey and Pakistan in the Central Treaty Organization (CENTO), is the route from the north to the Persian gulf and the land bridge to South Asia. The subcontinent, by virtue of its location, its 585 million people, its industrial potential, and the military traditions of India and Pakistan has the potential to be the Asian counter to Chinese power.

The remainder of the aid program is directed mainly to three Near East countries to maintain peace and stability in that area. The need for programs in Jordan, Israel, and the United Arab Republic (UAR) exists quite apart from the confrontation with the bloc in the Arab world. The Near East supplies more than half of Western Europe's oil, and vital trade routes and lines of communication cross it.

The NESA region is an obvious area for bloc expansion, and pressure is exerted in a number of ways. These include Chinese military action in India, massive Russian economic and military aid which threatens Afghan independence, heavy Communist infiltration of government services in Iraq until the recent revolt, and clandestine radio campaigns inciting the people of Iran to revolt. By the end of 1962, over one-half of the bloc's economic and military aid had been directed to countries in the NESA region.

Our objective is to help countries in the region maintain their independence. The major countries of the area have devised economic development programs and are intent on carrying them out. Our economic aid programs, therefore, have a basis upon which to build the economic strength of these countries, thereby improving their chances of maintaining political independence. Our military assistance programs are also being continued in countries such as Greece, Turkey, Iran and Pakistan, which are associated with the Free World collective security system.

Greece, Turkey, Cyprus and Iran

Greece and Turkey play a significant role in maintaining Free World security and provide strategic facilities to the United States and NATO. The United States has helped to strengthen them by providing military assistance for their NATO forces and economic assistance for development programs which enhance their political stability and their long-term value as allies. Greece has made excellent economic progress during the past ten years. Its prospects for continued economic gain should permit the phase-out of aid in the next few years. As a step in this direction, FY 1964 Development Lending levels for Greece have been reduced.

The United States has a major interest in helping Turkey match the Greek experience. The Turkish Government is committed to carry out its first Five-Year Plan. This gives us the opportunity to help Turkey attain self-sustaining growth, which can provide the people with economic and social improvements as well as the means to support its defense responsibilities. The proposed FY 1964 aid program is larger than that in recent years and will support, along with other donors, the new start Turkey is making.

Cyprus remains a potential source of friction between Greece and Turkey because of the continued tensions between its Greek and Turkish communities. The primary purpose of the U.S. aid program is to maintain access to valuable U.S. communication facilities, but we hope to use it also to encourage communal cooperation. Assisting Cyprus in its economic development effort also could help reduce the possibility of a Communist front election victory in 1965.

The Shah of Iran recently introduced a reform program, the chief element of which is the breakup of large-landed estates and their distribution to the former tenant farmers. Supported by the armed forces and a minority of the bureaucracy, the Shah has pushed this program to an irreversible point. In the process, he has ended his dependence on the traditional conservative elite, disarmed his urban middle-class opposition, and is creating a new political force in the form of a peasant majority. If successful, the Shah's program holds greater promise than any earlier Iranian course of creating an stable political power structure and spurring long-range social and economic progress. U.S. policy is to assist Iran to weather the economic and political dislocations expected to result from the current revoluntionary reform efforts.

South Asia

It is difficult to conceive of a free Asia without a free India and Pakistan. Communist control or domination of either would jeopardize the U.S. security position in free Asia and weaken our position in the world. In military and political terms the subcontinent is indivisible. Afghanistan, Nepal, and Ceylon are parts of the subcontinent, and the first two are gateways to Pakistan and India from the north.

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A free and independent South Asia, united by common goals, could become a powerful deterrent to the spread of communism from China or the USSR. Unfortunately, disputes exist between India and Pakistan over Kashmir; between Afghanistan and Pakistan over the Pushtun peoples, who inhabit the border area between the two countries; between India and Ceylon over Indian minorities in Ceylon; and until recently between Nepal and India over the border incursions of a Nepali exile group located in India. The Chinese invasion of India and its recent diplomatic initiatives underscore the dangers of these divisions. Tensions between Pakistan and India have been heightened by U.S. military assistance to India and by Pakistan's border settlement with the Chinese.

These issues affect the implementation of U.S. aid policy. The U.S. objective that India assume the major responsibility for Nepal's development program is hampered by Nepalese distrust of Indian intervention. Until Indo-Nepalese relations improve, the United States must maintain an aid effort to provide Nepal an alternative to greater reliance on Sino-Soviet aid. The Afghan-Pakistani border closure increases the difficulties of the aid program in Afghanistan, which now must depend on shipments through Iran at somewhat higher cost. A Development Grant program, modified and reduced from that which was planned, is to be continued in Afghanistan. Its strategic location makes it important for the United States to maintain an effective presence in Afghanistan, where Russia is already providing extensive economic aid and has pre-empted military aid.

India and Pakistan, with a total population of 550 million, growing at more than 2% a year, are engaged in major efforts to accelerate economic and social development. India has completed two Five-Year Plans and is now in the third year of its new Plan. Pakistan is in the fourth year of its Second Plan. Both have used their own resources and foreign assistance effectively and their recent economic progress is reasonably encouraging. In association with other Free World countries, we plan to continue to provide them with major capital assistance. Afghanistan and Nepal, each at a much earlier stage of development, are also attempting programs of social and economic improvement with U.S. support.

The Near East Arab States and Israel

The Near East countries, with few exceptions, share with the countries of South Asia their lack of national cohesion and explosive inter-country rivalries. While the Palestine question retains its emotional force, other divisive forces contribute to the area's instability. The Arab countries for the most part are in the midst of a social and economic revolution, which is destructive of traditional patterns and values. Although attracted by the broader but still undefined goal of Arab unity, they have yet to create enduring new political and social forms. Intra-Arab frictions are a constant source of tension. Syria broke with the UAR in September 1961 over the UAR's economic policies and the loss of local autonomy. There is an inherent rivalry between the UAR and Iraq. Jordan, heavily dependent on the West, is regarded with suspicion by its Arab neighbors. The monarchies in Saudi Arabia and Jordan feel the pressures of Arab nationalism and modernization. They have opposed the UAR in Yemen after a revoluntionary group overthrew Yemen's theocratic, absolute monarch in September 1962 and established a republic. Royalist and republican forces are still at war. The United States has sought withdrawal of both Saudi Arabian and UAR support of the contending Yemeni forces. In February 1963 the Qasim regime in Iraq was overthrown as a result of dissatisfaction with the lack of progress, unease over Qasim's arbitrary and erratic policies and alarm at the growing influence of Communist advisors. In March 1963 there was a revolution in Syria.

Preservation of Israel and Jordan as independent states is central to the maintenance of peace and stability in the Near East. They now receive most of the Development Loans or Grants provided in the area. The Jordanian economy has grown stronger and future savings in U.S. budget support assistance should be possible, even though Jordan still requires United States and U.K. cash subsidies to maintain essential government services. Israel, with its high level of investment has experienced record growth rates. The continued economic development of the country without Agency for International Development (A.I.D.) Development Lending can now be envisaged. In planning a phase-out, we shall be careful to avoid any implication that we are withdrawing U.S. support for Israel in favor of the Arab States.

U.S. policy seeks a stable, neutral UAR amenable to Western influence, as the best guarantee of the survival of the smaller states in the area. The UAR has achieved some progress but with considerable strain on its financial resources. Public Law 480 sales of agricultural commodities have been substantial and will remain the major source of U.S. support, although some development lending is planned.

U.S. aid to Yemen began three years ago, after the Soviet bloc and Red China offered economic and military assistance. The objective is to offer Yemen an alternative to complete dependence on Soviet and Chinese aid.

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There are small U.S. Development Grant programs in Syria and Iraq. The participant program in Iraq maintained contacts with the West during the period of the hostile Qasim regime. Lebanon, Saudi Arabia, and Kuwait are financing their own development programs. Kuwait has initiated a lending program to support economic development in other Arab countries.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans	756.2	770.0	890.0-950.0
Development Grants	62.5	61.6	62.4
Supporting Assistance	250.0	109.2	76.2
Total	1,068.7	940.8	1,028.6-1,088.6

The proposed FY 1964 program of $1.03 billion is about 10% higher than expected obligations in FY 1963, but about the same level as FY 1962. Pakistan, India, and Turkey are expected to absorb about 85% of total regional funds. Aid consortia are in operation for all three countries. Programs for six countries, Afghanistan, Greece, Iran, Israel, Jordan, and the UAR, are expected to receive less than 15% of total funds proposed for the Region.

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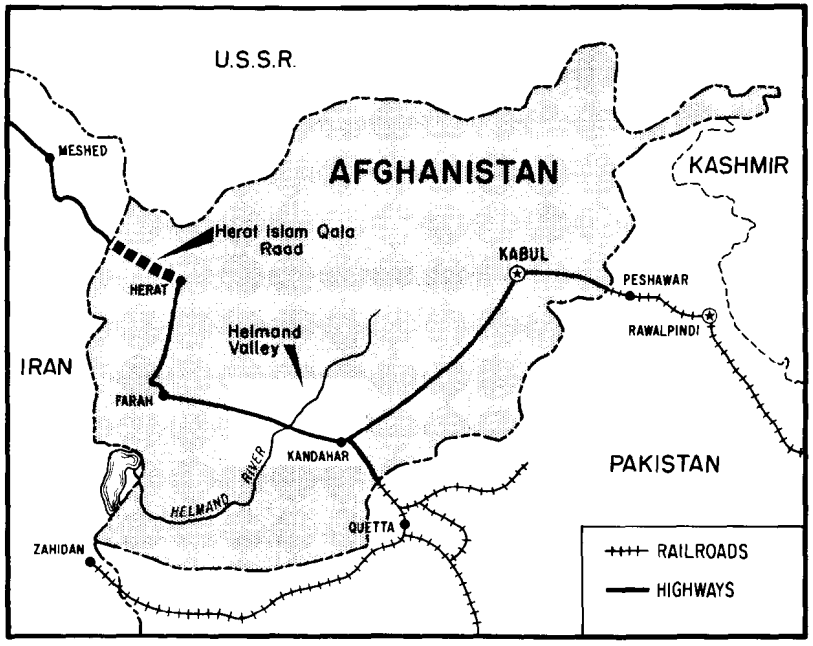
Afghanistan- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	14.1	Life Expectancy (years)	n.a.
Annual Growth (percent)	2.0		
		People per Doctor	57,000
Area (1000 sq. mi.)	251		
Pop. Density per sq. mi.	56	Literacy Rate - %	5-10
Agricultural Land			
Percent of Total Area	19	Pupils as % of Pop. (Primary & Secondary)	2
Acres per Capita	2.1		

Gross National Product*

Total GNP ($ million; 1961)	965
Per Capita GNP (dollars)	70



	Calendar Years 1959	1960	1961	1962 Est.
Agricultural Prod. Index (1952-54=100)	114	114	112	118
Index per Capita	107	105	101	104
Wheat (1,000 MT)	2,300	2,175	2,175	2,300
INTERNATIONAL TRADE ($ millions) a/				
Total Exports (f.o.b.)	53	47	51	n.a.
Karakul	(18)	(14)	(16)	n.a.
Total Imports (c.i.f.)	64	63	67	n.a.
Trade Balance	-11	-16	-16	n.a.
GOLD & FOREIGN EXCHANGE a/ ($ millions)	83	82	n.a.	n.a.
COST OF LIVING INDEX (Dec. 1955=100) (Kabul)	162	206 b/	201	201

CENTRAL GOVERNMENT FINANCES* (FY ending September 20) — *Million Dollar Equivalents* —

	1960	1961	1963 (AID Est.) c/
Total Expenditures	101.9	139.0	140.0
(Defense Expenditures)	(15.5)	(19.0)	(21.0)
(Capital Outlays)	(60.0)	(91.0)	(85.0)
Total Domestic Revenues	49.5	71.0	59.0
Deficit or Surplus	-52.4	-68.0	-81.0

* Converted at 32.35 afghanis per U.S.$.
a/ Years beginning March 20 of year stated.
b/ Reflects higher rents. c/ March 22, 1962 - March 21, 1963.

Country Progress

During Afghanistan's First Five-Year Plan period which ended September 1961, about 960 miles of trunk road construction were completed. Five airports were finished, an additional two started and an Afghan airline established. The number of schools increased and the quality of education was improved. Factories were established for production of cotton cloth, soap, and cement. Electric power capacity was expanded.

INDUSTRIAL PRODUCTION OVER SIX YEARS

	1956-57	1958-59	1960-61	1961-62
Electric Power (Million Kw)	35.0	53.2	118.6	126.8
Coal (1,000 tons)	29	34	46	69
Cotton Cloth (Million Sq. Meters)	15.0	22.0	18.5	27.2
Cement (1,000 tons)	-	-	35	35
Soap (1,000 pieces)	1,087	1,011	1,609	2,385

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Country: AFGHANISTAN

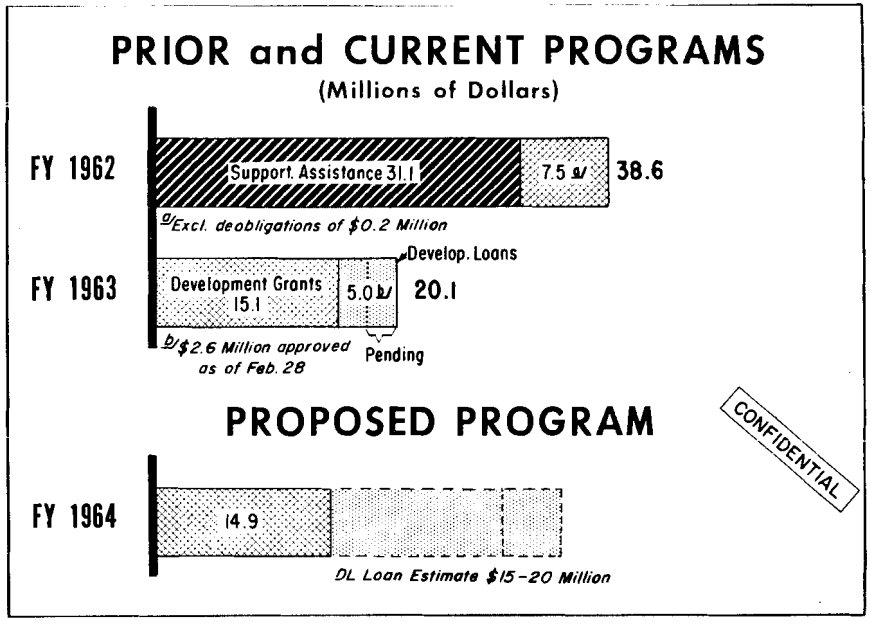
U.S. Objectives and Strategy

The primary U.S. objective is an independent and non-aligned Afghanistan, friendly to the broad objectives of the Free World and willing and able to impose limitations on further Soviet bloc influence on its affairs. More concretely, the objective is to (a) help Afghanistan achieve a stronger, more cohesive and more progressive society, and (b) maintain a U.S. economic assistance program which will provide visible evidence of an alternative to excessive dependence upon the USSR.

Externally, the principal political problem is the Afghan dispute with Pakistan which led to the closure of the Afghanistan/Pakistan border in September 1961. This situation resulted from the continuing Afghan claim to an interest in the status of the people of Pakistan's Pushtun area. The extended border closure has had the effect of increasing Afghan dependence on Russia and frustrating a prime U.S. objective of Afghanistan's communication and trade with the Free World. Despite various mediation efforts, little progress has been made toward solving the basic issues. Recent changes in the Afghan Government, however, may provide the climate for more objective assessment by Afghanistan and Pakistan of their bilateral relations.

The last three years have seen large amounts of deficit financing, stagnating exports, and increased imports with resulting depreciation of the currency. Recent reports of discussions with the International Monetary Fund (IMF) indicate the determination by the Afghan Government to pursue basic financial reforms designed to strengthen the economy as a whole. The government has introduced a unitary exchange rate and has pledged itself to reduce expenditures and increase revenues. In addition to direct encouragement at the Cabinet level, the Mission's most effective tool to help the government meet its fiscal reform commitments will be the work of the Agency for International Development (A.I.D.)-sponsored advisory teams in the Ministries of Finance and Planning.

U.S. strategy will be to achieve fundamental U.S. objectives using an A.I.D. program with minimum inputs of staff and other assistance required to meet high priority Afghan economic development needs. In the short run this will mean concentration upon fulfilling present commitments under a program designed to meet the conditions of the closed border which is reduced and modified from that planned earlier. The program will involve completion of a modified Kabul-Kandahar road and the use of the Iranian transit route. The United States has also indicated its willingness to consider certain loan proposals.



The United States has established its present position by endeavoring to preclude Soviet dominance of the educational and air transportation fields, through construction of roads to facilitate Afghanistan's communication with the Free World, and by accepting continuing responsibilities for Helmand Valley Development. In the longer run, the A.I.D. program will continue to stress education, agriculture and transportation. The first two of these, in particular, strengthen both literate and middle class elements in the population and in time may produce a freer society. A.I.D. also will seek to emphasize projects which directly increase the country's income.

Current Situation

Background. Afghanistan is among the least developed nations of the world. Because of its enforced isolation, which resulted mainly from Anglo-Russian rivalries in Asia in the 19th and early 20th centuries, it fell far behind its Iranian and Pakistani neighbors.

In theory a constitutional monarchy, it is an authoritarian state in which there is little opportunity for public participation in political activity. A recent change in the government ended, at

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least temporarily, the royal oligarchy which has dominated the government and country over the past decade. The orderly passing of power to the new government was characteristic of the high degree of political stability during the past three decades.

The Afghan Second Five-Year Plan, announced in April 1962, is unrealistic in scale and excessively dependent on external assistance. A three-fold increase in development expenditures is proposed, compared with the First Plan. Afghanistan has tried during the past year to sharpen projects and relate them to one another. The Plan's principal defect is its failure to recognize the need for a larger Afghan contribution to local costs of capital investment and the continuing costs of operating new facilities.

There are few reliable statistics to describe the Afghan economy or to analyze significant trends. There are signs, however, that economic growth and social change are taking place. There is a construction boom in Kabul, and new buildings are going up also in provincial towns. Labor is migrating toward the cities. With a growing market and a decline in barter, the monetized sector also has grown. Types and sizes of bazaars have increased in the provinces as well as in Kabul, and the demand for imported goods has grown. The number of automobiles and bicycles has increased. Children who used to be in the labor force are now going to school. Women are no longer required to wear the veil in public. These are signs that incomes are increasing and economic and social changes are accelerating throughout the country.

Lack of communications has been an obstacle in the unification of Afghanistan as a nation. Distances and rugged terrain make early development of air transportation desirable. During the First Plan period, when there were dramatic communications improvements, the United States assisted the government in constructing four of the six airports. The USSR built the other two. The national airline (Ariana), with U.S. help, increased and improved its services to the principal cities. In three to five years, Afghan capabilities should have improved sufficiently to permit Afghan management and operation of the airline without U.S. assistance.

During the First Plan period, the government started construction of 1,200 miles of trunk highways, of which all but 240 miles were completed. By the end of the Second Plan all major cities should be connected by all-weather highways. Transportation development will continue to receive high priority in the U.S. aid program.

The Government of Afghanistan (GOA) has recognized the need and popular demand for education. Primary schools were set up all over the country and the school population has almost doubled. The establishment of an improved system of teacher training at the secondary level has increased the availability of new teachers. There are now 3,000 students at Kabul University which, with the exception of the medical school, has come into being since World War II. Completion of university buildings in 1964 with U.S. assistance should further increase the capacity of the university. Perhaps more important than the growth in school population has been the improvement in the quality of teaching at all levels.

In the long run, real growth in Afghanistan must depend on increases in agricultural productivity. Despite an increase in the acreage under irrigation, including that in the American-sponsored Helmand Valley Project, there was no real growth in agricultural production during the First Plan. A principal impediment has been the difficulty of disseminating information on techniques for increasing agricultural output to a largely illiterate farm population. However, the future prosperity of Afghanistan, which is largely agricultural, depends on its ability to increase exports of agricultural products.

In their planning, the Afghans have been slow to recognize the need to provide larger domestic contributions for maintenance and operating costs of completed infrastructure projects. In the field of fiscal management, they have only recently come to recognize the precarious state of the country's finances and the need to do something about them. This came in response to a report by its American advisors which was substantiated by an IMF team. As a result, the government is now attempting to increase revenues, reduce ordinary expenditures, and make more selective developmental expenditures. With U.S. help, it is attempting to improve its financial management and budgetary practices. The government also has agreed with the IMF to introduce a realistic unitary exchange rate.

Other Assistance. A number of other Free World donors are conducting bilateral assistance programs in Afghanistan. West Germany has made a $50 million commitment to the Second Five-Year Plan. Yugoslavia, Japan and France also are providing aid. U.N. organizations are contributing annually $1 million of technical assistance. In comparison with $216.8 million of economic assistance from the United States between 1950 and 1962, Soviet bloc commitments have totaled $514 million over the last ten years; $300 million was committed toward the Second Five-Year Plan since October 1961. These figures do not include military assistance, where the USSR has pre-empted the field. Czechoslovakia and Poland also provide aid to Afghanistan.

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Country: AFGHANISTAN

FY 1964 Program

The proposed assistance program for FY 1964 is $14.9 million for Development Grants and $15 to $20 million for Development Loans.

The Development Grant program is largely for continuing projects initiated in prior years. Since a major aid purpose in Afghanistan is to develop the country's human resources, education programs will absorb more than 30% of FY 1964 funds. Projects are concentrated on improving vocational and technical education at the secondary level, on primary education and on continuing to develop Kabul University. The major construction item, for which $2.3 million is proposed, is to provide expanded facilities for the Afghan Institute of Technology to train craftsmen and technicians. Development Grants also are to be used to disseminate agricultural techniques, develop an organization for the operation and maintenance of highway facilities, and provide assistance for the improvement of public administration and development planning.

In the Helmand Valley, a regional power survey is to be undertaken, including a feasibility study of the proposed Kajakai hydroelectric plant.

The major part of the Development Loan program of $15 to $20 million is expected to finance the construction of the Herat-Islam Qala road which will provide Afghanistan with an improved access road to the West through Iran. It is also intended to place the U.S. share of local currency costs of U.S. assisted projects on a loan basis through a modest project support loan. The implementation of other projects requested by the Afghan Government will depend on the outcome of feasibility studies and on the Afghan ability to raise domestic resources for their execution. If the Afghan/Pakistan border remains closed, it will not be feasible to carry out a P.L. 480 Food for Peace program during FY 1964 because of the substantially higher costs of importing grain through Iran.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-0.7	5.0	15.0-20.0
Transportation	-	2.6	
Development Programs	-	2.4	
Decommitment	-0.7	-	
Development Grants - Total	7.3	15.1	14.9
Food and Agriculture	0.9	1.0	1.2
Transportation	0.2	2.8	2.5
Education	2.2	4.5	5.3
Technical Support	3.3	3.7	3.0
Other	0.9	3.1	2.9
Deobligations During FY 1962	-0.2	xx	xx
Supporting Assistance - Total	31.1	-	-
Project	31.1	-	-
Deobligations During FY 1962	*	xx	xx
Other U.S. Assistance			
Military Assistance Program	*	0.1	0.1

* Less than $100,000.

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Afghanistan

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	-	21.4	2.2	20.8	1.9	18.2	20.8	14.1	27.5	16.9	34.2	38.6	216.6
GRANTS	-	0.4	0.8	2.5	1.9	13.2	15.0	14.1	27.5	16.2	34.2	39.3	165.1
LOANS	-	21.0	1.4	18.3	-	5.0	5.8	-	-	0.7	-	-0.7	51.5
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	0.3	2.2	2.5	1.9	18.2	14.2	7.9	19.9	16.8	12.7	37.7	131.3
Grants	-	0.3	0.8	2.5	1.9	13.2	8.4	7.9	19.9	16.1	12.7	38.4	122.1
Loans	-	-	1.4	-	-	5.0	5.8	-	-	0.7	-	-0.7	12.2
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	0.3	0.7	1.3	1.9	3.0	2.9	2.8	4.1	4.8	9.0	7.3	38.0
DEVELOPMENT LOANS	-	-	-	-	-	-	-	-	-	0.7	-	-0.7	-
OTHER A.I.D.	-	-	1.5	1.1	-*	15.3	11.4	5.1	15.8	11.3	3.7	31.1	96.3
FOOD FOR PEACE (PL 480) - TOTAL	-	-	-	-	-	*	6.6	6.2	7.6	0.1	21.5	0.8	42.8
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	6.5	6.1	7.5	-	20.9	0.7	41.7
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	-	-	-	*	0.1	0.1	0.1	0.1	0.6	0.1	1.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	21.0	-	18.3	-	-	-	-	-	-	-	-	39.3
OTHER U.S. ECONOMIC PROGRAMS	-	0.1	-	-	-	-	-	-	-	-	-	0.1	0.2
MILITARY - TOTAL	-	-	-	-	-	-	-	*	0.2	0.2	0.5	0.6	2.7
GRANTS	-	-	-	-	-	-	-	*	0.2	0.2	0.5	0.6	2.7
LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	-	-	-	-	-	-	*	0.2	0.2	0.5	0.6	2.7
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	-	21.4	2.2	20.8	1.9	18.2	20.8	14.1	27.7	17.1	34.7	39.2	219.3
FOREIGN ASSISTANCE ACT PROGRAM	-	0.3	2.2	2.5	1.9	18.2	14.2	7.9	20.1	17.0	13.2	38.3	137.0
OTHER ASSISTANCE	-	21.1	-	18.3	-	*	6.6	6.2	7.6	0.1	21.5	0.9	82.3

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
UN Tech. Ass't. (CY) . . .	1.1	1.1	8.0
UN Special Fund	-	-	1.3

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	197.3
1962 (Calendar Year)	103.9
Cumulative thru 1962	514.1

LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	0.1	0.3	0.7
Ex-Im. Bank (Long Term)	2.3	3.1	14.4
Other Government Loans	-	-	-

* Less than $50,000.

Ceylon

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Ceylon-BASIC ECONOMIC DATA

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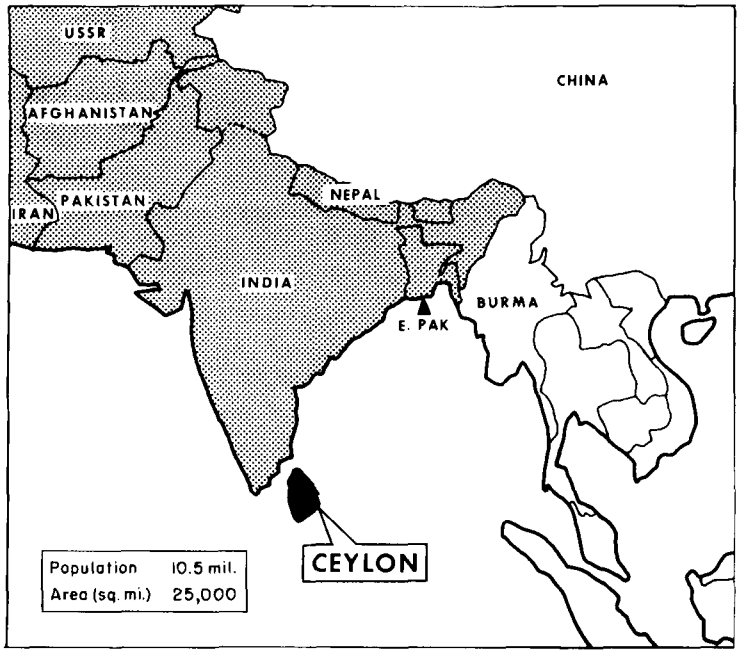

Annual Population Growth	2.8%
Gross National Product (1961)*	
Total ($ Million)	1,400
Per Capita GNP (Dollars)	137
Agricultural Land	
Percent of Area	23%
Acres per Capita	0.4
Literacy Rate	70%
Pupils - % of Pop. (Primary/Secondary)	22%
Life Expectancy (years)	60
People per Doctor	4,700

	1959	1960	1961	1962 (Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	113	119	124	129
Per Capita Index	97	100	101	102
Rice, rough (1,000 MT)	773	876	878	900
ELECTRIC POWER OUTPUT (KWH per capita)	28	30	35	37
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	368	385	364	370
Tea	(219)	(230)	(234)	(240)
Total Imports (c.i.f.)	421	412	358	360
Trade Balance	-53	-27	+6	+10
GOLD & FOREIGN EXCHANGE (End Yr.-$Mil)	154	113	112	106
COST OF LIVING INDEX (1958=100) (Colombo)	100	99	100	101

* Converted at 4.75 Rupees per U.S. dollar.

Country Background

Ceylon, an island with 10 million population, became independent from Great Britain in 1948. Seventy percent of the people are Buddhist Sinhalese and 20% are Hindu Tamils. While mutual distrust between the two groups has existed for a long time, modern Sinhalese nationalism has aggravated communal tensions. In 1956 the Sinhalese, Nationalist, and Socialist parties led by S.W.R.D. Bandaranaike were voted into power, and have continued in office from that time. Prime Minister Bandaranaike was assassinated in 1959 and his widow assumed the office of Prime Minister in July 1960. The Bandaranaike Governments have pursued a neutralist foreign policy and a socialist-oriented domestic policy.

Domestic policies may have been influenced by the ability of the Communist and other extreme leftist parties to capture from a fourth to a fifth of the total vote, and by the fact that these parties control most of the larger trade unions. This leftist influence is somewhat offset by the power of the British-trained civil service, whose leaders hold less doctrinaire views.

Ceylon's economic development potential is high compared with other underdeveloped nations. Per capita production and consumption levels are roughly double those in India and Pakistan. Advances in sanitation and medical care have brought the death rate down by one-half since 1945 and raised life expectancy to 60 years. The result has been a rise in the annual rate of population growth to 3%. Literacy rates are higher than those prevailing elsewhere in Asia, with the exception of Japan, Lebanon and the Philippines.

Production of tea, rubber, and coconut for export employs about a quarter of the work force, and accounts for over one-third of Gross National Product (GNP). Agricultural production for domestic consumption is inadequate, however, since only half of the land that could be farmed is under cultivation. As a result, the country must import half of its food requirements. Production could be considerably increased by adding new irrigation facilities and adopting better techniques.

Increased government expenditures -- such as on expanding social services and food subsidies -- resulted in enlarged budget deficits, domestic inflation, and balance-of-payments difficulties. The latter were countered by drawing on the country's large foreign exchange holdings. Although reserves have fallen more than 60% since 1956, the government has been politically unable to take action on the causes of the difficulty.

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U.S. Objectives and Strategy

U.S. objectives in Ceylon are: maintenance of democratic government, reversal of Ceylon's drift from the Free World, and introduction of social and economic policies designed to encourage growth. However, Ceylonese foreign and domestic policies in the past several years have frustrated achievement of the second and third objectives. Under the circumstances U.S. strategy has been to carry out a small Development Grant program focused on areas offering some hope of improvement, and to respond to Ceylonese requests for P.L. 480, Title I and Title III programs.

As part of its trend toward increasing state intervention, the Government expropriated properties of two U.S. oil companies in 1962. Section 620(e) of the Foreign Assistance Act requires suspension of aid if "appropriate steps" are not taken by foreign governments to compensate American companies for expropriated property. Since the Ceylonese Government failed to take such steps, the Development Grant program and disbursements under an existing $2 million Development Loan were suspended on February 7, 1963. Public Law 480 programs are still continuing and a new Title I program may be considered in FY 1964 depending on circumstances. If the Government of Ceylon takes steps to compensate the American oil companies, our present tentative plans for a development grant program would be reviewed.

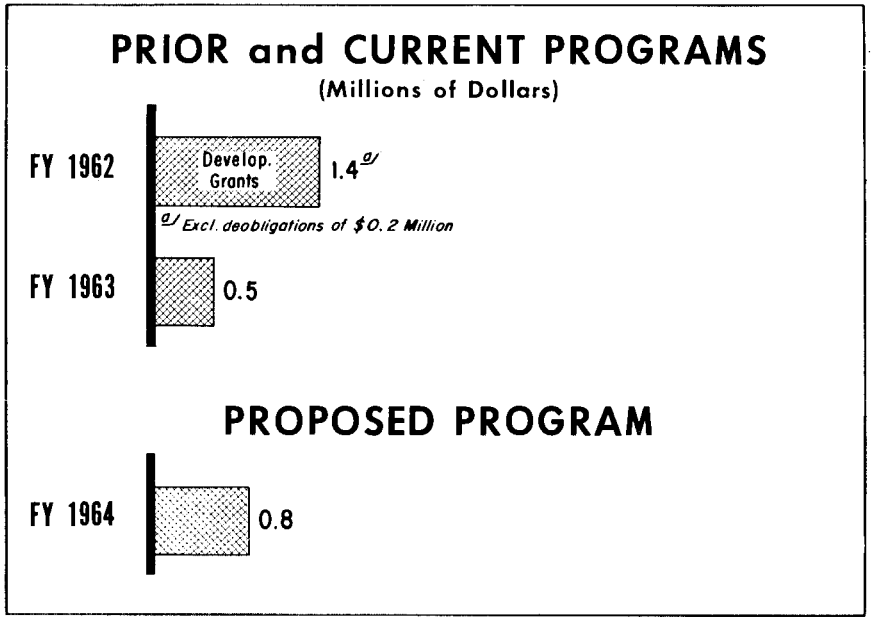
Current Situation

In 1959 the Government's Planning Department completed the preparation of a Ten-Year Development Plan, which included a series of three-year implementation programs. Since the Government has been focusing on redistributing national income and enlarging the role of the State in economic life, it has done very little to carry out the Development Plan.

In 1962 the Government took steps to reduce the balance-of-payments gap by imposing broad import restrictions. At the same time, the government proposed fiscal and budgetary reforms, such as a 25% reduction in the rice ration, and a national sales tax. These measures were, however, withdrawn in the face of strong objections from Parliament. Therefore, the short-term outlook is for a $73 million budget deficit in 1963 and continued pressure on the balance of payments.

FY 1964 Program

If Development Grant aid to Ceylon is resumed, we will continue to concentrate our attention on assistance to agriculture,



industry, and public administration, and tentatively plan on a $825,000 program. In the short run, we do not believe that the Development Grant program will alter the approach of Ceylon's present political leaders toward major policy questions. We do, however, believe our program has increased the effectiveness of administrative personnel responsible for day-to-day government operations, and that more can be done in this area. It has also furthered close relationships with top Ceylonese civil servants who are generally more receptive to Western ideas than the politicians, and who are likely to continue to be a major force in the government despite political changes.

It is expected that the Title III School Lunch program, which now provides supplemental food to one and a half million children, will continue in FY 1964 at a $5.5 million level. A Title I sale of wheat may be considered in FY 1964.

Country: CEYLON

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	1.2	0.5	0.8
Food and Agriculture	0.4	0.2	0.2
Industry and Mining	0.1	-	0.2
Public Administration	0.1	-	0.2
Other	0.8	0.3	0.2
Deobligations During FY 1962	-0.2	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I & IV:			
Country Uses	-	3.5	-
(Sales Agreements)	(-)	(4.7)	(-)

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	0.1	1.3	25.3
Technical Coop./Development Grants	1.6	1.3	10.1
Development Loans	-1.4	-	6.3
Other A.I.D.	-0.1	-	8.9
FOOD FOR PEACE (P.L. 480) - TOTAL	9.5	4.2	53.9
Title I, Country Uses	4.1	-	18.9
(Sales Agreements)	(5.1)	(-)	(25.0)
Title II	-	-	9.3
Title III	5.4	4.2	25.7
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	0.2	0.2
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	15.0	-	38.9
UN Tech. Ass't. (CY ending in FY)	0.6	0.5	5.5
UN Special Fund	-	0.9	0.9
SINO-SOVIET BLOC ASSISTANCE (CY)	-	10.5	68.5

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Cyprus

C

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Cyprus- BASIC ECONOMIC DATA

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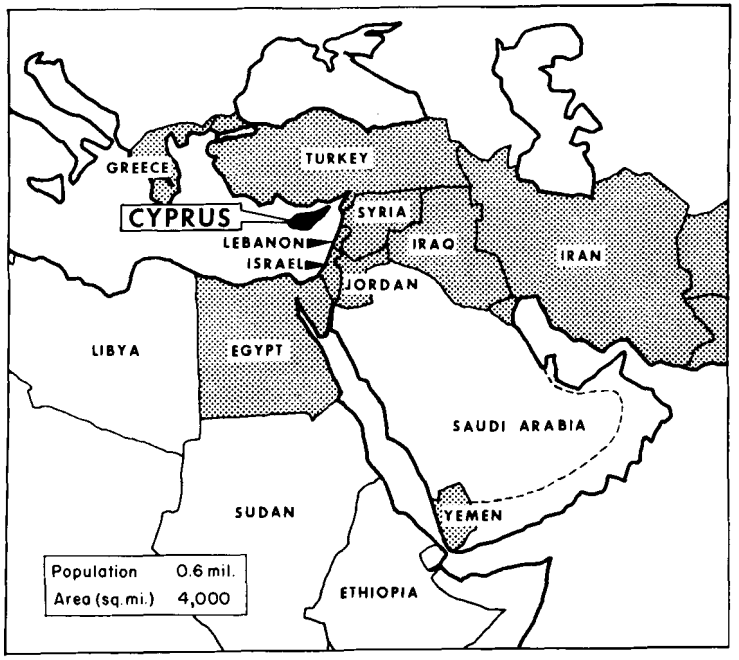

Annual Population Growth	2.0%
Gross National Product (1961)*	
Total ($ Million)	240
Per Capita GNP (Dollars)	416

Agricultural Land	
Percent of Area	57%
Acres per Capita	2.2
Literacy Rate	65%
Pupils - % of Pop. (Primary/Secondary)	20%
Life Expectancy (years)	67
People per Doctor	1,500

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	98	92	96	106
Per Capita Index	90	83	86	92
Wheat (1,000 MT)	62	40	45	65
ELECTRIC POWER OUTPUT (KWH per capita)	345	375	404	420
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	53	54	49	60
Minerals	(26)	(27)	(23)	(20)
Total Imports (c.i.f.)	115	110	113	125
Trade Balance	-62	-56	-64	-65
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil)	50	58	78	n.a.
COST OF LIVING INDEX (1958=100)	102	103	102	102

* Converted at $2.80 per pound.

Country Background

The island republic of Cyprus became independent from Great Britain on August 16, 1960. It has a population of 580,000, of which 80% is Greek and 20% Turkish; local administration follows communal lines. Cyprus is a U.N. member and pursues a non-alignment policy with pro-Western associations. There is, however, a well-led Greek-Cypriot Communist front party which controls most of the labor movement. Tensions between the Greek and Turkish communities obscure the Communist threat. If these tensions are increased, they could lead to violence on the island and friction between the North Atlantic Treaty Organization (NATO) allies Greece and Turkey. Britain retains bases of major importance to the island's economy, but Cypriot earnings from this source are expected to be curtailed sharply in the near future.

The principal U.S. interest in Cyprus is our important communications facilities for which the Government of Cyprus (GOC) expects payment in the form of economic assistance. The U.S. aid program, although important for U.S. objectives, is marginal in terms of total Cypriot resources. U.S. aid, including P.L. 480, is unlikely to average more than $4-$5 million a year. Cypriot foreign exchange earnings from the British bases have been about $45 million annually, plus about $8 million in budgetary support which will be ended in 1965. Cyprus is also receiving aid from Germany, France, Israel, and the United Nations, and a $21 million power loan from the International Bank for Reconstruction and Development (IBRD) is under negotiation.

Despite its many problems, Cyprus has a relatively high per capita income, a literacy rate of over 60%, a well-developed social and economic infrastructure base, and it has attracted the interest of some private investment. However, the prospective $30 million reduction in annual U.K. base expenditures within the next few years is a major cause for financial concern to the Government of Cyprus. The economic outlook also is clouded by depletion of high-grade copper reserves, organizational and institutional shortcomings, and communal strife.

Communal discord impedes constructive solutions to crucial developmental issues such as water legislation, land uses, and taxation. We are aware that our assistance cannot overcome deep-rooted obstacles to political and economic stability. However, we hope that by focusing Cypriot attention on development problems and by supporting the Cypriot development effort our program will serve to strengthen Western-oriented forces and demonstrate the advantages of communal cooperation.

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Country: CYPRUS

U.S. Objectives and Strategy

U.S. aid to Cyprus is designed to meet the following objectives: (a) to maintain access to valuable U.S. communications facilities; (b) to assist Cyprus deal with problems of economic adjustment in order to reduce the possibility of a Communist front electoral victory in the 1965 election; and (c) to promote Greek-Turkish communal cooperation.

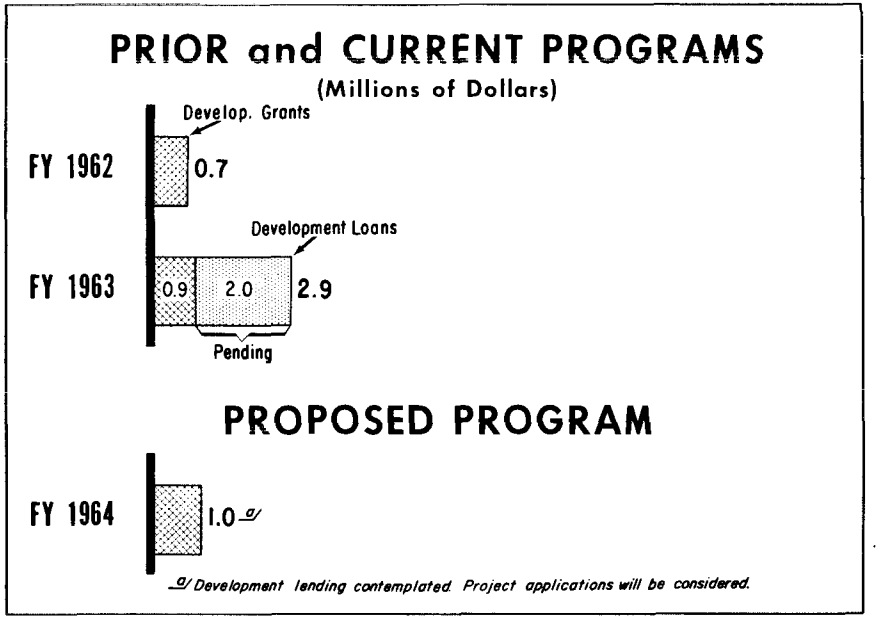
The United States will continue to provide Cyprus with sufficient Development Grant, Development Loan and P.L. 480 aid to avoid endangering our communications privileges. We will urge the Government of Cyprus (GOC) to seek assistance from non-U.S. sources and to encourage private foreign investment.

Development Grant program goals include: (a) improvement in development planning and resource use; (b) promoting institutional development; (c) strengthening free trade unions in their struggle with the Communists; and (d) improvement of internal security. We are prepared to consider limited Development Loan financing for projects which have reasonably early returns. P.L. 480 assistance is being shifted from a Title II grant basis to a Title I sales basis.

Economic assistance alone cannot assure the achievement of our objectives; therefore, our strategy calls for collateral actions in the diplomatic, intelligence, informational, and cultural fields.

Current Situation

Prospects for the future are clouded somewhat by the continuing friction between the Greek and Turkish Cypriots, by the growth of Communist influence, and by the prospect of a cutback in British use of bases with consequent diminution of Cypriot earnings. During the past year the Cypriots have made good progress in their efforts to build a modern nation. The development program is moving from the survey to the implementation stage. Development Loans are being negotiated with Germany, the International Bank for Reconstruction and Development (IBRD), and the United States. The planning Commission and the Water Development Department have been reorganized and strengthened. A development plan is being prepared. A Central Bank and a Development Bank will soon be open for business. The government and the business community are moving ahead on a number of development projects. Free trade union leaders and security personnel have benefited by training in the United States.



FY 1964 Program

Surveys made under the U.S. aid program of FY 1962 are being translated into action in FY 1963. We have provided technical experts in economic planning, central banking, development banking, water development, agriculture, cooperatives, labor, social security, and industrial safety. We currently are negotiating a $2 million Development Loan for earthmoving and landlevelling equipment to help Cyprus solve her critical surface water problems.

Development Loans for additional equipment, water development, and telecommunications projects may be considered in FY 1964. An advantage of loans made in FY 1964 is the possibility of achieving some aid impact prior to the elections expected to take place in 1965.

A Development Grant program of $1.0 million is proposed for FY 1964. It continues the program along recently established lines and includes projects for economic planning, statistics, central banking, development banking, water development, agriculture, labor, and public safety.

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Country: CYPRUS

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FINANCIAL DATA [redacted]

A $2.1 million P.O. 480, Title I, program (country use) is now being negotiated. It will provide 30,000 tons of wheat and 2,000 tons of soybean oil to cover requirements through June 30, 1964. It is expected that P.L. 480 will be a continuing aspect of U.S. economic aid to Cyprus.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	2.0	a/
Development Programs	-	2.0	
Development Grants - Total	0.7	0.9	1.0
Food and Agriculture	*	0.4	0.4
Public Safety	*	0.1	0.1
Public Administration	0.3	*	0.2
Other	0.4	0.4	0.3
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	-	2.1	1.1
(Sales Agreements)	(-)	(2.8)	(1.5)

* Less than $100,000.

a/ Development Lending contemplated; project applications will be considered.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	*	0.7	0.7
Technical Coop./Development Grants	*	0.7	0.7
Development Loans	-	-	-
Other A.I.D.	-	-	-
FOOD FOR PEACE (P.L. 480) - TOTAL	8.2	7.9	16.1
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	8.2	7.9	16.1
Title III	-	*	*
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	0.1	0.1
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)	0.1	0.1	0.3
UN Special Fund	0.8	1.3	2.1
SINO-SOVIET BLOC ASSISTANCE (CY)	1.3	-	1.3
LOAN $ REPAYMENTS & INTEREST	-	-	-

*Less than $50,000

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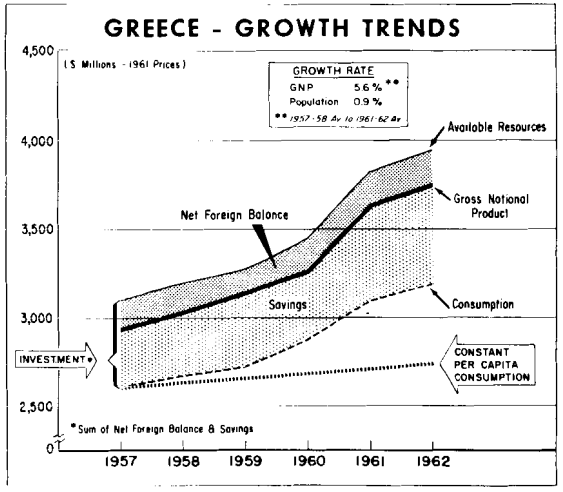
Greece

Greece- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	8.5	Life Expectancy (years)	68
Annual Growth (percent)	0.9		
		People per Doctor	835
Area (1000 sq. mi.)	51		
Pop. Density per sq. mi.	168	Literacy Rate - %	82
Agricultural Land			
Percent of Total Area	68	Pupils as % of Pop.	15
Acres per Capita	2.6	(Primary & Secondary)	



	Calendar Years			
	1959	1960	1961	1962 Est.
INTERNATIONAL TRADE ($ millions)				
Total Exports (f.o.b.)	204	203	223	260
Tobacco	(68)	(73)	(83)	(85)
Total Imports (c.i.f.)	473	514	577	625
Trade Balance	-269	-311	-354	-365
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	219	235	265	282(Oct.)
COST OF LIVING INDEX (1958=100)	102	104	106	105

	Calendar Years			
GROWTH INDICATORS	1959	1960	1961	1962 Est.
Total GNP *(in 1961 prices; $ millions)**	3,124	3,259	3,625	3,750
Per Capita GNP (dollars)	379	391	431	442
Investment as percent of GNP	18	18	20	20
Domestic Savings as % of Investment	74	68	73	74
Net Foreign Balance as % of GNP	5	6	5	5
Central Gov't Domestic Revenues as % of GNP	16	16	16	17
Agricultural Prod. Index (1952-54=100)	130	122	143	139
Index per Capita	123	114	132	128
Wheat (1,000 MT)	1,770	1,665	1,590	1,700
Industrial Prod. Index (1958=100)	101	111	117	122

	– Million Dollar Equivalents –		
CENTRAL GOVERNMENT FINANCES* (FY ending December 31)	1960	1961	1962 a/
Total Expenditures	615	677	737
(Defense Expenditures)	(170)	(168)	(170)
(Capital Outlays)	(136)	(168)	(185)
Total Domestic Revenues	514	583	636
Deficit or Surplus	-101	-94	-101

* Converted at 30 drachmas per U.S.$.
a/ A.I.D. estimates.

Country Progress

Since the defeat of the Communist forces within Greece the severely damaged and dislocated economy has been rehabilitated. Much of the economic and social infrastructure needed for future growth has been created and real national income has more than doubled. Greek care in recent years in guiding financial and economic policy is reflected in the rise of government development expenditures of $80 million, or 78%, between 1959 and 1962; a constant price level for the past five years; and increased gold and foreign exchange reserves of $75 million between December 1956 and November 1962. Continuing political stability under a democratic form of government is expected.

Selected Indicators of Progress or Goals

	1957	1961	1971
Industrial production (1958=100)	88	117	246
Agricultural production (1952-1954=100)	133	143	204

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: GREECE

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U.S. Objectives and Strategy

U.S. objectives are:

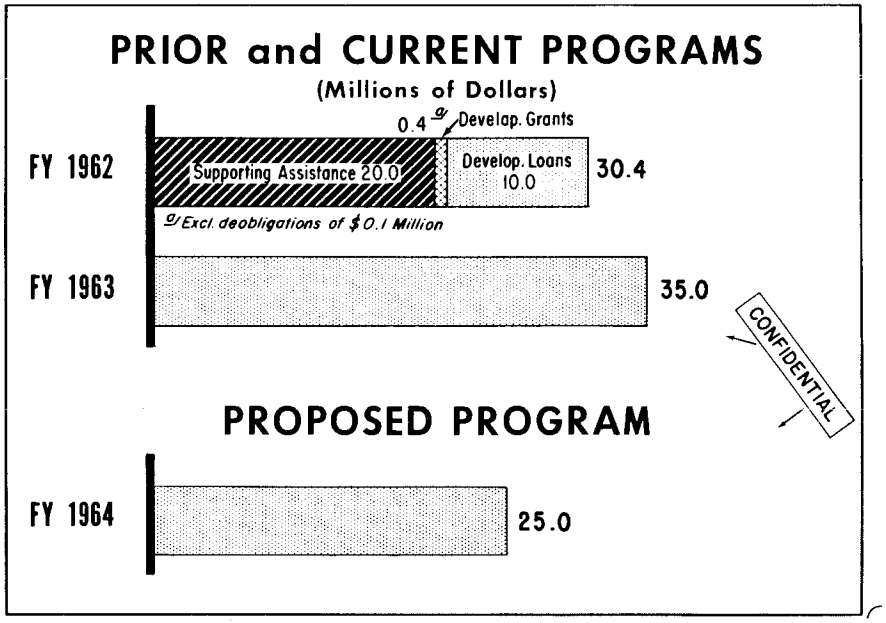
A stable Greece capable of maintaining a representative government based on free elections, economic development, and social reform; continued Greek participation in North Atlantic Treaty Organization (NATO), maintenance of Greek armed forces capability, and continued access by the United States and NATO to overflight, staging, and base rights in Greece; and a self-sustaining economy which can support Greece's contribution to defense, not dependent for its growth on special arrangements for external economic assistance.

Economic progress and political stability are making Greece increasingly attractive to foreign investors. Greece recently has become an associate member of the Common Market and is borrowing substantial capital from Western Europe. Progress is being made toward settlement of prewar debt. A settlement would encourage additional investment from new sources such as the International Bank for Reconstruction and Development (IBRD). Much remains to be done to enable Greece to compete with Western Europe, but external assistance needed can be provided increasingly from normal sources. Greece is increasingly self-reliant in contrast to its earlier position, mainly the result of $1.8 billion of economic assistance from the United States since 1948.

Therefore, we foresee a time in the near future when we can accomplish our objectives without further allocation of Agency for International Development (A.I.D.) resources. Our approach is to induce the Europeans under the Organization for Economic Cooperation and Development (OECD) Consortium to assume a larger share of the burden of supporting Greek development. We also expect Greece increasingly to seek capital assistance from the Export-Import (Ex-Im) Bank.

Development Grant and Supporting Assistance programs for Greece were terminated as of June 30, 1962. The Food for Peace program will continue to represent an important element of assistance. U.S. long-term assistance strategy recognizes the need to continue the Military Assistance Program (M.A.P.) for some time to come.

The emphasis of the United States, the European Investment Bank, and other Consortium members on loans rather than grants has accelerated Greek efforts to plan their development program with greater specificity and depth. The Greek Government also has responded to the stimulus of association with the Common Market by undertaking new fiscal and administrative measures to encourage the private sector. While the United States will continue to urge



the Greek Government to undertake self-help measures, it will rely primarily on the Consortium in this area. The following areas are the most significant: (a) encouragement of foreign investment; (b) acceleration in the process for approving investment applications; and (c) strengthening administration of the income tax law.

Current Situation

1. Recent Economic Developments. Average growth in Gross National Product (GNP) was 5.6% a year between 1957 and 1962. A 24% increase in budgetary revenues from domestic sources from $514 million in 1960 to $636 million in 1962, and continued foreign aid permitted increases of 36% in the investment budget, and 20% in government operations without jeopardizing monetary stability. Of $737 million in expenditures in 1962, $185 million was for the investment budget, $170 million for defense, and $382 million for government operations.

   A substantial balance-of-payments deficit on current account continues, since gains from services and small increases in exports have not offset the rapidly rising volume of imports. Capital inflows from foreign aid, private investment, non-recurring repatriations of capital; new (net) supplier credits,

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German and Italian reparations payments have more than offset the deficit, and foreign exchange reserves have risen.

2. Greek Projections. The Government's preliminary projection of a 6% annual growth in GNP from 1961 through 1971 is the basis of an accelerated rise in non-agricultural jobs and a reduced disparity between rural and urban incomes. The projected rate of growth is required to facilitate integration with the Common Market. A substantial shift among economic sectors is envisaged with industry expanding 7.8%, services, 6.8%, and agriculture rising 3.5% per annum. Within the agricultural sector, a decline of 10% is projected in edible cereals, with substantial increases for cotton, livestock, and fruits and vegetables, in order to increase agricultural income and exports. An increase in per capita consumption of electric power from 290 KWH in 1961 to 792 KWH in 1971 is projected.

The Greek Government regards alleviation of unemployment and underemployment as a major objective. Assuming continued emigration, 400,000 additional jobs in industry and services during the next ten years are needed to absorb the 300,000 increase in the labor force and permit reduction in unemployment.

Total projected investment during the period 1962-1966 is $4.9 billion of which fixed public investment is $1.7 billion. Sources of financing include domestic public savings of $720 million and domestic private savings of $3.4 billion, leaving $800 million to be met from external sources. Thus 84% is expected to be self-financed. The Greeks estimate that $550 million in new external assistance is still to be located.

The United States is generally in accord with the over-all production and employment goals indicated in the Greek documents submitted to the OECD consortium. However, the lack of any comprehensive sector analysis makes it difficult to assess either the internal consistency and validity of the Greek estimates, or the foreign exchange impact. We look to the Consortium to encourage the Greek Government to formulate specific objectives more precisely.

3. Progress of the Consortium. Thus far the Consortium review has been limited to an analysis of Greek foreign exchange requirements for 1963. Arrangements for financing already planned were reviewed at the last meeting, and it was agreed that the possibility of further assistance in 1963 would not be precluded if the need could be demonstrated.

Greek officials expressed the hope at the first Consortium meeting, October 5, 1962, that they would be able to complete a comprehensive statement of their Five-Year Development Plan by the end of 1962. This would permit the Consortium to consider requirements for 1964 and future years. It now appears that such studies, to include an evaluation of adjustments to be made as a result of Greece's association with the Common Market, will not be completed for another six to nine months. The Consortium is expected to begin soon an examination of Greece's long-term needs for key sectors such as road construction and power.

FY 1964 Program

Development loans of $35 million are expected to be authorized before the end of FY 1963. For FY 1964, we consider that a $25 million development loan program will be appropriate. Loans at a medium rate of interest for projects and programs in FY 1963 and FY 1964 are expected to be concentrated in the electric power and development banking sectors.

In the years 1960-1962 U.S. aid, excluding M.A.P. accounted for 70% of total foreign assistance disbursements to Greece; the remaining 30% came from West German loans. The Germans also made a $50 million loan commitment in 1962 for the Megalopoulis lignite electric power complex in south central Greece. Greece will receive loans from other sources in 1963. The flow of European Investment Bank credits will begin in 1963, and Greece will receive budget assistance from certain European countries as a result of the study conducted by the NATO Working Group on Greek Defense Problems. European countries in the Consortium, other than Germany, are likely to be lending to Greece in 1963 and 1964.

Thus, the general outlook is for a reduction in the United States Government share of aid to Greece. Furthermore, we expect the Greek private sector to present an increasing volume of loan applications to the Ex-Im Bank. Greek ability to obtain capital from private U.S. banks was demonstrated this past year by the agreement of the Manufacturers-Hanover Trust Company to provide an $8 million loan to the Economic Development Finance Corporation and another for $6 million to the Public Power Corporation. In November 1962, agreement was reached between the Government of Greece and an American investor on the establishment of an ESSO refinery and related industrial complex which would involve potential U.S. private investment of $110 million.

Country: GREECE

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FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	10.0	35.0	25.0
Power and Communication	-	24.0	
Development Banks and Other Financial Institutions	10.0	1.0	
Development Programs	-	10.0	
Development Grants - Total	0.3	-	-
Transportation	0.1	-	-
Industry and Mining	0.1	-	-
Other	0.2	-	-
Deobligations During FY 1962	-0.1	xx	xx
Supporting Assistance - Total	20.0	-	-
Non-Project	20.0	-	-
Deobligations During FY 1962	*	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	6.6	6.5	7.9
(Sales Agreements)	(10.2)	(11.2)	(9.7)
Military Assistance Program	119.4	89.6	103.1

* Less than $100,000.

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Greece

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	525.2	733.4	81.2	22.7	58.4	53.0	58.3	61.1	32.3	67.9	43.4	47.9	1,784.6
GRANTS	413.9	733.4	81.2	22.7	44.2	33.7	30.4	36.3	32.3	32.8	31.5	29.2	1,521.6
LOANS	111.3	-	-	-	14.2	19.3	27.9	24.8	-	35.1	11.9	18.7	263.0
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	706.7	81.1	20.9	33.9	26.6	25.5	27.7	20.7	56.6	20.4	30.3	1,050.4
Grants	-	706.7	81.1	20.9	23.9	11.6	15.5	15.7	20.7	25.6	20.4	20.3	962.4
Loans	-	-	-	-	10.0	15.0	10.0	12.0	-	31.0	-	10.0	88.0
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	8.1	1.2	0.9	0.6	0.4	0.5	0.7	0.7	0.6	0.4	0.3	14.4
DEVELOPMENT LOANS	-	-	-	-	-	-	-	12.0	-	31.0	-	10.0	53.0
OTHER A.I.D.	-	698.5	79.9	20.0	33.3	26.2	25.0	15.0	20.1	25.0	20.0	20.0	983.0
FOOD FOR PEACE (PL 480) - TOTAL	-	0.5	0.1	1.8	24.5	26.4	32.8	33.4	11.6	11.3	21.2	15.5	179.1
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	11.7	4.3	17.9	12.8	-	4.1	10.1	6.6	67.5
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	7.5	-	-	-	-	-	-	-	7.5
104e - Loans to Private Industry	-	-	-	-	-	-	-	2.9	-	0.9	2.3	1.5	7.6
104g - Loans to Governments	-	-	-	-	4.2	4.3	17.9	9.9	-	3.2	7.8	5.1	52.4
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(14.3)	(6.0)	(25.7)	(18.8)	(-)	(6.3)	(15.6)	(10.2)	(96.9)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	-	-	-	-	3.5	-	3.5
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.5	0.1	1.8	12.8	22.1	14.9	20.6	11.6	7.2	7.6	8.9	108.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	14.6	-	-	-	-	-	-	-	-	-	1.8	2.1	18.4
OTHER U.S. ECONOMIC PROGRAMS	510.5	26.2	-	-	-	-	-	-	-	-	-	-	536.7
MILITARY - TOTAL	198.4	323.5	121.3	95.2	59.2	95.6	62.4	143.4	89.2	116.7	42.8	34.9	1,574.5
GRANTS	198.4	323.5	121.3	95.2	59.2	95.6	62.4	143.4	89.2	116.7	42.8	34.9	1,574.5
LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	150.8	121.3	95.2	59.2	95.6	62.4	135.1	81.2	91.4	42.8	34.9	1,161.8
(Additional Grants from Excess Stocks)	(-)	(32.7)	(1.9)	(2.7)	(2.2)	(4.4)	(0.5)	(6.8)	(6.8)	(13.4)	(14.2)	(19.7)	(120.0)
OTHER MILITARY ASSISTANCE	198.4	172.7	-	-	-	-	-	8.3	8.0	25.3	-	-	412.7
TOTAL ECONOMIC AND MILITARY	723.6	1,056.9	202.5	117.9	117.6	148.6	120.7	204.5	121.5	184.6	86.2	82.8	3,359.1
FOREIGN ASSISTANCE ACT PROGRAM	-	857.5	202.4	116.1	93.1	122.2	87.9	162.8	101.9	148.0	63.2	65.2	2,212.2
OTHER ASSISTANCE	723.6	199.4	0.1	1.8	24.5	26.4	32.8	41.7	19.6	36.6	23.0	17.6	1,146.9

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
UN Tech. Ass't. (CY)	0.3	0.3	2.1
UN Special Fund	0.5	0.4	1.2
IFC-Int'l. Finance Corp.	-	0.6	0.6

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	-
1962 (Calendar Year)	-
Cumulative thru 1962	-

LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	-	-	-
Ex-Im. Bank (Long Term)	0.8	1.0	10.6
Other Government Loans a/	1.9	1.0	50.3

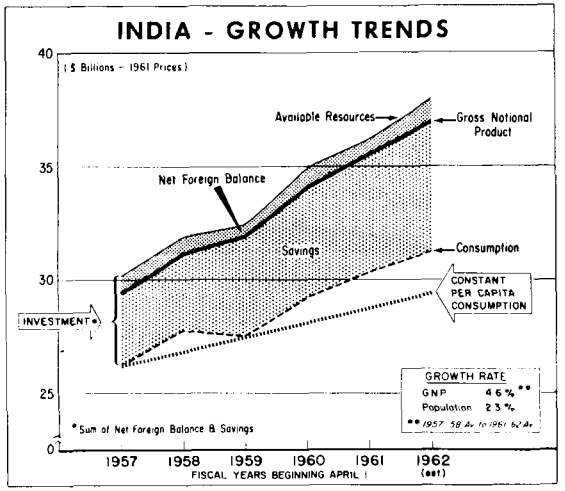
• Less than $50,000.
a/Represents merchant ship sales only.

India

India- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	452.0	Life Expectancy (years)	42
Annual Growth (percent)	2.3		
		People per Doctor	5,000
Area (1000 sq. mi.)	1,260		
Pop. Density per sq. mi.	359	Literacy Rate - %	24
Agricultural Land			
Percent of Total Area	53	Pupils as % of Pop. (Primary & Secondary)	9
Acres per Capita	1.0		



INTERNATIONAL TRADE ($ millions) a/	1959	1960	1961	1962 Est.
	Fiscal Years			
Total Exports (f.o.b.)	1,310	1,324	1,402	1,425
Tea (Customs Basis)	(271)	(260)	(257)	(275)
Total Imports (c.i.f.)	1,949	2,310	2,054	2,400
Trade Balance	-639	-986	-652	-975
GOLD & FOREIGN EXCHANGE (end of FY - $ millions)	801	667	662	547 (Nov.)
COST OF LIVING INDEX (1958=100) b/	104	106	108	112

a/ Payments basis; FY beginning April of year stated.
b/ Calendar years.

GROWTH INDICATORS	1959	1960	1961	1962 Est.
	Fiscal Years			
Total GNP (in 1961 prices; $ millions)*	31,798	34,030	35,420	36,800
Per Capita GNP (dollars)	75	78	80	81
Investment as percent of GNP	15	17	16	18
Domestic Savings as % of Investment	89	84	89	85
Net Foreign Balance as % of GNP	2	3	2	3
Central Gov't Domestic Revenues as % of GNP b/	8	8	10	10
Agricultural Prod. Index (1952-54=100) a/	116	125	125	128
Index per Capita	103	109	106	107
Food Grains (Mill. MT)	75.9	81.0	79.8	82.0
Industrial Prod. Index (1958=100)	108	120	128	138

CENTRAL GOVERNMENT FINANCES* (FY ending March 31)	1961 (Rev. Bud.)	1962 (Rev. Bud.)	1963 (Budget)
	– Million Dollar Equivalents –		
Total Expenditures	4,201	4,845	5,468
(Defense Expenditures)	(641)	(735)	(824)
(Capital Outlays)	(1,745)	(2,152)	(2,411)
Total Domestic Revenues b/	2,850	3,377	3,682
Deficit or Surplus	-1,351	-1,468	-1,786

* Converted at 4.762 rupees per U.S.$.
a/ Crop year beginning July 1 of year shown.
b/ The state governments levy substantial revenue of their own, not included here. For 1960-1961 this amounted to about $1,300 million equivalent.

Country Progress

In 1951 India embarked on a 25-year economic development program in the framework of successive Five-Year Plans. Long-range objectives include large-scale industrialization, foodgrain self-sufficiency, elimination of the need for foreign aid, and massive educational and social gains. Achievement of these objectives would double per capita income by 1976, when India's population may reach 625 million. India has completed two Five-Year Plans and is entering the third year of its Third Plan.

Selected Indicators of Progress and Projections

	Unit	1950-51	1955-56	1960-61	(U.S. Proj.) 1965-66
1.	Index of GNP (1951=100)	100	119	146	180
2.	Ind. Prod. Index (1958=100)	64	88	120	162
3.	Steel Production (Mil. MT)	1.4	1.7	3.5	6.0
4.	Coal Production (Mil. MT)	32	39	56	80
5.	Power - Instld. Cap. (Mil. KW)	2.3	3.4	5.7	10.5
6.	Foodgrains (Mil. MT)	51	67	81	95

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

CONFIDENTIAL UNCLASSIFIED

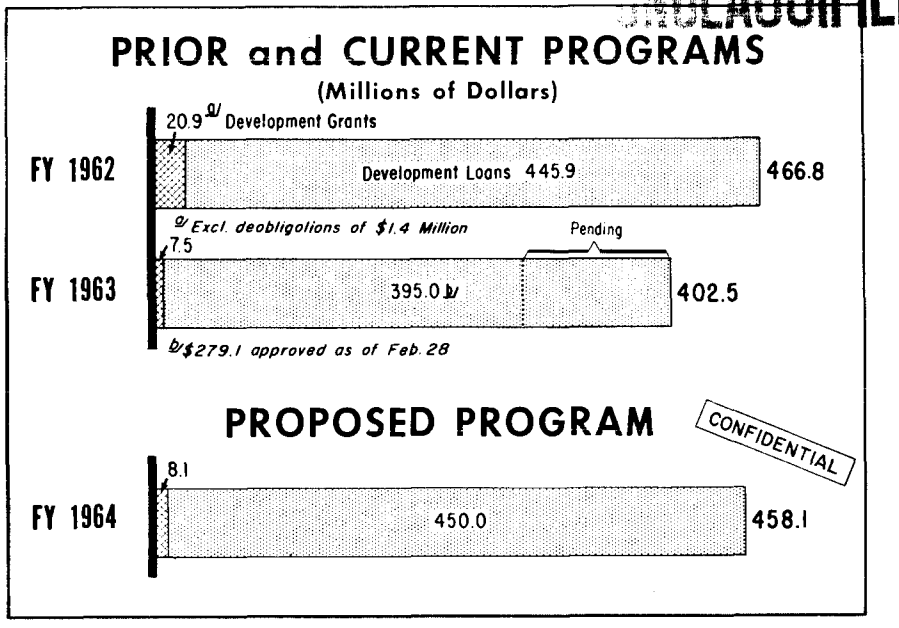
Country: INDIA

U.S. Objectives and Strategy

India today is the major Free World power center between Japan and Western Europe. Strategically, it commands the Arabian Sea, the Indian Ocean and vital air and land routes between Europe and the Far East. Economically, it has the potential for becoming a strong industrial power. Ideologically, it is the largest exponent of democracy among the emerging countries and commands among those countries considerable influence in world councils. U.S. objectives in India are to: (a) assist India to remain independent; (b) maintain close associations with the Free World; and (c) improve India's defense capabilities to enable it to resist current and future pressures from Communist China.

These objectives require a rate of economic growth sufficient to provide resources for development and defense and to provide the growing population with reasonable prospects of continuing improvements in living standards. India could give other less developed countries an example of growth under democracy more attractive than the pattern suggested to them by Communist China. Resolution of disputes between India and its Free World neighbors is necessary to permit more effective concentration on domestic and regional economic problems and the rational defense of the whole sub-continent. In the third year of its Third Development Plan (1960-1961 - 1965-1966), India is confronted by serious financial, economic, and technical problems which are compounded by the immediate need to expand the defense effort.

The immediate U.S. strategy is to join with the International Bank for Reconstruction and Development (IBRD) Consortium members this spring to provide India with aid for the third year of its Third Plan. Although the scale and timing of the financial requirements for the fourth and fifth years of the Plan are uncertain, it is now evident that the $6.7 billion of foreign assistance estimated earlier to be necessary for the whole Plan will not be adequate to meet original Plan targets. The need for additional external assistance stems in part from overly optimistic estimates of export earnings at the time the Plan was being formulated, unforeseen increases in project costs, and underestimation of maintenance requirements. Furthermore, India has set a target of doubling its defense effort, the economic effect of which cannot yet be calculated. Nevertheless, necessary actions must be taken to maintain the flow of assistance to India. Foreign exchange financing on the order of $1 billion from Free World sources appears to be the minimum new commitment that will be needed to maintain the momentum of the Plan. This level of aid will enable India to place orders for capital projects which take several years to complete and whose output will be needed at that time



and will provide the raw materials, spare parts and other equipment to utilize existing facilities more efficiently.

India must also re-examine its major economic policies to facilitate redirection of resources to highest priority goals. The United States will encourage such review, directly and through the Consortium, recognizing the limits to changes that can be accomplished in the short run. Any Indian tendency to request more assistance as the sole solution to its difficulties will be countered by an effort to induce improved Indian performance. Greater reliance on the price system and monetary and fiscal measures than on direct controls would help assure more effective use of scarce resources as well as increase potential sources of savings for further investment. Other desirable changes include improvements in management of public enterprises, greater incentives to promote domestic private investment, greater resort to investment projects with high labor content, and more efficient use of existing capital facilities. A most urgent need exists to improve the balance of payments, using a variety of broad-based programs to stimulate exports, and greater incentives to substitute domestic materials and equipment for imports. Finally, relaxation of restrictions which now inhibit private foreign investment is a major requirement for more rapid industrial development.

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Current Situation

During India's first two Five-Year Plans ending March 30, 1961, real national income rose 44%, industrial production 94%, agricultural output 41%, and income per capita 16%. During these ten years about $21 billion was invested, about half of it in the public sector. About 16% of the investment program was financed through external assistance, including $1.1 billion of P.L. 480 aid. Foreign exchange reserves provided another $1.5 billion. The groundwork for future growth was laid through the expansion of basic facilities such as irrigation, power and transport; in the development of basic industries including steel, chemicals, and industrial machinery; and in expanding educational facilities to train skilled manpower.

The Third Five-Year Plan, begun in April 1961, calls for development outlays of $25 billion, of which $22 billion is for investment. Two-thirds of the program will be in the public sector, one-third in the private sector. Investment outlays were planned to rise from 11.5% to over 14% of national income while national income was to increase by 30%. About 75% of the total investment program is to be financed from domestic resources and 25% with aid from abroad.

The major objectives of the Third Plan are to: (a) obtain an annual rise in national income of over 5%; (b) move toward achieving self-sufficiency in foodgrains and increase agricultural production to meet requirements of industry; (c) expand basic industries such as steel, fuel, power, fertilizer, and machine building; (d) insure expansion in employment opportunities; and (e) reduce inequalities in income and wealth and expand social services. To attain these goals India estimated it would need $6.7 billion of foreign assistance, comprising $1.2 billion P.L. 480 and $5.5 billion in direct foreign exchange. Allowing for previously pledged aid in the pipeline at the beginning of the Third Plan, in addition to new commitments of aid, India had available for Third Plan use almost $4.0 billion of foreign exchange assistance in addition to P.L. 480 financed commodities.

A Consortium of donors, which includes the United States, nine other Free World nations, the IBRD and International Development Association (IDA), has provided the major share of India's foreign exchange requirements during the first two years of the Plan as follows:

Consortium Pledges for FY 1961-1962 and 1962-1963
(In millions of dollars)

IBRD and IDA	450	Japan	105
USA	980	Six Others	200
W. Germany	364		
UK	266	Total	2,365

In addition, India received aid commitments from the Soviet bloc estimated at over $700 million for the five-year period.

Production continued to rise during the first two years of the Third Plan, but industrial output increased 7-8% a year compared to 9-10% at the end of the Second Plan. After a large gain in 1960, agricultural production increased only slightly. Among the principal factors limiting the increase in industrial production are shortages of essential imported goods, bottlenecks in transportation and inadequate output of steel, power and coal. In addition, delays in major projects starts and scheduled completions have affected over-all output and will delay achievement of Plan targets. Rising steel production, new electric power capacity coming into use and new transport equipment, however, will contribute to overcoming existing bottlenecks in the coming year.

A deficit in the balance of payments on current account is an expected element in the Indian situation, but the structure of the accounts and the weaknesses shown by actual trends compared with Plan projections are cause for concern. Exports have been nearly stagnant for the past seven years at an annual level of $1.2 to $1.4 billion and have not shown the growth projected in the Plan. Within the total import bill, currently running about $2.4 billion a year, demand for imports to maintain production has risen faster than expected. Severe restrictions have had to be put on imports. As India's exchange holdings declined, invisibles have shifted from large surpluses to a small deficit. This deficit will continue to grow as the burden of India's foreign debt, which is estimated at over $1.0 billion for the Third Plan period, increases. Foreign exchange reserves have fallen to $547 million as of November 1962 despite heavy borrowings from the International Monetary Fund (IMF) and the use of substantial amounts of foreign aid.

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UNCLASSIFIED

Country: INDIA

Since the beginning of the Consortium approach in 1958, the United States has provided $1.2 billion of capital assistance. Almost half of this met maintenance requirements for Indian private and public industry; $300 million will add more than 7,600 MW to India's power system; and over $150 million has thus far been allotted to the modernization of India's railway system. Thus, loan funds have been concentrated in the critical areas of the economy. The Development Grant program is providing substantial assistance in agricultural and engineering education, raising industrial productivity, manpower training and improving health. Public Law 480 supplies have permitted India to meet increasing demands for food and fiber, and inhibiting the inflationary pressures created by its massive investment program.

India's self-help efforts are reflected in the policies contained in its development plans and in its ability to recognize problems and devise solutions for them. The Five-Year Plans have improved steadily in comprehensiveness and consistency and have had effect on the government's day-to-day decisions. India has taken steps to mobilize savings and to raise taxes and its performance is improving. Fiscal and monetary policies have been carefully employed to prevent inflation and to provide resources for the Development Plan. A base for mass education has been established through the expansion of elementary, secondary, vocational, and university facilities to increase the number of trained people needed for agriculture and industry. The government has offered many practical encouragements to private firms in exercising the responsibility which it has under the Indian Constitution to set the form and pace of industrial expansion.

FY 1964 Program

Requirements for U.S. capital assistance during FY 1964, overlapping two Indian fiscal years (April 1, 1963 - March 31, 1964), are estimated at $500 million. Of this amount, A.I.D. development loans would provide about $450 million and the Export-Import (Ex-Im) Bank possibly $50 million. It is expected that approximately $250 million of the total development loan funds will be used to finance priority projects, mainly in the fields of power, transportation and private sector development. The balance will provide for imports of capital equipment, machinery components, fertilizer and critically needed industrial raw materials. Capital assistance will be provided within the framework of the existing IBRD Consortium.

Total sales of surplus wheat, rice and other commodities under P.L. 480 are expected to reach a level of around $300 million. Public Law 480 sales will be made under the 1960 four-year Sales Agreement for wheat and rice and under supplementary agreements for other commodities.

Cooley loans and investment guaranties by U.S. firms investing in India are expected to continue to play a significant role in the private sector. To date 14 loans totaling $27.3 million have been signed.

The proposed $8.1 million Development Grant program is largely for continuing costs of technical assistance projects to increase agricultural production, expand facilities for elementary, engineering, vocational and teacher-training education, and other technical assistance purposes. In FY 1963, a significant change was made in the Development Grant health program by shifting commodity requirements for the Malaria Eradication Program, valued at $6 million, to a Development Loan basis, funding only technicians costs under the Development Grant program.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	445.9	395.0	450.0
Power and Communication	134.1	90.8	
Industry and Mining	68.8	48.5	
Transportation	43.0	15.7	
Development Programs	200.0	240.0	
Development Grants - Total	19.6	7.4	8.1
Food and Agriculture	1.9	1.8	1.9
Industry and Mining	2.7	0.9	1.7
Education	3.0	2.7	2.4
Health and Sanitation	11.5	0.5	0.5
Other	1.8	1.5	1.6
Deobligations During FY 1962	-1.3	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I & IV:			
Country Uses	256.6	307.0	280.4
(Sales Agreements)	(288.3)	(345.0)	(315.0)
Military Assistance Program	-	60.0	50.0

UNCLASSIFIED

India

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	39.9	248.7	45.1	88.9	113.6	92.8	364.8	305.1	366.7	758.4	667.8	775.1	3,867.0
GRANTS	-	58.5	45.1	88.9	68.6	55.3	91.0	36.4	73.9	289.0	213.5	168.0	1,188.2
LOANS a/	39.9	190.2	-	-	45.0	37.5	273.8	268.7	292.8	469.4	454.3	607.1	2,678.9
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	57.3	44.3	87.2	85.7	60.0	65.3	89.8	137.0	194.6	200.8	465.5	1,487.4
Grants	-	57.3	44.3	87.2	40.7	22.5	17.8	14.8	17.0	23.3	20.7	19.6	365.1
Loans	-	-	-	-	45.0	37.5	47.5	75.0	120.0	171.3	180.1	445.9	1,122.3
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	-	-	27.0	13.2	12.8	3.8	14.9	17.6	23.3	21.0	19.6	153.1
DEVELOPMENT LOANS	-	-	-	-	-	-	-	75.0	120.0	171.3	180.1	445.9	992.3
OTHER A.I.D.	-	57.3	44.3	60.2	72.5	47.2	61.5	-0.1	-0.6	*	-0.3	-	342.0
FOOD FOR PEACE (PL 480) - TOTAL	-	0.6	0.8	1.7	27.9	32.8	299.5	63.5	229.7	550.2	387.5	283.5	1,877.8
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	-	-	280.3	45.9	210.3	540.2	368.8	256.6	1,702.1
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	4.0	-	2.1	-	-	6.1
104e - Grants for Economic Development	-	-	-	-	-	-	54.0	-	37.5	253.6	174.1	121.1	640.3
104e - Loans to Private Industry	-	-	-	-	-	-	-	12.5	65.0	30.9	20.6	14.4	143.4
104g - Loans to Governments	-	-	-	-	-	-	226.3	29.4	107.8	253.6	174.1	121.1	912.3
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(354.6)	(50.0)	(237.9)	(616.9)	(412.8)	(288.3)	(1,960.4)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	3.5	1.4	-	-	-	0.3	4.1	9.2
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.6	0.8	1.7	27.9	29.3	17.8	17.6	19.4	10.0	18.4	22.8	166.5
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	151.8	-	13.6	79.5	25.7	270.8
OTHER U.S. ECONOMIC PROGRAMS	39.9 b/	190.8	-	-	-	-	-	-	-	-	-	0.4	231.1

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
IBRD - World Bank	90.0	145.5	817.4
UN Tech. Ass't. (CY)	3.0	3.7	23.1
UN Special Fund	5.2	2.7	16.4
Int'l. Dev. Association	60.0	62.0	122.0
IFC-Int'l. Finance Corp.	0.2	-	1.6

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	36.9
1962 (Calendar Year)	32.5
Cumulative thru 1962	981.6

LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	-	-	-
Ex-Im. Bank (Long Term)	1.7	5.9	8.0
Other Government Loans	-	-	154.4

* Less than $50.000.

a/ Does not include $20.0 million loan in FY 1958 financed by Asian Economic Development Fund. These are included in NESA Regional.

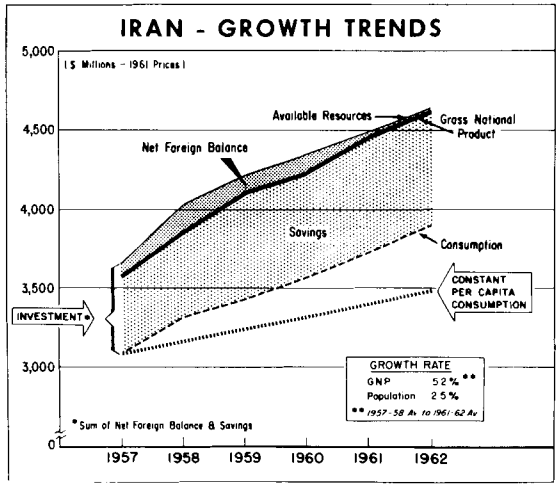
b/ Includes the utilization during FY 1946 of $29.2 million of lend-lease silver credits. During FY 1940-46, a total of $160.7 million of such credits were extended to British India. After partition, Pakistan agreed to repay $38.0 million, but it is not possible to distribute the FY 1946 portion between the two countries.

Iran

Iran- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	21.6	Life Expectancy (years)	n.a.
Annual Growth (percent)	2.5		
		People per Doctor	5,000
Area (1000 sq. mi.)	636		
Pop. Density per sq. mi.	34	Literacy Rate - %	10-15
Agricultural Land			
Percent of Total Area	16	Pupils as % of Pop. (Primary & Secondary)	8
Acres per Capita	3.1		



INTERNATIONAL TRADE ($ millions)[a]	1959	1960	1961	1962 Est.
	Calendar Years			
Total Exports (f.o.b.)	785	825	872	895
Petroleum Exports	(653)	(683)	(745)	n.a.
Total Imports (c.i.f.)	587	612	571	570
Trade Balance	+198	+213	+301	+325
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	214	184	208	206
COST OF LIVING INDEX (1958=100)	111	122	126	127

a/ Payments basis; years beginning March 21 of year shown.

GROWTH INDICATORS	1959	1960	1961	1962 Est.
	Calendar Years			
Total GNP (in 1961 prices; $ millions)*	4,101	4,228	4,460	4,645
Per Capita GNP (dollars)	204	205	211	215
Investment as percent of GNP	19	19	17	16
Domestic Savings as % of Investment	87	84	96	100
Net Foreign Balance as % of GNP	3	3	1	-
Central Gov't Domestic Revenues as % of GNP	16	16	15	15
Agricultural Prod. Index (1952-54=100)	127	122	129	127
Index per Capita	110	103	107	102
Wheat (1,000 M.T.)	3,000	2,600	2,800	2,600
Petroleum Production (Mill. M.T.)	46	52	58	63

CENTRAL GOVERNMENT FINANCES* (FY ending March 20)	1961	1962	1963 (Budget)
	– Million Dollar Equivalents –		
Total Expenditures	721	728	764
(Defense Expenditures)	(166)	(194)	(192)
(Capital Outlays)	(242)	(219)	(222)
Total Domestic Revenues	664	664	722
Deficit or Surplus	-57	-64	-42

* Converted at 75 rials per U.S.$.

Country Progress

Iran's First Development Plan began in 1948, but was largely abortive because of the temporary drying up of oil revenues which followed nationalization of the oil industry in 1951. The Second Plan began in 1955 and ended September 1962. A 5% rate of growth was achieved over the period. Gross domestic savings rose from 5% of Gross National Product (GNP) in 1955 to over 16% in 1961. The Third Development Plan is now under way and will continue to March 1968. It calls for $3.98 billion of investment, $1.87 billion in the public sector and $2.11 billion in the private sector. About 80% of the public sector investment is to be domestically financed, primarily from oil revenues. The annual growth rate target is 6%, which would be sufficient to double per capita, GNP in about 20 years.

Selected Indicators of Progress and Goals

	1957	1961	1965 (Projected)
Index of Ind. Prod. (1958=100)	95	121	168
Index of Agric. Prod. (1952-54=100)	124	129	148
Crude Petroleum Prod. (Mil. MT)	36	58	100
Wheat Production (1,000 MT)	2,800	2,800	3,150

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Country: IRAN

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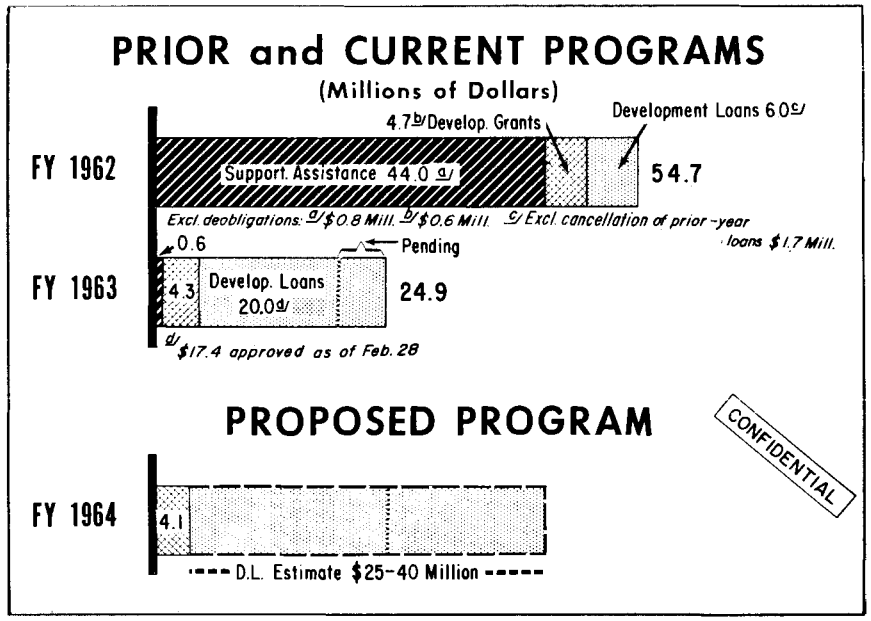
U.S. Objectives and Strategy

Iran, a military ally of the United States and a member of Central Treaty Organization (CENTO), is a major land barrier to Soviet expansion to the Persian Gulf and into the Middle East and Africa, with oil resources of considerable strategic significance. Its stability and alliance with free nations are directly in the U.S. interest. The basic objective of U.S. policy toward Iran is to assist its economic and political development, since the greatest threat to the nation's stability and independence stems from its own internal weaknesses. U.S. aid enables Iran to maintain the sizable military establishment required by its vulnerable position on the border of the USSR.

To broaden political support of his regime, the Shah in recent months has shifted from his traditional dependence on the top landowning, monied, and religious groups to the peasantry through vigorous implementation of a reform program, the major feature of which is widespread land redistribution. He has announced his intention of holding elections in the summer of 1963 to reinstate parliamentary government, and has solidified national support for the reform program through a recent referendum approved by an overwhelming majority. He has also bid for support of other groups, particularly labor, with the announcement of an ill-thought-out profit-sharing scheme. Dissatisfaction among elite groups is high, with consequent political tension.

In September 1962, Iran started its Third Development Plan. The Plan is subject to uncertainty because of the unknown extent of the adjustments that will have to be made to reflect costs of the reform program and to assure that available financing is not exceeded. Nevertheless, the Plan can be expected to exert an important influence on the nation's development over the next few years.

U.S. strategy toward Iran emphasizes support of the current movement for social and economic reform, which entails many financial, administrative, and technical problems that will be difficult for Iran to resolve. The situation is one requiring considerable flexibility in aid administration if opportunities for exerting a constructive influence are not to be lost. Iran will be encouraged to adjust the Third Plan to reflect costs of the reform program. It will also be encouraged to improve and strengthen development planning and budgetary and fiscal controls to assure more efficient resource mobilization for economic development. In support of land reform the United States plans to use P.L. 480 to offset the expected temporary fall in domestic food production. Local currency proceeds will be provided to strengthen cooperatives and other new



institutions upon which the success of the land reform program ultimately depends. Development loans will be concentrated on Third Plan activities which offer opportunities for inducing organizational and administrative reforms and improvements. The International Bank for Reconstruction and Development (IBRD) and other sources of external assistance will be encouraged to support Iran's development and reform efforts, even though prospects for a consortium do not at present appear promising.

The United States has given the Shah a five-year commitment for military assistance. The Shah, in turn, has undertaken to provide for sound use and maintenance of U.S.-supplied equipment, and to reduce force levels significantly over the next few years, in order to keep military spending in reasonable balance with the governments' anticipated revenues and with current civil requirements and needs of the development program.

Current Situation

The Second Plan. An organized effort to develop was not begun until the shaping of Iran's Second Seven-Year Development Plan in September 1955. Rapidly rising oil revenues, together with a substantial net inflow of foreign capital, financed a relatively high level of investment. The rate of growth in Gross National

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Product (GNP) over the period was about 5%. Growth of the oil and industrial sectors was more rapid than the average, but agriculture lagged. Domestic savings as a source of development financing rose sharply. Among achievements were construction of major, multi-purpose dams, a significant start toward establishment of a national highway system, which was supported with U.S. financing, airport construction, regional development in Khuzestan, and railroad modernization supported by Export-Import (Ex-Im) Bank loans.

The Second Plan, however, suffered from numerous shortcomings. The Plan Organization controlled only about 60% of public sector investment under the Plan. There was little attempt to coordinate public investment with the growing activity and initiative in the private sector. An inflationary crisis developed after 1957, because Iran failed to limit the growth of current operational expenditures and to keep total investment expenditures in line with the nation's savings capacity and external assistance opportunities. The inflation was brought to an end during 1961 following agreement with the International Monetary Fund (IMF) in 1960 in a stabilization program, enforced principally by a newly created Central Bank.

The Third Plan. The Third Plan, which began in September 1962, differs from earlier plans in that it was meant to include all public sector development and intended closer coordination with private investment. A shift is planned from the large, social infrastructure projects that dominated the Second Plan to smaller projects intended to increase production in the short run, with special emphasis on agriculture. Approximately $200 million of government funds are to be invested in development lending institutions to support private enterprise. Iranian administrators and supervisors are to replace foreign consultants, and more emphasis is to be given to training, improved administration, and education at all levels.

Approximately 80% of Third Plan expenditures are to be financed domestically, with foreign loans in a range of $75-90 million per year counted on to provide the balance. The investment level probably will be a somewhat lower percentage of GNP than in certain years of the Second Plan, but it should be more in line with resource availability, and therefore less conducive to inflation.

Initial project implementation under the Third Plan has lagged, due in part to administrative reorganization following the change of government last summer. This in turn has discouraged private investment, as has the adverse impact of the reform program on business confidence. Depressed internal demand, restraints on non-essential imports, and steadily mounting oil revenues have combined over the last two years to replenish foreign exchange reserves, which had fallen rapidly during the previous inflationary crisis.

Reform Program. The major political emphasis in Iran now lies in the area of social reform. The revolutionary land reform decreed last year has since been vigorously implemented by the Shah. About one-third of the villages in multi-village estates already had been distributed by January 1963, to be operated by peasant-owned cooperatives. The balance will be distributed in the near future. Smaller estates are also to be distributed, with landlords being given some option on method and the right to retain some property. Difficult technical and financial problems are involved in providing for credit extension and other essential services needed by the new landowners. However, the feudal land tenure system has been broken, creating new hopes and incentives for the mass of people who toil in agriculture.

Other important reforms now proposed are a program for conscripting educated young men otherwise eligible for military service into a Literacy Corps to teach in rural areas, a profit-sharing scheme for industrial workers, a new Civil Service code, a continued drive against corruption, a greater degree of local autonomy, and new rights and opportunities for women. Though they involve great complexities, and some aspects may be abandoned as politically unfeasible, these proposals are unmistakable evidence of a strong intent to remake Iranian society on a modern and democratic basis.

U.S. Aid. Considerable U.S. financial aid was given for major Second Plan projects. Recent loans to electric power and port projects to be carried out under the Third Plan have been conditioned upon introduction of organizational and administrative improvements. Technical assistance programs have played an important role in building up the nation's administrative, technical, and educational base in the past. With American help, an agricultural extension service, through which information on modern methods is being channelled to the farmer in the isolated villages, has been established within the Department of Agriculture. Karaj Argricultural College, founded with U.S. assistance, is already producing the Iranian specialists required to staff the service. Agency for International Development (A.I.D.) technicians have helped Iran develop and expand its public health services and train the technicians and administrators needed to carry out these new activities. American advisors have worked with the Iranian government in developing sound programs for ultimate achievement of universal educational opportunities for all its children and to develop institutions for training the

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teachers urgently needed to keep pace with the rapid increase in student enrollment. U.S. technical assistance can be expected to continue to play a significant role in the immediate future in assisting Iran to meet successfully the challenge of its reform and development programs.

FY 1964 Program

A $4.2 million Development Grant program is proposed for FY 1964. The Development Grant program will be concentrated heavily on the provision of technical assistance in the fields of private enterprise encouragement, rural development, and manpower training. Police training and health programming projects also will be included.

Development loans of $25-40 million will be considered, to finance sound investment projects. This range appears reasonable based on Third Plan financial projections and the likelihood of assistance from other sources.

The actual volume of loans made will depend on the readiness and suitability of Iranian project loan applications. Activities which now seem most likely to justify loans in FY 1964 include communications, transportation, irrigation and agricultural development, and financial institutions. Wherever practicable, development loans will be conditioned upon implementation of needed organizational and administrative reforms and improvements. As a precondition of a U.S. loan in FY 1963 to finance a feasibility study for electric power development, the Iranian government has agreed to establish, with IBRD-financed technical assistance, a National Power Authority, badly needed to improve public utility regulation and management. Similarly, a loan for port development at Bandar Abbas was conditioned upon Iran's establishing an independent port administration.

Maximum use is to be made of P.L. 480 in FY 1964 to support the land reform program. The exact amount of such assistance will depend on the effect of the land reform on local food production, and on other presently unknown factors such as crop failures. It is anticipated that Title I sales will total $12.5 million. Opportunities for substantial use of Title II to support food-for-work projects also will be explored. Some of the labor-intensive projects which reflect one of the principal changes in the approach to development characteristic of the Third Plan may be supportable on this basis. It is now expected that local currency generated from sales programs can be programmed principally to provide the credit needs of agricultural production and for other projects and activities associated with the land redistribution program.

The IBRD and Germany are the two most promising non-U.S. sources of aid to Iran. Aid in smaller amounts may also be provided by the U.K., France, and possibly other West European nations. Specific amounts of aid from sources other than A.I.D. cannot be projected with accuracy at this time. No aid has been received from the Soviet bloc except for two sugar mills from Poland valued at $6 million.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	5.7	20.0	25.0-40.0
Power and Communication	-	2.4	
Industry and Mining	-	1.5	
Transportation	6.0	15.0	
Other Activities	-	1.1	
Decommitment	-0.3	-	
Development Grants - Total	4.2	4.3	4.1
Agriculture	0.8	0.7	0.6
Industry and Mining	0.3	0.3	0.3
Health and Sanitation	0.8	0.7	1.1
Education	0.4	0.6	0.4
Other	2.5	2.0	1.7
Deobligations During FY 1962	-0.6	xx	xx
Supporting Assistance - Total	43.2	0.6	-
Non-Project	44.0	0.6	-
Deobligations During FY 1962	-0.8	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I & IV:			
Country Uses	6.8	5.8	9.4
(Sales Agreements)	(9.0)	(7.7)	(12.5)
Military Assistance Program	53.1	69.7	54.4

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Iran

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	25.8	16.5	31.9	84.5	128.8	74.4	51.5	51.9	46.9	38.2	109.7	71.3	731.5
GRANTS	-	16.5	31.9	84.5	43.8	61.9	28.5	11.9	9.2	38.2	35.0	44.8	406.4
LOANS	25.8	-	-	-	85.0	12.5	23.0	40.0	37.7	-	74.7	26.5	325.1
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	14.9	31.9	84.4	74.9	65.1	47.1	51.4	46.0	37.5	62.0	53.0	568.2
Grants	-	14.9	31.9	84.4	42.9	55.1	24.1	11.4	8.3	37.5	24.8	33.3	368.7
Loans	-	-	-	-	32.0	10.0	23.0	40.0	37.7	-	37.2	19.7	199.5
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	-	-	23.9	8.3	8.0	4.9	4.9	5.5	5.6	3.5	4.2	68.7
DEVELOPMENT LOANS	-	-	-	-	-	-	-	40.0	37.7	-	37.2	5.7	120.5
OTHER A.I.D.	-	14.9	31.9	60.4	66.6	57.1	42.2	6.5	2.8	31.9	21.4	43.2	378.9
FOOD FOR PEACE (PL 480) - TOTAL	-	0.1	-	0.1	0.9	9.3	4.4	0.5	0.9	0.7	26.3	17.9	61.2
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	-	8.4	-	-	-	-	16.1	6.8	31.3
104c - Grants for Common Defense	-	-	-	-	-	5.9	-	-	-	-	-	-	5.9
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	1.7	0.5	2.2
104g - Loans to Governments	-	-	-	-	-	2.5	-	-	-	-	14.4	6.3	23.2
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(12.4)	(-)	(-)	(-)	(-)	(21.9)	(9.0)	(43.3)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	3.4	-	-	-	8.6	8.2	20.2
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.1	-	0.1	0.9	0.9	1.0	0.5	0.9	0.7	1.6	2.9	9.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	53.0	-	-	-	-	-	21.4	-	74.4
OTHER U.S. ECONOMIC PROGRAMS	25.8	1.5	-	-	-	-	-	-	-	-	-	0.4	27.7
MILITARY - TOTAL	-	16.6	27.3	26.5	17.5	23.6	39.0	73.0	90.9	89.1	49.2	33.3	563.0
GRANTS	-	16.6	27.3	26.5	17.5	23.6	39.0	73.0	90.9	89.1	49.2	33.3	563.0
LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	16.6	27.3	26.5	17.5	23.6	39.0	73.0	90.9	89.1	49.2	33.3	563.0
(Additional Grants from Excess Stocks)	(-)	(0.7)	(0.5)	(10.8)	(3.9)	(1.0)	(4.9)	(1.8)	(6.0)	(7.0)	(10.1)	(1.1)	(50.1)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	25.8	33.1	59.2	111.0	146.3	98.0	90.5	124.9	137.8	127.3	158.9	104.6	1,294.5
FOREIGN ASSISTANCE ACT PROGRAM	-	31.5	59.2	110.9	92.4	88.7	86.1	124.4	136.9	126.6	111.2	86.3	1,131.2
OTHER ASSISTANCE	25.8	1.6	-	0.1	53.9	9.3	4.4	0.5	0.9	0.7	47.7	18.3	163.3

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
IBRD - World Bank	-	-	194.2
UN Tech. Ass't. (CY)	1.2	1.2	11.5
UN Special Fund	3.2	1.0	6.1
IFC-Int'l. Finance Corp.	-	-	0.3

SINO-SOVIET BLOC ASSISTANCE

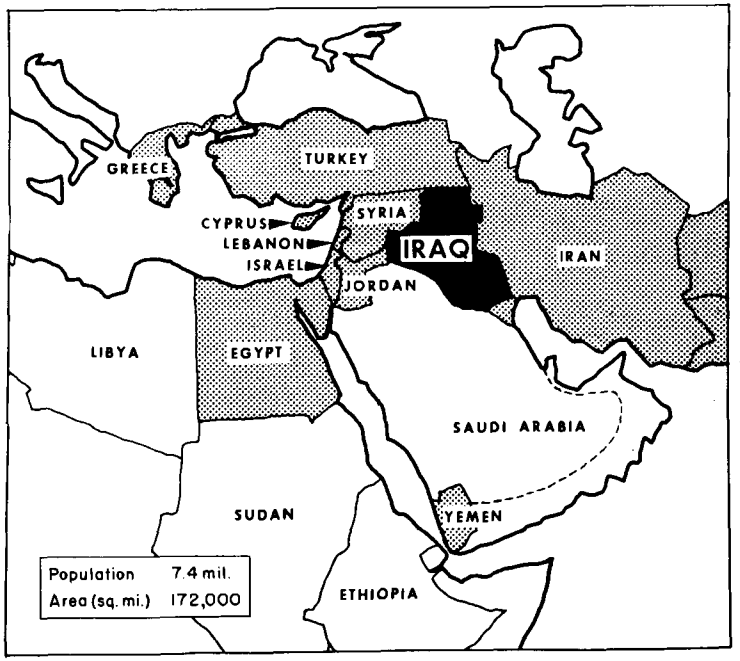
1961 (Calendar Year)	-
1962 (Calendar Year)	-
Cumulative thru 1962	6.1

LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	4.9	7.9	18.2
Ex-Im. Bank (Long Term)	7.6	9.5	26.8
Other Government Loans	-	-	10.3

Iraq

Iraq- BASIC ECONOMIC DATA



Annual Population Growth	2.5%
Gross National Product (1961)*	
Total ($ Million)	1,410
Per Capita GNP (Dollars)	194
Agricultural Land	
Percent of Area	14%
Acres per Capita	2.1
Literacy Rate	20%
Pupils - % of Pop. (Primary/Secondary)	11%
Life Expectancy (years)	n.a.
People per Doctor	5,600

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	112	115	122	131
Per Capita Index	93	94	97	102
Barley (1,000 MT)	725	800	910	1,120
ELECTRIC POWER OUTPUT (KWH per capita) a/	106	120	n.a.	n.a.
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	606	654	662	690
Petroleum	(565)	(623)	(625)	(630)
Total Imports (c.i.f.)	326	391	408	380
Trade Balance	+280	+263	+254	+310
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil)	361	297	244	280(Oct)
COST OF LIVING INDEX (1958=100) (Baghdad)	99	102	104	104

* Converted at $2.80 per Dinar.
a/ Consumption.

Country Background

Iraq is an agricultural and pastoral country, with a population of about 7.4 million and an area slightly larger than California. It shares borders with six countries: Turkey, Syria, Jordan, Saudi Arabia, Kuwait and Iran. This central location, its rich oil reserves which provide annual revenues exceeding $265 million, and the most favorable resource balance in the Near East, could enable Iraq to play a major role in the political and economic life of the area.

A Western-oriented regime was overthrown in July 1958. Its successor, the Qasim Government, dropped the former close ties with the West and accepted substantial economic and military assistance from the Soviet bloc. Although he officially professed neutrality, Qasim was openly hostile to the West. He also challenged other Arab regimes, including both conservative and radical governments. Some social and economic reforms were launched but these accomplished little. A five-year $1.6 billion development plan was announced, but the major increase in outlays went to finance a rapidly growing defense effort, which totaled $196 million this year, well over 50% of the national budget. Land reform was given a high priority but lack of adequate planning caused agricultural production to suffer. Other projects also lagged. Repayments on $350 million of Soviet loans for military and economic assistance over the past four years will begin to fall due in the near future.

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Country: IRAQ

U.S. Objectives and Strategy

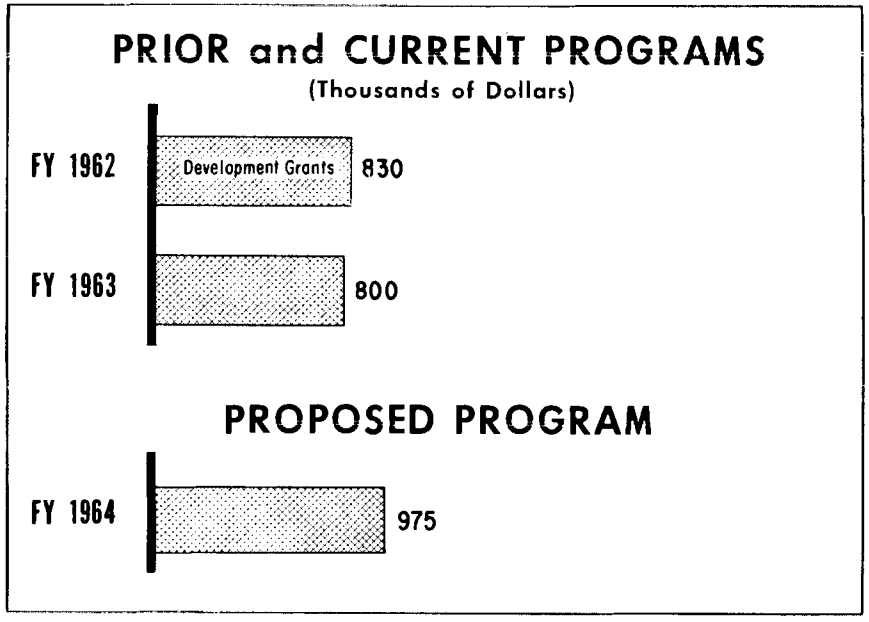
The principal objectives of the United States in Iraq are to establish friendly ties with the new government; preserve existing private trade relationships; encourage our businessmen to seek new opportunities in Iraq; and encourage the new regime to limit its ties with the Societ bloc. During the four and one-half years of the Qasim regime, the Agency for International Development (A.I.D.) program has sought to maintain a presence by means of a participant training program and provision of U.S. professors to Baghdad University. Pending clarification of the U.S.-Iraqi relations, the program will continue as before, so as to continue to influence key Iraqi officials, technicians and educators who are in positions of importance in Government ministries and quasi-public institutions concerned with economic development.

Current Situation

Dissatisfaction with the lack of progress, uneasiness over Qasim's arbitrary and erratic policies, and alarm at the influx of Communist advisors erupted in a violent overthrow of the Qasim regime in February 1963. Although some improvement in relations with the West is expected, the new government will likely pursue a neutralist foreign policy. It is too early to determine the effect the new Iraqi regime will exert on the unstable political situation in the Near East.

FY 1964 Program

The proposed Development Grant level for FY 1964 is $975,000. This will provide participant training at the same level as in previous years and financing of the third year of a contract with Texas University to provide nine professors to Baghdad University to teach science and engineering courses, and continued operation of a Technical Subscription Service under which books are made available to participants who have returned.



FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	0.7	0.8	1.0
Education	0.7	0.7	0.9
Other	0.1	0.1	0.1
Deobligations During FY 1962	-0.1	xx	xx
Other U.S. Assistance			
Military Assistance Program	*	0.1	0.1

* Less than $100,000.

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Country: IRAQ

FINANCIAL DATA

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Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	0.7	0.7	18.1
Technical Coop./Development Grants	0.3	0.7	16.6
Development Loans	-	-	-
Other A.I.D.	0.4	-	1.5
FOOD FOR PEACE (P.L. 480) - TOTAL	0.6	0.1	2.5
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	-	-	-
Title III	0.6	0.1	2.5
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	0.9
MILITARY ASSISTANCE a/			
M.A.P. - Grant Aid	*	*	46.1
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	-	-	6.3
UN Tech. Ass't (CY ending in FY)	0.6	0.6	5.2
UN Special Fund	1.1	1.7	3.7
SINO-SOVIET BLOC ASSISTANCE (CY)	-	1.4	217.5
LOAN $ REPAYMENTS AND INTEREST	-	-	-

a/ Annual data are net deliveries.

*Less than $50,000

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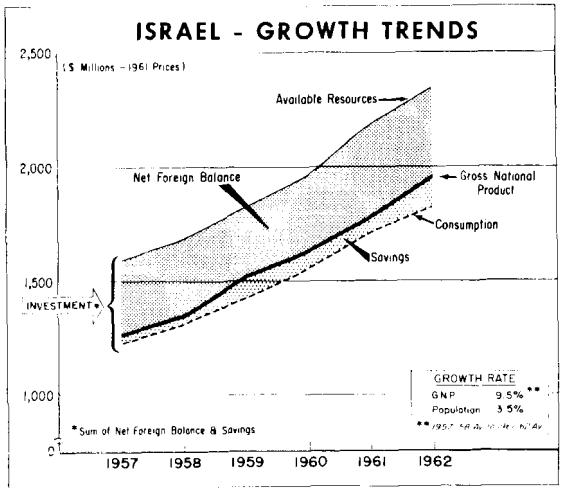
Israel

Israel- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	2.3	Life Expectancy (years)	70
Annual Growth (percent)	3.5		
		People per Doctor	400
Area (1000 sq. mi.)	8		
Pop. Density per sq. mi.	288	Literacy Rate - %	90
Agricultural Land			
Percent of Total Area	58	Pupils as % of Pop. (Primary & Secondary)	21
Acres per Capita	1.3		



INTERNATIONAL TRADE ($ millions)	1959	1960	1961	1962 Est.
Total Exports (f.o.b.)	179	217	245	275
Citrus Fruits	(52)	(53)	(48)	(63)
Total Imports (c.i.f.)	430	503	586	620
Trade Balance	-251	-286	-341	-345
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	167	272	368	498
COST OF LIVING INDEX (1958=100)	101	104	111	121

GROWTH INDICATORS	1959	1960	1961	1962 Est.
Total GNP (in 1961 prices; $ millions)*	1,512	1,621	1,777	1,995
Per Capita GNP (dollars)	734	767	814	853
Investment as percent of GNP	27	25	26	26
Domestic Savings as % of Investment	23	19	15	27
Net Foreign Balance as % of GNP	21	21	22	19
Central Gov't Domestic Revenues as % of GNP	28	28	32	27
Agricultural Prod. Index (1952-54=100) a/	222	231	258	284
Index per Capita	178	180	195	204
Potatoes (1,000 MT)	88	82	85	85
Industrial Prod. Index (1958=100)	114	129	150	175

CENTRAL GOVERNMENT FINANCES* b/ (FY ending March 31)	1961	1962	1963 (Budget)
	– Million Dollar Equivalents –		
Total Expenditures	513	637	761
(Defense Expenditures)	(115)	(133)	(237)
(Capital Outlays)	(157)	(203)	(221)
Total Domestic Revenues	419	574	577
Deficit or Surplus	-94	-63	-184

* Converted at 3 Israeli pounds per U.S.$. (Rate prior February 9, 1962, was 1.80 Israeli pounds per U.S.$.)

a/ Crop years beginning October 1 of previous year.

b/ Including earmarked transactions.

Country Progress

Israel has had one of the highest growth rates in the world for the past ten years, averaging more than 10% annually. The government has generally effective development policies, which rely heavily on foreign assistance, public and private. Objectives of the new Four-Year Plan are: (1) To maintain growth of 10%; (2) to develop the Negev and Central Galilee, where considerable success has been achieved in irrigating farm areas and establishing new industries; (3) to reduce the balance-of-payments gap from $400 million to $250 million by 1966 by continuing export growth at 20% a year, and by a continued reduction of imports through substitution of locally made products.

Selected Indicators of Progress and Goals

	Unit	1957	1961	1966
Exports ($ millions)		144	245	485
Production				1964
Cement (1,000 MT)		719	846	1,300
Cotton Thread (1,000 MT)		7	14	19
Citrus Fruit & Vegetables (1,000 MT)		774	877	1,118

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Country: ISRAEL

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U.S. Objectives and Strategy

U.S. policy is to assure the continued existence of Israel as a secure and economically viable state; to maintain relative stability in the Middle East; to secure moderation of the arms race; and eventually to achieve an Arab-Israeli peace.

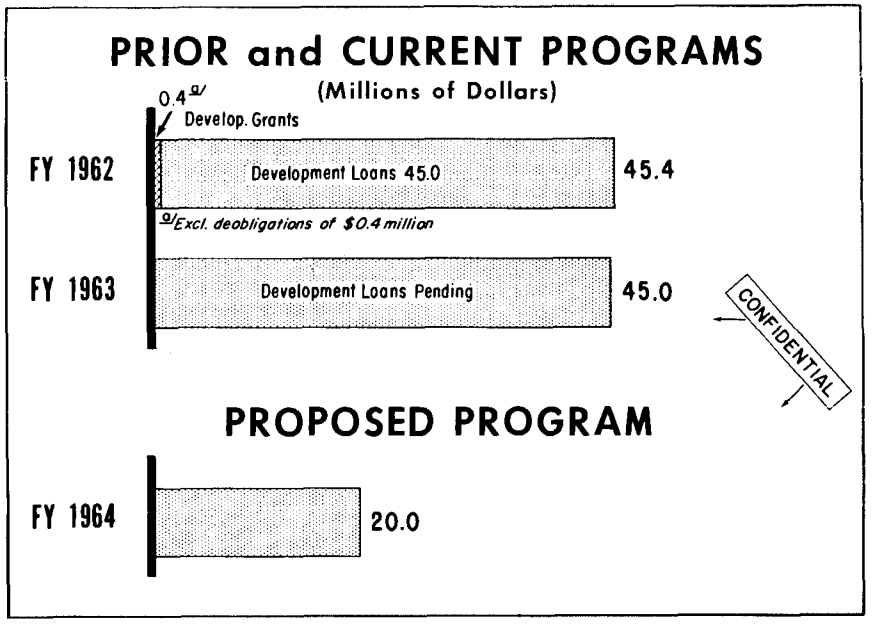
Since deterioration of Israel's economic or military position would invite a more aggressive posture from its Arab neighbors and possibly lead to major armed conflict, it is in our interest to help prevent such deterioration. At the same time, we plan to continue to seek acceptable solutions to those issues which heighten Arab-Israeli tensions, so that both sides can allocate larger amounts of their scarce resources to urgent development requirements rather than military uses, and diminish their need for external assistance.

While the prospects for Israel's acceptance by its neighbors are still remote, the country has made substantial progress in its economic and social development. Israel is approaching the point where Agency for International Development (A.I.D.) Development Lending is no longer indispensable for its continued economic development, and a phase-out of this assistance can be envisaged. The most important factor in planning such phase-out is that it could be interpreted politically as a withdrawal of U.S. support for Israel in favor of increased support for the Arab States. Thus, at a time when Israel has become increasingly capable of dealing with its economic problems, the question of continued U.S. aid rests increasingly on political comparisons rather than on an economic evaluation.

Because of its past economic success and its demonstrated capacity to attract external aid, Israel should be encouraged to seek development financing through normal commercial channels and other Free World private and official sources. Export-Import (Ex-Im) Bank lending for appropriate proposals can be contemplated. Assuming continued rapid growth of Israel's economy, the United States looks forward to a diminution of aid on concessional terms and its eventual cessation. Loans are being moved toward more conventional terms in FY 1963 and FY 1964.

Current Situation

Israel has acheived a very rapid rate of economic and social growth, despite the many unfavorable elements in its situation. It is surrounded by states not reconciled to its existence and whose policies prevent Israel from establishing normal trade patterns with its neighbors and lead it to maintaining a large



military establishment. Israel has moved vigorously to develop its economy, expand its trade in other areas and strengthen its ties with African and non-Arab states. It has leaned heavily on the United States and other Western countries for support and assistance.

Israel's rapid economic gains reflect careful planning, sustained and determined effort, the fostering of high levels of skill among the people, a dedicated sense of national purpose and large amounts of external assistance, efficiently used. Per capita output already exceeds the level attained by some European countries and is comparable to many industrialized countries. Gross National Product (GNP) has risen about 10% per annum in the past several years and the government hopes to maintain this average growth rate. The growth of GNP was accompanied by average growth in per capita private consumption of 3.3% and public consumption of 3.4%. The level of gross investment has equaled approximately one-fourth of GNP while consumption and investment have depended on continually rising imports. The high investment rate has been supported by large inflows of external capital, and net internal savings, while rising, have been relatively small until recently.

The domestic and foreign exchange aspects of past economic policy are illustrated by Israel's progress in raising enough food

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(excepting wheat and feed grains) to satisfy internal requirements and to produce new sources of foreign exchange. Eggs, poultry, and vegetable exports, in addition to the traditional citrus, have become important foreign exchange earners.

Although there has been some variation, exports have risen rapidly and persistently from $60 million in 1953 to $141 million in 1957, and to about $275 million in 1962. Much of this progress is due to growing markets for Israeli citrus fruits, exports of cut and polished diamonds and success in marketing diversified products from new industries. However, imports also have continued to rise and there remains a heavy commodity import surplus.

There is a current account deficit of $400 million before account is taken of donations, other private transfers, capital flows and aid. The foreign debt, short and long-term, now exceeds $700 million, of which over half is in State of Israel bonds. Service payments on external debt over the next few years will average about $100 million annually. In 1962, debt service payments amounted to 19% of export earnings and receipt of private donations.

The management of foreign exchange resources has effectively met the government's objectives of raising holdings of gold and foreign exchange. Reserves of gold and foreign exchange held by the Central Bank and commercial banks had risen from $87 million at the end of 1957 to $498 million by the end of 1962.

Israel would not have been able to reach its present stage of development--while maintaining a high standard of living, carrying a heavy defense burden, and pursuing a liberal immigration policy--without substantial external assistance. This aid has come from West Germany (reparations and restitution payments are declining but are currently estimated at $160 million a year), world Jewry (contributions and loans are $100 million annually), and the U.S. Government (P.L. 480 surplus food, Supporting Assistance, Development Loans, and Ex-Im Bank loans averaged $60 million a year from 1957 through 1960). German reparations and restitution payments to individuals are expected to fall from the $199 million in 1961 to $60 million in 1966. Moreover, net receipts from Israel's bond sales may decline as annual payments of matured bonds rise.

A formal devaluation to unify exchange rates was carried out in February 1962 and an anti-inflation policy adopted. After the devaluation, the government prepared a preliminary outline and set targets for a Four-Year Development Plan (1963-1967) to achieve the objectives of its new economic policies. Although a more detailed plan is in preparation, the main objectives are:

1. Continued rapid economic growth to absorb new entrants to the labor force under a policy of full employment which requires a 10% annual increase in GNP.

2. Reduction in the current account deficit from $400 million to $250 million by 1966 to offset declining extraordinary receipts, such as reparations and restitution payments, and to provide for debt servicing. This will require annual increases in exports of 20%.

3. Development of the Negev and Central Galilee.

The plan assumes a determined effort to increase productivity, increase domestic saving to limit the rate of increase in private and public consumption, and raise production of import substitutes. The prospects appear favorable even though some variations in year-to-year performance should be anticipated.

FY 1964 Program

Supporting Assistance was terminated in FY 1961. The Development Grant program was terminated in FY 1962. To cover part of Israel's food deficit, a three-year P.L. 480, Title I, Agreement was signed on December 6, 1962. Under this agreement Israel will receive (country use portion) surplus agricultural commodities amounting to $21.7 million in FY 1963 and an equal amount in FY 1964. Development Loans totaling $45 million are planned for FY 1963. The planning level for FY 1964 has been reduced to $20 million.

Israel's rapid economic progress, and the building up of its gold and foreign exchange reserves averaging $100 million per year in the past three years, has demonstrated its capacity to manage its resources efficiently. The Ex-Im Bank is a logical source of future assistance. In addition, credits should be available from the International Bank for Reconstruction and Development (IBRD) and other official and private sources.

While German reparation and restitution payments are expected to decline over the next few years, donations from world Jewry are expected to continue at a rate of $100 million a year. In addition, economic prospects of Israel should continue to attract foreign capital investment.

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Country: ISRAEL

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FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	45.0	45.0	20.0
Power and Communication	-	17.0	
Industry and Mining	-	4.4	
Development Programs	45.0	23.6	
Development Grants - Total	*	-	-
Agriculture	0.2	-	-
Industry and Mining	0.1	-	-
Other	0.1	-	-
Deobligations During FY 1962	-0.4	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	24.7	21.7	21.7
(Sales Agreements)	(27.5)	(25.5)	(25.5)

* Less than $50,000.

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Israel

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	-	221.5	73.6	74.7	52.6	50.6	41.0	87.1	54.8	56.8	84.0	82.0	878.9
GRANTS	-	86.5	73.6	74.7	21.8	15.5	19.1	11.2	10.8	13.2	18.4	6.9	351.9
LOANS	-	135.0	-	-	30.8	35.1	21.9	75.9	44.0	43.6	65.6	75.1	527.0
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	63.7	73.6	54.0	41.4	23.9	26.8	23.9	19.1	23.5	24.3	44.9	419.2
Grants	-	63.7	73.6	54.0	21.4	13.9	16.8	8.9	9.1	8.5	8.3	-0.1	278.2
Loans	-	-	-	-	20.0	10.0	10.0	15.0	10.0	15.0	16.0	45.0	141.0
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	-	-	1.5	1.5	1.1	1.8	1.5	1.6	1.0	0.8	-*	11.1
DEVELOPMENT LOANS	-	-	-	-	-	-	-	15.0	10.0	15.0	16.0	45.0	101.0
OTHER A.I.D.	-	63.7	73.6	52.5	39.9	22.5	25.0	7.4	7.5	7.5	7.5	-*	307.1
FOOD FOR PEACE (PL 480) - TOTAL	-	22.7	*	20.7	11.2	26.7	14.2	39.0	32.7	32.8	24.3	26.3	250.7
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	10.8	25.1	11.9	36.7	31.0	32.3	23.3	24.8	195.9
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Loans from Triangular Transactions	-	-	-	-	-	-	2.5	-	-	-	-	-	2.5
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	4.2	9.1	5.5	18.8
104e - Loans to Private Industry	-	-	-	-	-	-	-	10.3	9.6	6.0	5.1	5.5	36.5
104g - Loans to Governments	-	-	-	-	10.8	25.1	9.4	26.4	21.4	22.1	9.1	13.8	138.1
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(12.7)	(27.6)	(10.5)	(41.0)	(38.3)	(37.6)	(25.9)	(27.5)	(221.1)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	22.7	*	20.7	0.4	1.6	2.3	2.3	1.7	0.5	1.0	1.5	54.8
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	135.0	-	-	-	-	-	24.2	3.0	0.5	35.4	10.8	208.9
OTHER U.S. ECONOMIC PROGRAMS	-	0.1	-	-	-	-	-	-	-	-	-	-	0.1
MILITARY - TOTAL	-	-	-	-	-	-	-	-	0.4	0.5	*	*	2.6
GRANTS	-	-	-	-	-	-	-	-	-	-	-	-	-
LOANS	-	-	-	-	-	-	-	-	0.4	0.5	*	*	2.6
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	-	-	-	-	-	-	-	0.4	0.5	*	*	2.6
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	-	221.5	73.6	74.7	52.6	50.6	41.0	87.1	55.2	57.3	84.0	82.0	881.5
FOREIGN ASSISTANCE ACT PROGRAM	-	63.7	73.6	54.0	41.4	23.9	26.8	23.9	19.5	24.0	24.3	44.9	421.8
OTHER ASSISTANCE	-	157.8	*	20.7	11.2	26.7	14.2	63.2	35.7	33.3	59.7	37.1	459.7

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
IBRD - World Bank	27.5	25.0	52.5
UN Tech. Ass't. (CY)	0.4	0.4	4.4
UN Special Fund	1.1	0.5	2.6

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	-
1962 (Calendar Year)	-
Cumulative thru 1962	-

LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	-	-	-
Ex-Im. Bank (Long Term)	17.1	21.2	132.9
Other Government Loans	-	-	-

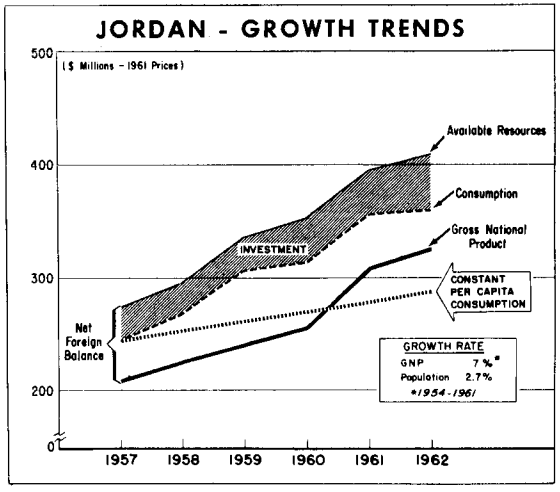
* Less than $50,000.

Jordan

Jordan- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	1.7	Life Expectancy (years)	n.a.
Annual Growth (percent)	2.7		
		People per Doctor	6,800
Area (1000 sq. mi.)	37		
Pop. Density per sq. mi.	46	Literacy Rate - %	30
Agricultural Land			
Percent of Total Area	17	Pupils as % of Pop. (Primary & Secondary)	17
Acres per Capita	2.4		



INTERNATIONAL TRADE ($ millions)	1959	1960	1961	1962 Est.
Total Exports (f.o.b.)	10	11	15	16
Vegetables & Fruits	(4)	(4)	(5)	(6)
Total Imports (c.i.f.)	113	120	117	123
Trade Balance	-103	-109	-102	-107
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	85	86	95	113
Wholesale Price Index (1953=100)	93	101	88	88

GROWTH INDICATORS	1959	1960	1961	1962 Est.
Total GNP (in 1961 prices; $ millions)*	239	254	308	325
Per Capita GNP (dollars)	151	156	184	188
Fixed Investment as percent of GNP	13	15	13	15
Net Foreign Balance as % of GNP	41	40	29	26
Central Gov't Domestic Revenues as % of GNP	15	13	12	16
Agricultural Prod. Index (1952-54=100)	70	53	93	86
Index per Capita	58	42	72	64
Wheat (1,000 MT)	103	44	139	112

CENTRAL GOVERNMENT FINANCES* (FY ending March 31)	– Million Dollar Equivalents – 1961	1962	1963 (Rev.) (Bud.)
Total Expenditures	93.1	97.6	114.3
(Defense Expenditures)	(48.8)	(52.4)	(49.0)
(Capital Outlays)	(15.9)	(15.5)	(28.7)
Total Domestic Revenues	34.9	37.8	52.5 a/
Deficit or Surplus	-58.2	-59.8	-61.8

* Converted at $2.80 per Jordanian dinar.

a/ Includes $10 million payment by Tapline as settlement on adjusted earnings for prior years.

Country Progress

Jordan lacks most basic raw materials needed for development, arable land is less than a tenth of the total area, and rainfall is erratic. Refugees constitute approximately one-third of the total population. Despite these problems, a 7% growth in Gross National Product (GNP) gives rise to the hope for more progress in the future. In spite of successive droughts, agricultural production in 1962 was 22% above 1959 output, reflecting the increased and stabilizing contribution of irrigated crops. New industries established since 1960 enable Jordan to meet 95% of domestic cement needs, produce $4 million worth of clothing and $3 million worth of leather products annually. Phosphate production has doubled. Foreign exchange earnings have risen significantly, largely the result of a marked increase in earnings from tourism and new exports, and, as indicated in the projections below, are expected to rise.

Foreign Exchange Earnings (Millions of $)

	1957	1961	1967
Tourism	3.4	12.0	30.0
Phosphate	2.5	4.3	17.6
Remittances	14.0	19.6	25.0

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

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Country: JORDAN

U.S. Objectives and Strategy

The primary U.S. objective remains the preservation of a politically viable Jordan as a deterrent to the resumption of Arab-Israeli hostilities in the Near East. Any sudden modification in Jordan's status would probably lead to concurrent Israeli and Arab moves into Jordanian territory, a development which would upset the precarious balance which now exists in the Near East.

The U.S. aid strategy is designed to help the Government of Jordan (GOJ) broaden the base of its support and strengthen its capacity to assume greater responsibility for meeting its current and capital development costs. The economic and technical assistance provided in the past have created a base upon which continued rapid growth would be possible.

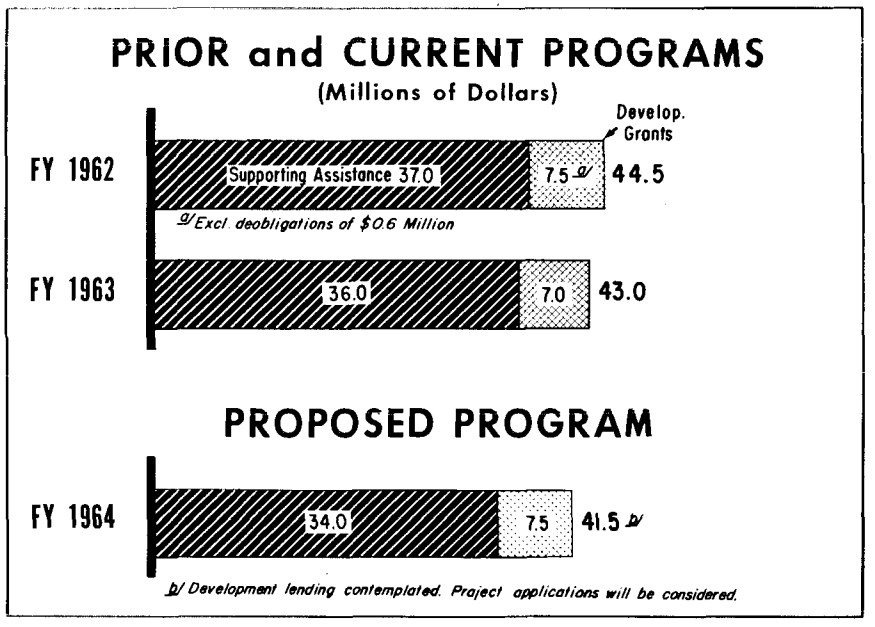
Since the prospects for continued growth appear favorable, it is now possible to plan on a steady reduction in U.S. budget support. This approach requires the government to increase domestic revenues, improve management of its financial and institutional resources, and engage in sound project planning, concentrating on income and revenue-producing activities. Carrying out these measures will provide a basis for reducing budgetary and balance-of-payments deficits. We will continue to urge Jordan to establish a Central Bank to implement monetary and fiscal measures.

The Agency for International Development (A.I.D.) tools to be used include: (a) steady reduction of grants of Supporting Assistance to the budget so as to maintain pressure on the government to increase its revenues; (b) carefully selected Development Grant projects which will be concentrated on income and revenue-producing activities, coupled with improving government management of financial and institutional resources; and (c) Development Loans, when the economic feasibility of income-generating projects can be demonstrated.

Such proceeds as are generated under P.L. 480 to meet emergency food deficits will be used to substitute for dollars in Development Grant programs, wherever this is consistent with their objectives.

Current Situation

Jordan has always been heavily dependent on external financial aid. The U.K. provided a budget subsidy, which reached $31 million in 1957 when the U.K.-Jordanian Treaty of Alliance was terminated by Jordan. Egypt, Syria and Saudi Arabia offered to make up for the lost U.K. subsidy, but only Saudi Arabia provided any assistance,



giving Jordan $14 million in 1958. In view of a rapidly deterioration situation and the danger that dismemberment of Jordan would produce violence in the area, the United States assumed the major burden of budget support. The large amounts of economic and technical assistance over the last ten years have helped to produce a level of development and economic activity and create institutions and infrastructure upon which more securely rooted and more rapid growth can now be postulated. Despite several years of drought, agricultural production has improved, total Gross National Product (GNP) has been increasing by 7% a year, and the GOJ has achieved a comfortable cash reserve position. Earnings from tourism have shown a sharp increase.

The government made its first attempt to formulate a long-term development plan in 1961. The initial approach was neither firm nor complete, and raised many questions. A critical re-examination of the Five-Year Plan now under way seeks to increase concentration of resources on income-generating projects. Steps to implement a development program of modest proportions are already being taken.

A new government was installed in January 1962 and parliamentary elections in November 1962 returned a majority supporting this government. While political progress can scarcely be assured on a short-term record, the new government is comparatively progressive and reflects a measurably broadened base of support. It

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contains a number of younger men who have gained valuable governmental experience. With U.S. support, this government has already taken or reconfirmed significant steps to strengthen its capacity to cope with its problems.

Among recent developments, some have particular application to future growth: (a) legislation governing the East Ghor Irrigation project includes provision for charges for water provided from irrigation facilities; (b) revision of the income tax law to provide for broader and more equitable assessment and for more effective collection is under active consideration, as is an upward revision in customs duties on luxury imports; and (c) a Budget Department has been established and a new budget law enacted. Jordan has no central bank, but a law proposing its creation was approved in 1958 and efforts to effect early establishment are continuing. A new Companies Law has been passed reducing the confusion resulting from a multiplicity of laws and regulations formerly in effect. Strong government support of cooperatives increases the number of local self-governing institutions on which a broader representative government structure may eventually be based.

This favorable assessment, which reflects recent economic developments and the apparent determination of the new government to improve resource use, does not imply that Jordan will be able to support its current budget expenditures from its own resources in the near future. For some time to come, Jordan will face difficult problems for which it will require substantial continuing budget support. The present balance-of-payments deficit presents equally difficult problems even though there are good prospects for some improvement.

To effect a reduction in the budget deficit, Jordan must limit increases in ordinary expenditures, and take actions to capture gains from increased production. This will require a more significant shift in policy than has yet occurred. Military expenditure, now $49 million, is the largest single budget item and accounts for about half of total government expenditures. The King's primary political support comes from the Army and the requirements for border defense are comparatively large in view of Jordan's political situation and extensive frontiers. Thus, there is constant pressure for expansion. Reductions of Supporting Assistance serve as a direct brake by reducing the amount of untied resources available for the total government budget. In addition, the United States and U.K. have jointly agreed to apply indirect controls through export licensing and grant military assistance to keep the types and amounts of military equipment supplied at levels within the capability of the Jordan Army and the Jordan budget to maintain.

In addition to United Nations Relief and Works Agency (UNRWA) assistance to Palestine refugees in Jordan of $15 million annually, other foreign assistance includes U.K. grant budget support of $4.2 million a year for FY 1963 and FY 1964, and development loan assistance of $2 million in FY 1963. Germany gave technical assistance of $600,000 in FY 1962 and a loan of $3.8 million for expansion of Aqaba Port facilities. A new $21 million loan from Kuwait approved in April 1962 is available for development projects. U.N. and other international agencies also provide technical and loan assistance to Jordan. The International Development Association has provided a loan of $2 million and has others totaling $10 million under immediate review.

FY 1964 Program

Supporting Assistance is being reduced by $2 million, from $36 million in FY 1963 to $34 million in FY 1964. Projects which qualify for development loan funding will be considered individually on their merits. Development Grant assistance totaling $7.5 million is proposed for FY 1964.

Approximately half the FY 1964 Development Grant funds will be concentrated in three projects which serve simultaneously to save foreign exchange and to increase income and revenue -- the East Ghor Irrigation project, development of ground water resources by the Central Water Authority, and tourism. A civic action component has been built into these programs. It is expected that by December 1963 the first stage of the East Ghor Irrigation project will be completed and 25,000 acres of land will be under irrigation and fully occupied. Experience in the operation of the first section indicates that average income can be expected to increase from $42 to $90 per acre within the first year, and can rise to $250 an acre within five years.

High level tax and budget advisors are being provided under Development Grant assistance to support the objective of increasing Jordanian revenue and improving government management. Additional assistance will help improve the government's technical and administrative capabilities in other departments.

We anticipate that about $18 million annually could be realized in additional foreign exchange within the next few years, largely from tourism. Phosphates and potash, possibilities for development loan financing, are expected eventually to provide significant export earnings. The major gain in both GNP and in foreign exchange savings must be sought from increased domestic production from irrigated crops and improved dry farming methods. This will make it possible to meet increasing domestic consumption

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requirements and to substitute to some degree for agricultural imports which now total well over $30 million annually, or over one-fourth of the total import bill.

Wheat, foodgrains, and wheat flour, totaling 76,000 tons, were provided under emergency P.L. 480 programs during FY 1963 to relieve crop failures and unemployment stemming from several successive years of drought. There has been virtually no rain during the current winter planting season and the outlook for the harvest this year is discouraging. P.L. 480 activities therefore may be expected to continue.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-1.0	-	- a/
Decommitments	-1.0	-	-
Development Grants - Total	6.9	7.0	7.5
Food and Agriculture	4.3	4.0	4.1
Transportation	0.7	0.7	0.6
Health and Sanitation	0.4	0.3	0.3
Education	1.1	0.7	0.9
Other	1.0	1.3	1.6
Deobligations During FY 1962	-0.6	xx	xx
Supporting Assistance - Total	37.0	36.0	34.0
Non-Project	37.0	36.0	34.0
Deobligations During FY 1962	*	xx	xx
Other U.S. Assistance			
Military Assistance Program	3.9	5.6	3.7

* Less than $100,000.

a/ Development lending contemplated; project applications will be considered.

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Jordan

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	-	5.2	2.9	12.9	8.9	8.0	22.0	37.4	63.5	51.0	67.8	45.9	325.3
GRANTS	-	5.2	2.9	12.9	8.9	8.0	22.0	37.4	59.8	52.0	66.8	45.3	321.0
LOANS	-	-	-	-	-	-	-	-	3.7	-1.0	1.0	0.6	4.3
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	4.7	2.9	10.5	7.3	7.4	21.1	32.7	49.1	47.8	47.5	42.8	273.7
Grants	-	4.7	2.9	10.5	7.3	7.4	21.1	32.7	45.4	48.8	46.5	43.8	271.0
Loans	-	-	-	-	-	-	-	-	3.7	-1.0	1.0	-1.0	2.7
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	3.5	2.9	2.3	2.2	2.4	1.1	1.8	2.2	1.8	1.6	6.9	28.6
DEVELOPMENT LOANS	-	-	-	-	-	-	-	-	3.7	-1.0	1.0	-1.0	2.7
OTHER A.I.D.	-	1.2	-	8.2	5.0	5.0	20.0	30.8	43.2	47.0	44.9	37.0	242.4
FOOD FOR PEACE (PL 480) - TOTAL	-	0.4	-	1.2	1.6	0.6	0.9	4.7	14.4	3.2	20.3	1.5	48.7
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	-	3.5	12.4	1.6	17.4	0.2	35.0
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.4	-	1.2	1.6	0.6	0.9	1.2	2.0	1.6	2.9	1.3	13.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	-	-	-	-	1.6	1.6
OTHER U.S. ECONOMIC PROGRAMS	-	0.1	-	1.2	-	-	-	-	-	-	-	-	1.3
MILITARY - TOTAL	-	-	-	-	-	-	-	8.5	2.2	2.9	1.9	2.6	24.3
GRANTS	-	-	-	-	-	-	-	8.5	2.2	2.9	1.9	2.6	24.3
LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	-	-	-	-	-	-	8.5	2.2	2.9	1.9	2.6	24.3
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.5)	(-)	(0.1)	(0.3)	(0.2)	(1.1)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	-	5.2	2.9	12.9	8.9	8.0	22.0	45.9	65.7	53.9	69.7	48.5	349.6
FOREIGN ASSISTANCE ACT PROGRAM	-	4.7	2.9	10.5	7.3	7.4	21.1	41.2	51.3	50.7	49.4	45.4	298.0
OTHER ASSISTANCE	-	0.5	-	2.4	1.6	0.6	0.9	4.7	14.4	3.2	20.3	3.1	51.6

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
UN Tech. Ass't. (CY)	0.4	0.3	3.4
UN Special Fund	0.8	-	0.8
Int'l. Dev. Association . . .	-	2.0	2.0

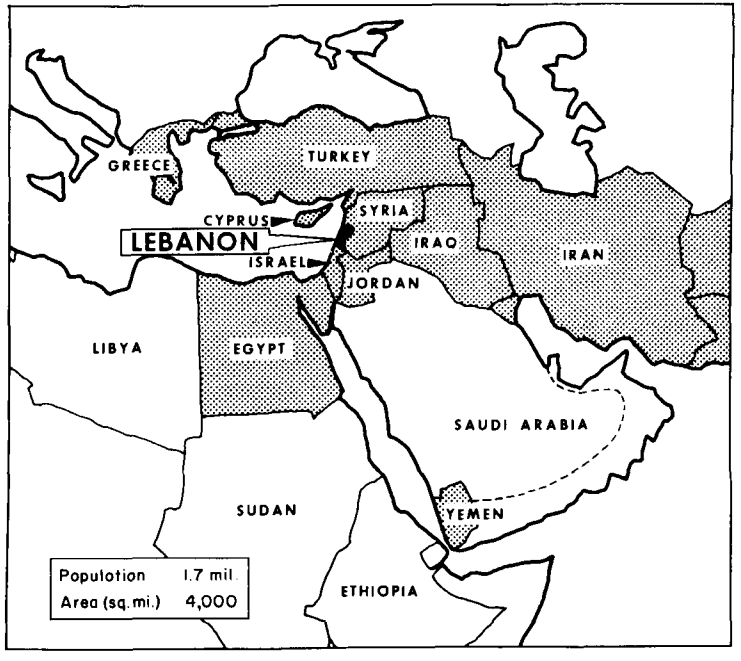
SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	-
1962 (Calendar Year)	-
Cumulative thru 1962	-

LOAN DOLLAR REPAYMENTS AND INTEREST

NONE

Lebanon- BASIC ECONOMIC DATA



Annual Population Growth	2.3%
Gross National Product (1961)*	
Total ($ Million)	690
Per Capita GNP (Dollars)	411
Agricultural Land	
Percent of Area	27%
Acres per Capita	0.4
Literacy Rate	80%
Pupils - % of Pop. (Primary/Secondary)	17%
Life Expectancy (years)	n.a.
People per Doctor	1,100

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	102	96	119	123
Per Capita Index	86	79	96	97
Wheat (1,000 MT)	25	20	35	50
ELECTRIC POWER OUTPUT (KWH per capita)	196	213	222	290
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	40	52	42	n.a.
Fruits	(11.2)	(11.5)	(11.8)	(n.a.)
Total Imports (c.i.f.)	261	332	343	n.a.
Trade Balance	-221	-280	-301	n.a.
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil)	125	137	160	205(Nov)
COST OF LIVING INDEX (1958=100)	104	107	106	108

* Converted at 3.02 Lebanese pounds per U.S. dollar.

Country Background

Lebanon has 1.7 million people in an area smaller than Connecticut. The population is roughly half Christian and half Moslem. This situation has led to the practice of electing a Christian as president and appointing a Moslem as prime minister. The Lebanese have a literacy rate of about 80%, and well-developed skills, trade and services. Lebanon has a high standard of living in comparison with other countries in the area, and has the resources to carry out its present investment plans.

Almost half of the country's population earn a living from agriculture, 15% are engaged in industry, and about 35% in trade, commerce, and services. Gross National Product (GNP) per capita is about $411. Gross investment in the public and private sectors, which has ranged from 15% to 18% of GNP in the past three years, is expected to continue in this range. The large trade deficit will continue to be financed by remittances and earnings from tourism.

Foreign private capital continues to flow to Lebanon, which has substantial gold and foreign exchange reserves.

With access to capital from abroad, Lebanon is clearly in a position to finance a large part of its development requirements. For example, considerable capital is being channeled into the development of the tourist industry. In addition, the Lebanese Government is making progress in meeting the needs of its people by instituting some social and economic reforms, and is providing funds for its development program. In promoting the country's development, the Government has left investment decisions mainly to the private sector.

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Country: LEBANON

U.S. Objectives and Strategy

It is in the U.S. interest to preserve Lebanon's independence. The religious and cultural freedom which exists in Lebanon is unique among Arab countries, and its cultural institutions are generally Western oriented. However, in view of Lebanon's relatively good economic position, the Development Grant program is being phased out in FY 1963, and no Agency for International Development (A.I.D.) grant or loan program is planned in FY 1964.

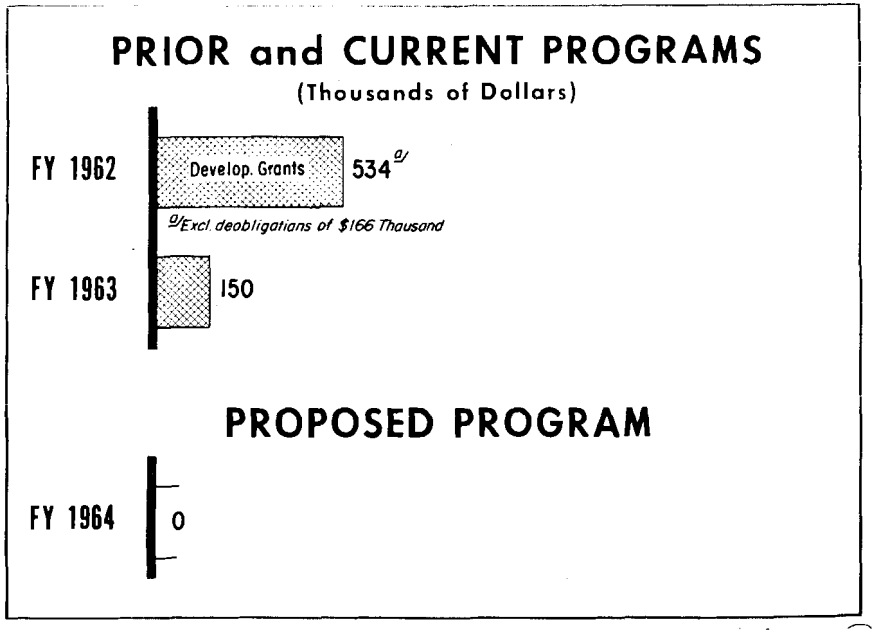
Current Situation

During 1962 Lebanon expended $48 million of development funds, including $8 million to expand Lebanon's hydroelectric and irrigation complex. This compares to approximately $25 million expended in 1961.

Progress was made in the completion of new water supplies for remote villages, and in the construction of rural electrification facilities. These programs were made possible by technical and commodity assistance provided by the United States over the period of 1953-1962.

FY 1964 Program

No aid program is proposed for Lebanon in FY 1964.



FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-0.5	-	
Decommitment	-0.5	-	
Development Grants - Total	0.4	0.1	-
Agriculture	0.1	-	-
Transportation	0.2	0.1	-
Other	0.3	-	-
Deobligations During FY 1962	-0.2	xx	xx
Other U.S. Assistance			
Military Assistance Program	0.1	0.1	0.1

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Country: LEBANON

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FINANCIAL DATA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	0.7	-0.1	58.2
Technical Coop./Development Grants .	0.6	0.4	18.0
Development Loans	-	-0.5	5.4
Other A.I.D.	-0.1	-	34.8
FOOD FOR PEACE (P.L. 480) - TOTAL	2.8	-	16.8
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	2.8	-	16.8
Title III	-	-	-
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	3.2
OTHER U.S. ECONOMIC ASSISTANCE	-	-	1.7
MILITARY ASSISTANCE[a]			
M.A.P. - Grant Aid	0.9	0.2	8.5
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank.....	-	-	27.0
UN Tech. Ass't (CY ending in FY)....	0.3	0.4	2.7
UN Special Fund	0.6	4.0	5.3
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-
LOAN $ REPAYMENTS & INTEREST			
A.I.D. and P.L. 480 Loans.....	*	*	*
Ex-Im Bank (Long-Term).....	*	0.1	0.1
Other Government Loans.....	-	-	1.7

a/ Annual data are net deliveries.

*Less than $50,000

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Nepal

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Nepal- BASIC ECONOMIC DATA

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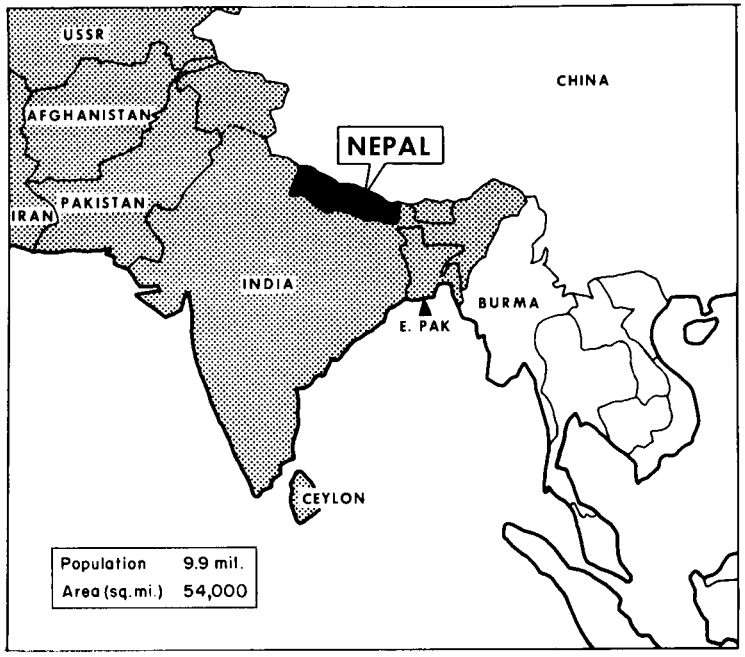

Annual Population Growth	1.9%
Gross National Product (1961)*	
Total ($ Million)	520
Per Capita GNP (Dollars)	53
Agricultural Land	
Percent of Area	28%
Acres per Capita	1.0
Literacy Rate	5%
Pupils - % of Pop. (Primary/Secondary)	2%
Life Expectancy (years)	25-40
People per Doctor	74,000

	1959	1960	1961	1962 (Est)
AGRICULTURAL PROD. INDEX (1952-54=100)		(Not Available)		
Per Capita Index				
Rice, rough (1,000 MT)	1,210	1,360	1,315	n.a.
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)		(Not Available)		
Total Imports (c.i.f.)				
Trade Balance				
GOLD & FOREIGN EXCHANGE (July 15) (Rastra Bank)	15.8	21.3	27.5	31.4
COST OF LIVING INDEX (1958=100) (Katmandu)	103	107	115	122

* Converted at 7.62 Nepalese rupees per U.S. dollar.

Country Background

Nepal is a landlocked country located in the Himalayas between Communist China and India. Its population of about 10 million people inhabits an area of 54 thousand square miles, about the size of Arkansas.

Nepal's long frontier with Tibet, its military and economic weakness, and its differences with India, make it especially vulnerable to Chinese Communist pressures. In addition to the large Chinese Communist aid program in Nepal, there is a smaller but substantial Soviet aid effort. Although the Communist Party is banned by the Government--as are all political organizations--it remains an effective political force.

In the past decade India's efforts to influence Nepalese internal affairs have engendered widespread anti-Indian feelings in Nepal despite basic religious and cultural affinities between the two countries. In recent months, however, relations between Nepal and India have improved considerably as a result of efforts by both governments. An important factor in this improvement was the cessation of activities by the Nepalese exile movement in India directed against King Mahendra.

In 1960 King Mahendra suspended parliament and assumed control of the government. He has proven a more durable and capable autocrat than expected but, in consolidating his position, he has weakened the democratic, anti-Communist political elements. In December 1962 the King announced a new constitution which would provide for increased political activity through a village council (panchayat) system of local government.

Nine out of 10 Nepalis earn a bare subsistence from primitive agriculture. The level of literacy is the lowest in Asia. Administrative and technical skills are almost completely lacking. The country is divided by the ridges of the Himalayas into isolated valleys, connected at best by foot-trails. The first road suitable for vehicular traffic from Kathmandu, Nepal's capital, to India was opened five years ago.

The Government has begun to organize for economic development and to lay a foundation for basic reforms. It adopted a Three-Year Plan late in 1962 which, although rudimentary, provides a framework for development. The government also has created a National Planning Council and steps are being taken to improve land tenure, increase taxes, and enforce tax collection.

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Country: NEPAL

U.S. Objectives and Strategy

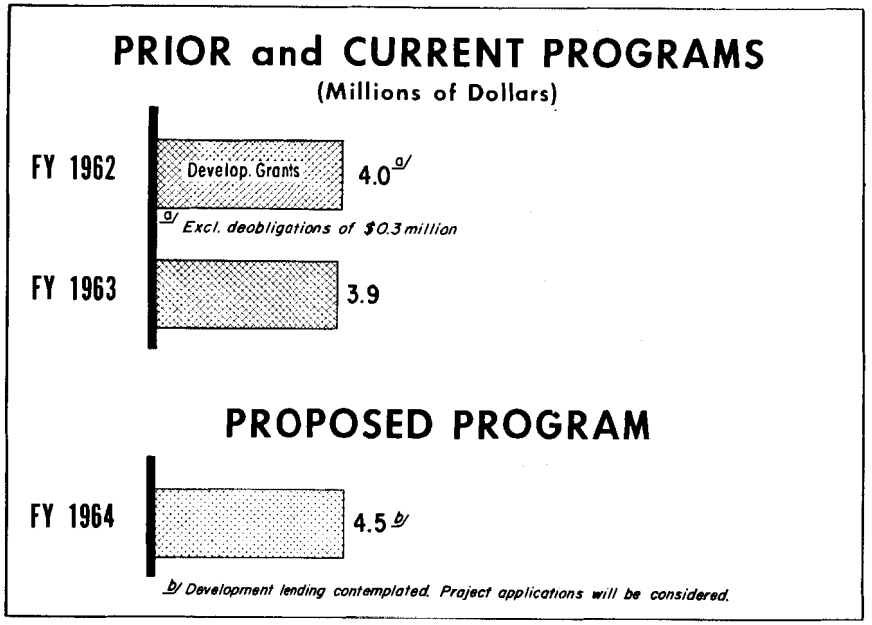
Nepal's significance to the United States lies in its strategic location on the Himalayan defense frontier of the Indo-Pakistan subcontinent. The U.S. aid program objective is to help maintain Nepal's independence from Communist influence or control, either of which would jeopardize U.S. economic and political stakes in India and Pakistan.

The aid program serves to: (a) demonstrate to Nepal that the United States is interested in its continued independence; (b) lessen, by our presence, the likelihood of direct or indirect Chinese actions against Nepal; (c) assist the government's economic and social development programs; (d) lessen the effectiveness of the Communist movement in Nepal; and (e) reduce the impact on the Nepali people of the sizable Chinese and Soviet aid programs.

We recognize India's primary interest in Nepal. Our long-run objective is that India assume increasing responsibility for Nepal's development program. The achievement of this objective is hampered by Nepal's distrust of India, and India's difficult economic situation. Therefore, current U.S. strategy consists of four lines of action: (a) to encourage improved Indian-Nepali relations; (b) to urge the Government of Nepal to move ahead with basic social and economic reforms, including the increasing of tax revenues; (c) to support improvement of basic development institutions and facilities; and (d) to continue to press the government to assume a greater share of its development costs.

Current Situation

The government has undertaken an economic development program, 90% of which is to be financed by foreign aid. It has established a nationwide educational system, and has increased primary school enrollment from 26,000 to 205,000 in seven years. The curriculum has been revised to include vocational training. A development bank has been established. The government has begun an overhaul of its public administration system. Land tenure and tax reform have been initiated. Tenants are now guaranteed their tenancy, the landlords' share of farm production has been reduced by law, and taxes which previously went to landlords now accrue to the state. The tax rate on land was increased by 60% during the last two years. The U.S. aid program has resulted in considerable U.S. influence on economic policy in Nepal. The Nepalis have adopted self-help fiscal measures at our insistence. Moreover, the priorities of the Three-Year Plan follow closely those of the U.S. aid program.



Nepal also is receiving aid from ten other Free World countries, the UN, Ford Foundation, the Soviet Union and Communist China. At present, the United States provides the largest share of aid, followed by India.

FY 1964 Program

A $4.5 million Development Grant program is proposed for FY 1964. This will fund the technician services, participant training and commodities needed for planned U.S. project activities in education, public administration, transportation and natural resource development. A Development Loan to provide loan capital to Nepal's Industrial Development Corporation may be considered.

Since FY 1961, U.S.-owned Indian rupees generated by P.L. 480 sales to India have represented two-thirds of U.S. Development Grant assistance to Nepal. In FY 1964 Indian rupees valued at $7 million will be provided to finance the local costs of U.S.-Nepali development projects. The use of this type currency has enabled the United States to maintain a large program in Nepal with minimum dollar cost and has resulted in increased Indian participation in Nepal's development process.

Country: NEPAL

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	-	a/
Development Grants - Total	3.7	3.9	4.5
Industry and Mining	0.6	0.8	1.2
Transportation and Communications	0.9	0.6	0.5
Health and Sanitation	0.8	0.7	0.8
All other	1.7	1.8	2.0
Deobligations During FY 1962	-0.3	xx	xx

a/ Development lending contemplated; project applications will be considered.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	4.3	3.7	27.5
Technical Coop./Development Grants	1.9	3.7	14.5
Development Loans	0.4	-	0.4
Other A.I.D.	2.0	-	12.6
FOOD FOR PEACE (P.L. 480) - TOTAL	-	-	20.5
Title I, Country Uses	-	-	16.8
(Sales Agreements)	(-)	(-)	(-)
Title II	-	-	3.7
Title III	-	-	-
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	0.3	0.3
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)	0.4	0.5	2.6
UN Special Fund	1.0	-	1.0
SINO-SOVIET BLOC ASSISTANCE (CY)	9.8	2.9	53.8
LOAN $ REPAYMENTS & INTEREST	-	-	-

*Less than $50,000

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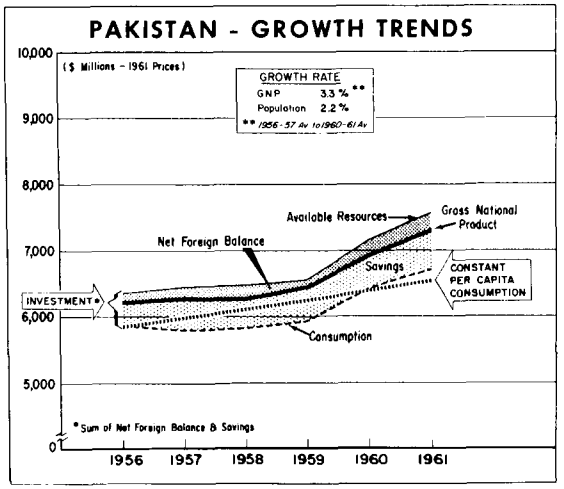
Pakistan

Pakistan- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	96.6	Life Expectancy (years)	30
Annual Growth (percent)	2.2		
		People per Doctor	11,100
Area (1000 sq. mi.)	365		
Pop. Density per sq. mi.	264	Literacy Rate - %	16
Agricultural Land			
Percent of Total Area	31	Pupils as % of Pop. (Primary & Secondary)	7
Acres per Capita	0.8		



	Calendar Years 1959	1960	1961	1962 Est.
INTERNATIONAL TRADE ($ millions)				
Total Exports (f.o.b.)	321	393	400	425
Jute, raw & manufactured	(188)	(221)	(260)	(240)
Total Imports (c.i.f.)	353	654 a/	642	735
Trade Balance	-32	-261	-242	-310
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	310	318	280	261(Nov.)
COST OF LIVING INDEX (1958=100)	97	103	105	105

a/ Higher level due to increased foreign credits for accelerated development promoting liberalization of imports.

GROWTH INDICATORS	Calendar Years 1959	1960	1961	1962 Est.
Total GNP (in 1960/61 prices; $ millions)* a/	6,427	6,901	7,275	n.a.
Per Capita GNP (dollars)	69	73	75	n.a.
Investment as percent of GNP	10	11	12	n.a.
Domestic Savings as % of Investment	83	67	69	n.a.
Net Foreign Balance as % of GNP	2	3	4	n.a.
Central Gov't Domestic Revenues as % of GNP b/	7	7	7	n.a.
Agricultural Prod. Index (1952-54=100)	115	118	122	121
Index per Capita	101	102	103	100
Rice (1,000 MT)	14,412	16,046	16,110	15,300
Industrial Prod. Index (1958=100)	112	119	126	147

CENTRAL GOVERNMENT FINANCES* (FY ending June 30)	– Million Dollar Equivalents – 1961	1962 (Rev. Est.)	1963 (Budget)
Total Expenditures	795	933	1,134
(Defense Expenditures)	(223)	(218)	(222)
(Capital Outlays)	(329)	(447)	(552)
Total Domestic Revenues b/	480	530	576
Deficit or Surplus	-315	-403	-558

* Converted at 4.76 rupees per U.S.$.
a/ For years beginning April 1.
b/ In addition to the Central Government, the Provincial Governments levy substantial revenues of their own, not included here.

Country Progress

Pakistan is making a major effort to accelerate its growth under its $4.8 billion Second Five-Year Plan (1960-1965) for which it is receiving aid through an International Bank for Reconstruction and Development (IBRD)-sponsored consortium. In contrast with Pakistan's First Plan, which had a slow start and achieved no significant gains in per capita output, targets for the initial two years of the Second Plan have generally been met. Industrial growth, starting from a very small base, exceeded targets during the First Plan, and continues to show rapid gains. Agriculture is given substantially increased emphasis under the Second Plan.

	1952-1954	1959	1962	1965 (Target)
Agricultural Production (1952-1954 = 100)	100	115	121	131
Rice (1,000 MT)	12,860	14,412	15,300	16,130
Wheat (1,000 MT)	3,044	3,932	4,007	4,330
Jute (1,000 MT)	913	973	1,180	1,275
Sugar Cane (1,000 MT)	12,177	14,332	18,000	20,830
Industrial Production (1958 = 100)	49	112	147	206

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Country: PAKISTAN

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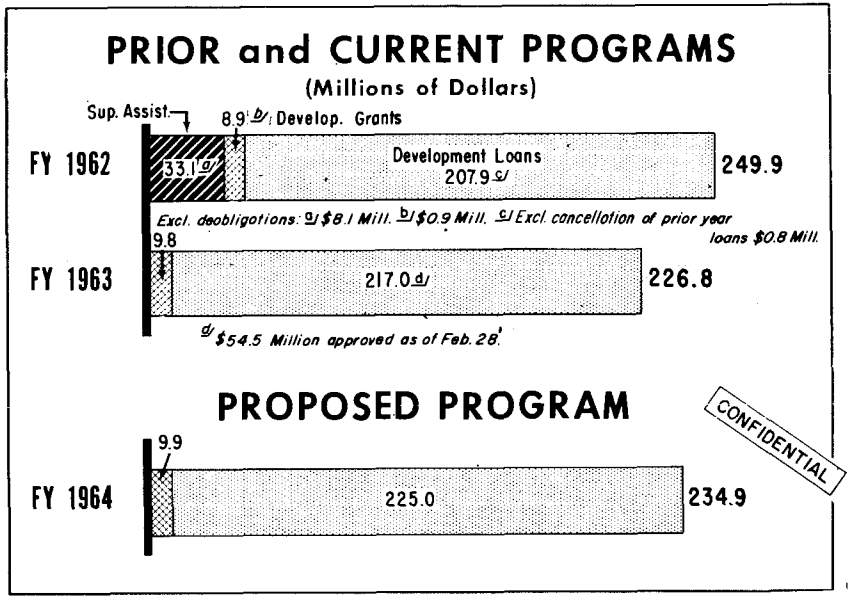
U.S. Objectives and Strategy

The U.S. objective is a politically stable and progressive Pakistan to maintain the stability and defense of South Asia. This objective is clearly served by furthering the economic development of this western-aligned member of Central Treaty Organization (CENTO) and Southeast Asia Treaty Organization (SEATO) at a rate which will maximize prospects for internal stability and also bolster Pakistan's contribution to the mutual defense of the subcontinent. Accordingly, acting in concert with other Free World donors, the United States should endeavor to provide economic assistance up to the demonstrated absorptive capacity of Pakistan, assuming that the policies followed by Pakistan afford a reasonable basis for rational development.

Pakistan has reached the midpoint of its $4.8 billion Second Five-Year Plan (1960-1965), which calls for attaining self-sufficiency in basic food production within a decade and a 24% increase in the national income by the end of the Plan period. It faces many difficulties in carrying out the development program, but Pakistan has demonstrated a determination to take steps to deal with them. A greater mobilization of Pakistan's internal resources and improvement in its balance-of-payments position is necessary. This would require modification in existing tax financial and price policies with particular emphasis on appropriate measures to increase savings and promote exports. The current political situation, a compound of the return to open political activity after martial law, tension between East Pakistan and West Pakistan, continued fear of Indian aims, particularly with regard to Kashmir, and U.S. support and military aid to India since the Chinese border incursion, makes it difficult for the government to make economic decisions rapidly.

Given this political climate, U.S. strategy must continue to support the economic and social development objectives of the Second Five-Year Plan, while encouraging the government, as opportunities emerge, to improve existing policies and to adopt new policies aimed at accelerating the pace of development. The United States also expects to use multilateral approaches through the International Bank for Reconstruction and Development (IBRD) Consortium to stimulate better Pakistan management of its development program.

As an integral part of this over-all strategy the U.S. aid effort will concentrate, insofar as practicable, on key activities which have the promise of significantly strengthening Pakistan's development capability. This involves accelerating changes in key institutions and attitudes by bolstering development-oriented elements in Pakistan. It also involves assisting a major effort to improve the capacity of development agencies for planning, organizing and conducting efficient programs.



Complementing this effort, the United States will continue to help Pakistan strengthen its capability to meet its external and internal security requirements. The United States also will encourage the Government of Pakistan to hold its military expenditures on a constant level and concentrate its resources on economic development.

Current Situation

Pakistan must provide for the social and economic needs of its 97 million people, most of whom live at or near subsistence levels. With population growing faster than 2% per year, it is necessary to accelerate the rate of economic growth if significant improvements in living standards are to be achieved. Under the impetus of two successive Five-Year Plans, Pakistan has made considerable progress in mobilizing domestic resources for development and in making effective use of external assistance.

Pakistan's economic progress in the years immediately following independence was uneven. Constitutional and political problems occupied the attention of the country's leadership, and scarce administrative and managerial talents failed to make the most of the limited material and financial resources. In 1950, manufacturing contributed only 7% to Gross National Product (GNP) while agriculture accounted for 61%. Under the First Five-Year Plan,

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which started slowly in 1955, a program of planned economic development was initiated. Large-scale industrial infrastructure facilities received priority and expanded significantly. By 1960, industry was producing 13% of national output, mainly substitutes for imported consumer goods. Because insufficient attention was given to agriculture, agricultural production lagged.

The total rise in agricultural output during the First Five-Year Plan (1955-1960) barely kept up with the rate of population increase.

With the advent of the Ayub government in 1958, the leadership made a determined effort to focus on the country's economic problems. After 44 months of martial law, constitutional government was restored in June 1962. National elections were held in 1962 and a new National Assembly has been inaugurated.

The Second Five-Year Plan (1960-1965) calls for total development expenditures of $4.8 billion, about 70% more than the amount spent in the First Plan. It projects external assistance requirements of $3.0 billion of foreign exchange, including about $700 million in food from the United States under Title I of P.L. 480. Over the full period, the Plan is expected to yield a growth in the national income of 24%, or nearly 2.5% increase in average annual per capita income. Plan targets call for an increase of 21% in food grain output, 60% in production of large-scale industry, and creation of 3 million new jobs. With the Plan at mid-point, Pakistan has reached nearly half the five-year economic growth target. Although investment in agriculture has lagged, total output has advanced by 7%, due in part to favorable weather. Industrial production rose 13% in the first two years. Private sector investment exceeded expectations. Foreign exchange earnings, encouraged by an export bonus scheme, have increased by 16% since the start of the Second Plan and non-development imports have been less than originally estimated. Nevertheless, the inflow of external aid was not large enough to cover both development and maintenance needs and some reduction in foreign exchange reserves occurred during the first two years of the Plan. As of November 1962 foreign exchange reserves were $276 million, having dropped from $318 million in 1960.

The government has maintained a generally sound fiscal policy. Greater efforts could be made to increase domestic revenues. These rose in 1962 by 10% as compared to 1961 and are expected to rise in 1963, although more slowly. Development expenditures in 1963 are expected to rise 25% over 1962. Military expenditures have been held relatively stable, and are now about one-fifth central government expenditures.

Despite substantial progress, basic problems remain. Agricultural yields are low, there is a need to expand exports further, and rising domestic demand, unless controlled, will increase import requirements. Moreover, slow project preparation and execution, deficiencies in economic policies, and institutional and administrative weaknesses hinder more rapid development. Pakistan recognizes these problems and is endeavoring to overcome them.

Future domestic and external political development could affect Pakistan's progress under the Plan. Continued friction with India, principally over Kashmir, and with Afghanistan over the Pushtunistan issue, might jeopardize Pakistan's ability to control military expenditures and affect its allocation of resources for development.

An International Consortium organized in 1961 by the IBRD, reviewed the Plan and, considering it an adequate development frame, pledged a total of $945 million of assistance to Pakistan for the second and third years of the Plan (1962-1963). Of this total the U.S. commitment was $500 million, the IBRD - International Development Association (IDA) $209.4 million, Germany $80 million, United Kingdom $47.6 million, Canada $38 million, France $25 million and Japan $45 million. Italy, Belgium, and the Netherlands are expected to join the Consortium in FY 1964. Soviet bloc assistance thus far has been limited to a $33 million Pakistan-USSR credit agreement for oil exploration concluded in March 1961.

The Indus Basin project described in the section on Contributions to International Organizations, represents another important aspect of Pakistan's over-all program.

FY 1964 Program

The program proposed for Pakistan in FY 1964 consists of $225 million in Development Loans and $9.9 million in Development Grants. It is assumed that Export-Import (Ex-Im) Bank lending of about $25 million also will be available.

Development loans will be extended for priority requirements during the fourth year of the Five-Year Plan. The over-all loan level will also take into account the level of contribution by other members of the IBRD Consortium. Current estimates are that about $500 million will be required in FY 1964 to sustain the momentum of development and meet over-all Plan objectives. Present indications are that Pakistan can carry out effectively a total program requiring this magnitude of assistance.

Under the FY 1964 Agency for International Development (A.I.D.) program, technical assistance will be focused to the maximum

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feasible degree on six priority objectives: (a) achieving a significant increase in rice production in East Pakistan; (b) increasing the low agricultural yields and alleviating the related waterlogging and salinity problem in the Indus Plain; (c) preparing and distributing teaching materials for primary and secondary schools; (d) increasing industrial productivity; (e) improving management, particularly in government organizations responsible for development; and (f) achieving malaria eradication and expanded rural public health. Some technical assistance activities outside the areas of concentration will be supported. These contribute to over-all Plan objectives and help Pakistan maintain internal security. Loan financing will continue to be given for projects and commodity import programs in general support of the Second Plan. Project financing in fields such as water control and resource development aimed particularly at increasing agricultural productivity, transportation, power development, expansion of industrial capacity and improvement of public health is anticipated. A Food for Peace program, under the four-year P.L. 480 agreement signed in 1961, will continue to help meet Pakistan's food deficits.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	207.2	217.0	225.0
Power and Communication	34.6	36.0	
Industry and Mining	2.8	2.2	
Transportation	31.0	24.4	
Development Banks and Other Financial Institutions	7.5	-	
Development Programs	132.0	100.8	
Other Activities	-	53.6	
Decommitment	-0.7	-	
Development Grants - Total	8.0	9.7	9.9
Food and Agriculture	1.7	1.5	2.1
Industry and Mining	1.7	2.0	1.7
Labor	0.1	1.1	-
Public Safety	0.1	1.1	2.0
Public Administration	1.1	0.8	0.6
Other	4.2	3.2	3.5
Deobligations During FY 1962	-0.9	xx	xx
Supporting Assistance - Total	25.0	-	-
Non-Project	33.0	-	-
Deobligations During FY 1962	-8.1	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I & IV:			
Country Uses	122.2	151.3	144.8
(Sales Agreements)	(130.0)	(161.0)	(154.0)
Military Assistance Program	50.5	47.3	48.6

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Pakistan

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U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	0.1	11.1	109.8	23.3	100.9	162.5	170.7	163.3	235.0	301.5	172.0	403.9	1,854.1
GRANTS	-	11.1	94.8	23.3	71.7	134.0	117.8	84.2	132.6	146.6	120.0	126.4	1,062.6
LOANS	0.1	-	15.0	-	29.2	28.5	52.9	79.1	102.4	154.9	52.0	277.5	791.5
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	10.6	42.0	22.6	62.5	106.5	96.7	92.9	162.7	198.6	124.2	240.1	1,159.4
Grants	-	10.6	27.0	22.6	42.5	80.5	54.7	54.3	99.5	96.6	97.0	33.0	618.3
Loans	-	-	15.0	-	20.0	26.0	42.0	38.6	63.2	102.0	27.2	207.1	541.1
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	-	-	8.2	5.2	8.0	5.5	5.2	5.5	6.7	7.0	8.0	59.3
DEVELOPMENT LOANS	-	-	-	-	-	-	-	38.6	63.2	102.0	27.2	207.1	438.1
OTHER A.I.D.	-	10.6	42.0	14.5	57.3	98.5	91.1	49.1	94.0	90.0	89.9	25.0	662.0
FOOD FOR PEACE (PL 480) - TOTAL	-	0.1	0.4	0.7	38.4	56.0	74.0	67.1	72.3	99.4	41.4	124.8	574.7
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	24.1	13.5	64.3	57.2	71.6	98.2	39.0	122.2	490.1
104c - Grants for Common Defense	-	-	-	-	14.9	11.0	48.4	5.0	-	-	-	-	79.3
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	5.0	15.0	32.4	48.8	20.6	89.7	211.5
104e - Loans to Private Industry	-	-	-	-	-	-	-	6.4	3.1	8.2	2.5	6.5	26.7
104g - Loans to Governments	-	-	-	-	9.2	2.5	10.9	30.8	36.1	41.2	15.9	26.0	172.6
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(28.7)	(16.9)	(73.3)	(65.4)	(85.9)	(114.6)	(45.2)	(130.0)	(560.0)
TITLE II - EMERGENCY RELIEF	-	-	-	-	9.5	31.1	-	8.0	-	-	-	-	48.6
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.1	0.4	0.7	4.8	11.4	9.7	1.9	0.7	1.2	2.4	2.6	36.0
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	3.3	-	3.5	6.4	37.9	51.0
OTHER U.S. ECONOMIC PROGRAMS. a/	0.1	0.4	67.4 b/	-	-	-	-	-	-	-	-	1.1	69.0
MILITARY - TOTAL	-	-	-	-	11.4	50.9	95.2	93.8	104.4	79.6	56.7	29.1	592.5
GRANTS	-	-	-	-	11.4	50.9	95.2	93.8	104.4	79.6	56.7	29.1	592.5
LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	-	-	-	11.4	50.9	95.2	93.8	104.4	79.6	56.7	29.1	592.5
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(*)	(2.9)	(0.9)	(2.1)	(2.9)	(5.5)	(1.1)	(2.4)	(35.4)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	0.1	11.1	109.8	23.3	112.3	213.4	265.9	257.1	339.4	381.1	228.7	433.0	2,446.6
FOREIGN ASSISTANCE ACT PROGRAM	-	10.6	42.0	22.6	73.9	157.4	191.9	186.7	267.1	278.2	180.9	269.2	1,751.9
OTHER ASSISTANCE	0.1	0.5	67.8	0.7	38.4	56.0	74.0	70.4	72.3	102.9	47.8	163.8	694.7

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
IBRD - World Bank	105.0	-	256.3
UN Tech. Ass't. (CY)	1.3	1.5	12.1
UN Special Fund	2.7	3.0	11.3
Int'l. Dev. Association	-	21.0	21.0
IFC - Int'l. Finance Corp.	-	4.0	5.4

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	30.0
1962 (Calendar Year)	-
Cumulative thru 1962	33.2

LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480	-	-	1.7
Ex-Im. Bank (Long Term)	0.7	0.8	3.1
Other Government Loans	-	3.2	34.7

* Less than $50,000.
a/ See footnote b/ on table for India.
b/ PL 77 Wheat to Pakistan.

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Syria

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Syria- BASIC ECONOMIC DATA

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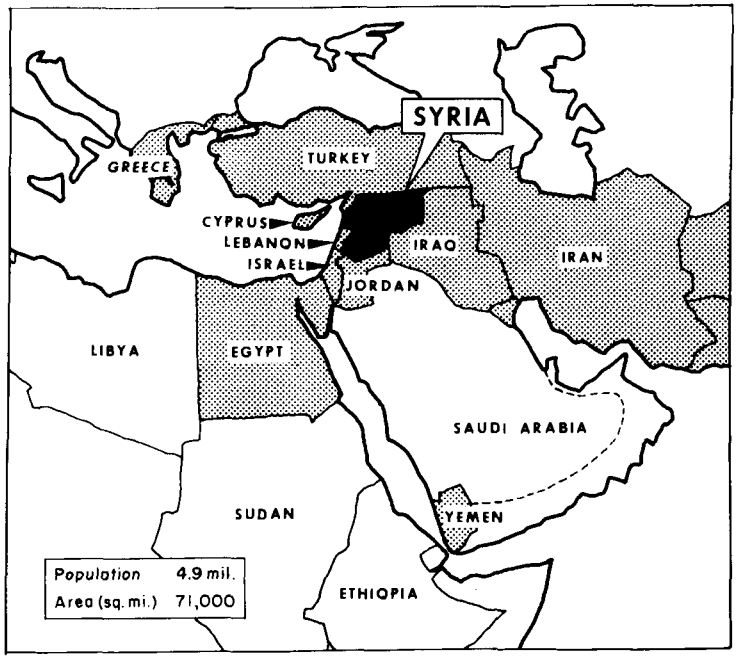

Annual Population Growth	3.6%
Gross National Product (1961)*	
Total ($ Million)	715
Per Capita GNP (Dollars)	152

Agricultural Land	
Percent of Area	68%
Acres per Capita	6.3
Literacy Rate	30-35%
Pupils - % of Pop. (Primary/Secondary)	11%
Life Expectancy (years)	30-40
People per Doctor	4,500

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	89	90	106	163
Per Capita Index	72	70	80	118
Wheat (1,000 MT)	400	325	450	1,300
ELECTRIC POWER OUTPUT (KWH per capita) a/	48	49	48	52
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	117	120	111	150
Cotton, raw	(47)	(49)	(57)	(70)
Total Imports (c.i.f.)	188	240	190	235
Trade Balance	-71	-120	-79	-85
GOLD & FOREIGN EXCHANGE (End-Yr.-$ Mil)	72	67	36	n.a.
COST OF LIVING INDEX (1958=100) (Damascus)	103	109	111	105

* Converted at 3.82 Syrian pounds per U.S. dollar.
a/ Government plants only.

Country Background

Since Syria achieved independence in 1946, there has been constant political instability and repeated intervention by the military in political affairs. Successive cabinets and Army shake-ups gradually gave power to extreme Arab nationalist and pro-Communist elements. Relations with the Soviet bloc became increasingly close, and by 1957 led to arms and economic credit agreements. Arab nationalist elements, fearful of growing Communist influence and attracted by the Arab leadership of Nasser, sought closer ties with Egypt. In February 1958 Egypt and Syria joined together to become the United Arab Republic (UAR).

The military coup in September 1961, which broke up the union with Egypt, was motivated largely by a Syrian desire for greater local autonomy and growing conservative resistance to the economic policies being imposed by Egypt. After the coup, many of the nationalization measures imposed during the union were rescinded and Syria adopted policies permitting greater freedom to the private sector although the more popular social reforms initiated by the UAR were retained. While Syria continued its reliance on the Soviet bloc for the financing of certain economic development projects, it also indicated an interest in strengthening its relations with the West and requested financial assistance for its stabilization program and for economic development.

Since September 1961, there have been three changes in government in Syria, reflecting Syria's continuing inability to form a coalition government satisfactory to the major political groups in the country. Although neither domestic policies nor the policy of nonalignment in world affairs have been substantially modified, the present government includes pro-Nasser supporters for the first time since 1961 and is known to favor rapprochement in various fields with the UAR and Iraq. However, this government has stated that it does not intend to modify Syria's policies in foreign and domestic affairs.

Despite recent industrial expansion, Syria remains primarily an agricultural country. It exports cotton, its largest single source of foreign exchange earnings, and cereals. Because of the drought between 1957 and 1961 agricultural production declined by one-third and national income by 14%. By early 1962, the loss in export earnings, combined with increased demand for imports and capital flight, reduced foreign exchange reserves to the lowest level since 1946. Aided by a stabilization program and good harvests, economic conditions then improved considerably. However, even with continued Syrian development efforts and an expansion of private business investment, Syria continues to rely upon foreign sources to finance certain projects.

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Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: SYRIA

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U.S. Objectives and Strategy

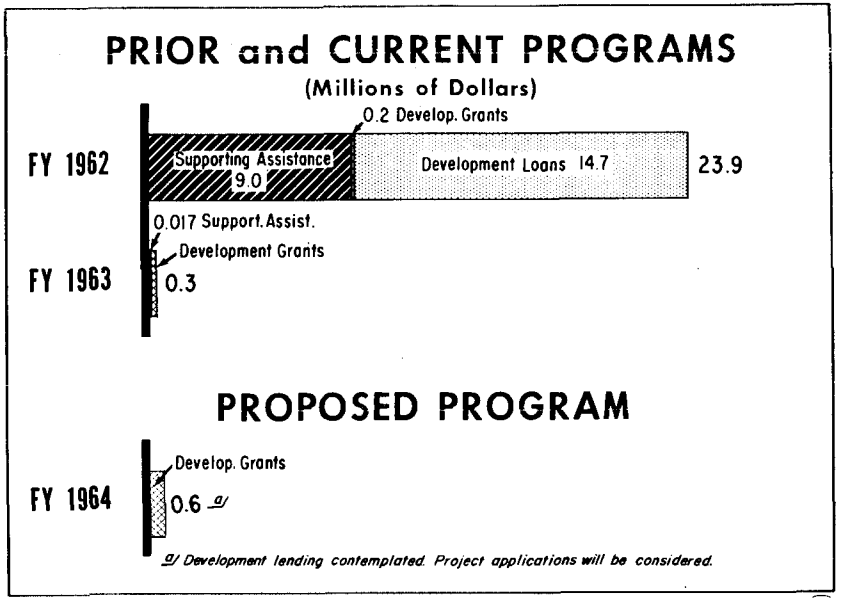
It is in the U.S. interest to foster an atmosphere of mutual confidence, assist Syria to maintain its independence, and minimize the role of the Soviet bloc in Syrian affairs. Syrian mistrust of Western motives in the Near East stems largely from its belief that the West is responsible for the strong economic and military position of Israel. Our continued assistance to the United Arab Republic (UAR) after the breakup of the union, and reduced UAR emphasis on the Arab-Israeli problem, reinforced this view. U.S. economic assistance to Syria strives to establish a framework for cooperation in order to create better understanding of U.S. objectives and provide an alternative to dependence on the Soviet bloc.

Western nations other than the United States should continue to be the major source of economic assistance, as they are now for the stabilization program and the Euphrates Dam. The United States will continue to encourage Western participation in Syria's future development financing and will seek to promote further Syrian cooperation with the West and international institutions, especially the International Bank for Reconstruction and Development (IBRD) and its affiliates. The United States will consider development loans for selected infrastructure projects essential to the success of the development program and offer small amounts of technical assistance in essential fields.

Current Situation

Syria has financed a modest development program over the last decade, largely from its own resources. In FY 1961 Syria initiated a development plan which anticipated doubling the national income in ten years, and concentrated on the agricultural sector, emphasizing land reclamation and irrigation. Although development expenditures have not met plan targets, the actual growth rate over the last two years has exceeded 10%. This reflects much improved agricultural conditions following four years of severe drought when there was little change in Gross National Product (GNP). Syria continues to use the plan as a basis for development, but is now revising the plan. The IBRD has offered to provide several experts to advise and assist in this task.

Early in 1962 Syria and the International Monetary Fund (IMF) agreed upon a stabilization program to eliminate inflationary pressures and liberalize foreign exchange controls. To support this program the IMF approved drawing rights of $6.6 million, Italy provided $5 million and West Germany provided $16 million. The United States approved a $5 million Export-Import (Ex-Im) Bank loan and a $9 million Supporting Assistance loan. Good harvests and Syria's adoption of appropriate monetary and fiscal policies, resulted in the restoration of business confidence and improvement of economic conditions.



FY 1964 Program

A Development Grant program of $600,000 is proposed for FY 1964. These funds will be used for continuing the civil aviation and police training programs. Several consultants were sent to Syria in FY 1963 to examine Syrian needs in several fields of activity. Survey reports are being prepared. Therefore, we have included within this level funds for several small technical assistance projects.

No loan requests are presently under consideration. However, the Agency for International Development (A.I.D.) will be prepared to consider project loans for Syria's development program. The United States will also consider requests for surplus commodities under Title IV if the agricultural situation warrants and if opportunities exist to expand Syria's market for U.S. agricultural commodities.

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Country: SYRIA

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	14.7	-	- a/
Other Activities	14.7	-	-
Development Grants - Total	0.2	0.3	0.6
Transportation	0.1	0.2	0.2
Health and Sanitation	-	-	0.2
Public Safety	-	0.1	0.1
Other	0.1	*	0.1
Supporting Assistance - Total	9.0	*	-
Non-Project	9.0	*	-
Other U.S. Assistance			
Food for Peace, Titles I & IV:			
Country Uses	7.2	1.6	-
(Sales Agreements)	(9.0)	(1.6)	(-)

* Less than $100,000.
a/ Development lending contemplated; project applications will be considered.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	-	23.9	32.1
Technical Coop./Development Grants	-	0.2	0.2
Development Loans	-	14.7	22.9
Other A.I.D.	-	9.0	9.0
FOOD FOR PEACE (P.L. 480) - TOTAL	35.0	15.0	58.6
Title I, Country Uses	14.9	7.2	29.3
(Sales Agreements)	(18.6)	(9.0)	(37.2)
Title II	19.9	7.6	27.5
Title III	0.2	0.2	1.8
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	5.0	5.0
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending FY)	0.6	0.5	5.1
UN Special Fund	-	2.6	3.1
SINO-SOVIET BLOC ASSISTANCE (CY)	-	15.0	193.1
LOAN $ REPAYMENTS & INTEREST			
A.I.D. and P.L. 480 Loans	*	*	0.1
Ex-Im Bank (Long-Term)	-	-	-
Other Government Loans	-	-	-

*Less than $50,000

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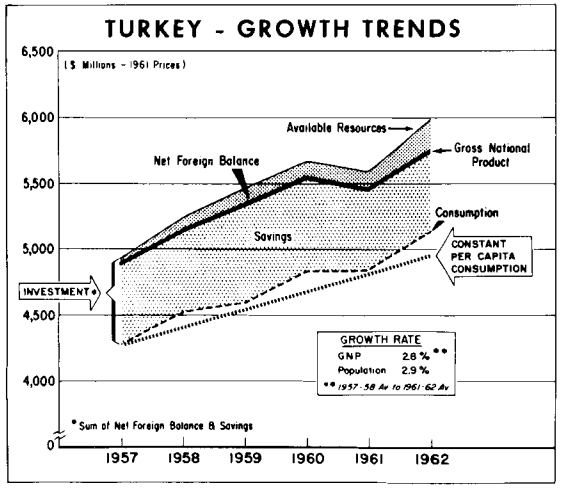
Turkey

Turkey- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	29.2	Life Expectancy (years)	48
Annual Growth (percent)	2.9		
		People per Doctor	2,000
Area (1000 sq. mi.)	300		
Pop. Density per sq. mi.	97	Literacy Rate - %	30
Agricultural Land			
Percent of Total Area	70	Pupils as % of Pop. (Primary & Secondary)	11
Acres per Capita	4.6		



	Calendar Years			
	1959	1960	1961	1962 Est.
INTERNATIONAL TRADE ($ millions)				
Total Exports (f.o.b.)	354	321	347	381
Tobacco	(92)	(56)	(95)	(96)
Total Imports (c.i.f.)	470	468	509	624
Trade Balance	-116	-147	-162	-243
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	265	252	237	234
COST OF LIVING INDEX (1958=100) (Istanbul)	127	133	137	143

	Calendar Years			
GROWTH INDICATORS	1959	1960	1961	1962 Est.
Total GNP *(in 1961 prices; $ millions)**	5,346	5,549	5,468	5,745
Per Capita GNP (dollars)	199	201	193	197
Investment as percent of GNP	16	15	14	15
Domestic Savings as % of Investment	86	86	84	71
Net Foreign Balance as % of GNP	2	2	2	4
Central Gov't Domestic Revenues as % of GNP	14	13	16	17
Agricultural Prod. Index (1952-54=100)	122	124	120	122
Index per Capita	103	102	95	95
Wheat (1,000 MT)	6,120	7,100	6,000	6,600
Cement Production (1,000 MT)	1,728	2,040	2,028	2,350

CENTRAL GOVERNMENT FINANCES* (FY ending February 28)	– Million Dollar Equivalents –		
	1961	1962 a/	1963 a/
Total Expenditures	854	1,053	1,182
(Defense Expenditures)	(271)	(307)	(335)
(Capital Outlays)	(264)	(336)	(387)
Total Domestic Revenues	704	879	1,030
Deficit or Surplus	-150	-174	-152

* Converted at 9 liras per U.S.$.
a/ A.I.D. estimates.

Country Progress

From 1948, when U.S. economic assistance was initiated, through 1962 agricultural and industrial production in Turkey expanded markedly and Gross National Product (GNP) increased about 80%. This expansion was accompanied by balance-of-payments problems, which led to a slackening of economic activity in 1958-1960 when economic growth fell below the 3% annual increase in population. Following the military coup of 1960 and return to more responsible government, economic policies have been reformed, prices have been relatively stable, and a Five-Year Economic Development Plan (1963-1967) adopted. Turkey looks to the United States and the Organization for Economic Cooperation and Development (OECD) Consortium formed in July 1962 for assistance in meeting its Plan goals.

Selected Indicators of Progress and Goals

		Plan Target	
	1948	1962	1967
Agricultural Production Index (1952-1954=100)	71	122	152
Wheat (1,000 MT)	3,946	6,600	8,580
Industrial Production Index (1952-1954=100)	66	166	210

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Country: TURKEY

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U.S. Objectives and Strategy

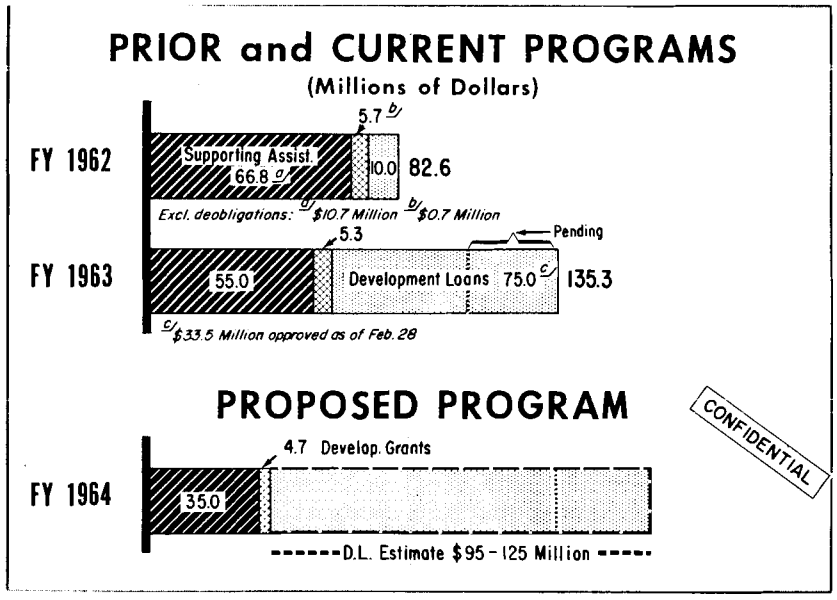
Turkey plays a significant role in containing Communist expansion and maintaining Free World security. The United States has a vital security interest in Turkey's continuing strong, active membership in North Atlantic Treaty Organization (NATO) and Central Treaty Organization (CENTO). It provides important strategic facilities to the United States and NATO. The principal objective of U.S. military and economic assistance is to help Turkey maintain an adequate defense effort and economic development programs which bolster political stability.

Since World War II the principal aim of Turkish foreign policy has been to strengthen its ties with the European community. To achieve this aim, which the United States supports, Turkey's economy must be brought nearer to European standards in competitiveness, consumption levels and stability.

Turkey's domestic policies in the past decade resulted in severe inflation and large balance-of-payments deficits. During the 1958-1960 period the misuse of resources and increasing burden of foreign debt, led to a virtual breakdown of the economy, which contributed to the May 1960 coup. Turkey now is making a vigorous effort to mount a sound development program requiring stringent domestic self-help measures as well as extensive foreign assistance. The fate of the present civilian government rests on its ability to show tangible evidence of economic progress.

Turkey's Five-Year Plan (1962-1967) symbolizes the government's determination to bring about social and economic improvements. The policy decisions taken in 1963 indicate the government's recognition of the need to follow economic policies that will foster development without endangering financial stability. Illustrative of these decisions are recent measures to reform budgetary and monetary practices, to improve tax enforcement, to rationalize and reduce price controls and subsidies, and to modify controls on trade. While the process of adjusting economic programs to resources must be continuous, the improvement already evident provides a reasonable basis for U.S. support for Turkish development efforts.

The Five-Year Plan was adopted by Parliament in November 1962. It proposed total investment of $6.6 billion during the Plan period to achieve specific sector targets and yield an average growth of 7% a year over the whole period. Turkey estimates its external aid requirements at $1.8 billion. Turkey will not overcome all obstacles to the attainment of Plan goals. However, it should be possible to attain a rate of growth sufficient to permit further increases in investment, and some improvement in the standard of living despite the 3% annual growth of the population.



The U.S. strategy in this context is to support the Turkish Development Plan primarily by giving assistance to help meet foreign exchange requirements through the recently formed Organization for Economic Cooperation and Development (OECD) Consortium of aid donors. Our position is to join other Consortium members to help Turkey obtain sufficient aid to cover its immediate short-term balance-of-payments needs, while using our influence in the Consortium to shift future financing to a long-term development basis.

In order to make the most effective use of the Consortium and to secure appropriate long-term development terms, the United States will continue to encourage and assist Turkey to prepare sound investment projects consistent with its Plan.

The Consortium has undertaken an initial review of the Turkish Plan. At its next meeting, scheduled for May 1963, the conclusions of this review and the implementation measures for 1963 will be considered. A more detailed review is expected to be completed this summer and a subsequent meeting is planned.

U.S. efforts will also be directed toward assisting Turkey to develop and utilize its own resources more effectively. In addition to financial assistance for imports and surplus agricultural commodities, U.S. programs will continue to provide technical

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assistance to speed improvements in areas of greatest importance to achievement of the Plan's economic and social objectives.

Military assistance is required to help Turkey support U.S., NATO and CENTO agreements and plans. A principal purpose of the U.S. assistance program is to enable Turkey to assume a larger share of the cost of its defense establishment.

Current Situation

Turkey is rich in natural resources and has many of the prerequisites for substantial economic and social improvement. During the early 1950s, good weather and favorable terms of trade stimulated rapid economic growth despite misguided economic policies. In the later 1950s, however, growth virtually ceased, inflation increased and foreign debts rose. A balance-of-payments crisis ensued which led to the Stabilization Agreement of 1958, involving devaluation, consolidation and postponements of debts, and additional aid from Europe and the United States. At the outset the Turkish Government adhered to the terms of the agreement, and some improvement resulted, but as the regime's political position became uncertain, its stabilization program weakened. The worsening economic situation, coupled with increasing suppression of civil liberties, led to a military coup in May 1960. The military government drew up a new constitution and civilian authority was restored after the elections of September 1961.

The military government rejected the political and economic policies of its predecessor. It sought to stabilize the economy, improve the balance-of-payments position and bring about conditions conducive to orderly economic development. The civilian government now in power is pursuing the same objectives.

Despite the difficulties experienced in the last decade, there is evidence of progress. A significant increase in agricultural production was achieved in the early 1950s by expanding acreage under cultivation. Further increases can now be achieved only by more intensive cultivation, increased irrigation and use of fertilizer. Industrial production increased by more than 70%. The Turkish transportation network was developed into one of the best in the Near East. Output of forest products more than doubled. Education and health facilities were greatly expanded. The number of teachers doubled and school enrollment increased proportionately. Turkey can now embark on its Development Plan with the assurance that its economic infrastructure is reasonably well developed.

Mobilization of capital and manpower will require continued strenuous efforts. Sustained economic growth depends on, among other things, efficient government administration, mobilization of resources and progressive private management. Turkey has inherited a cumbersome bureaucracy, a skepticism about change, a distrust between private entrepreneurs and government, and many archaic laws which it must remove to produce an environment conducive to economic and social development. For example, the mining sector is operating far below capacity because it is handicapped by inadequate credit facilities, lack of technical skills and interference by the government, which harbors a deep-seated fear of private exploitation of "public wealth."

The Turkish Government is now seriously interested in revising its mining legislation. If this is done, mining can contribute substantially to economic growth and provide increased foreign exchange earnings.

Turkey needs to exercise caution in monetary and fiscal matters. Government policies seek to prevent a recurrence of inflation. At present there are no indications of inflationary pressures; in fact, the economy slowed down between 1960 and 1962. The government has taken steps to reactivate the economy in the past 12 months. It has eased controls which serve as a disincentive to private enterprise. Legislation for the reorganization of State Enterprises to increase their efficiency and competitiveness has been presented to Parliament. Public investment has increased, partly to offset declines in private investment. Agricultural production in 1962 rose almost 2% over 1961 due mainly to good weather, thus enabling some increase in exports and consumer spending. Industrial production rose approximately 5% in 1962 as compared to 1961. The 1963 investment program proposes large increases by the Central Government in the agricultural sector, which should stimulate production further. There is reason to believe that industrial progress will continue. Entrepreneurs are responding to changing conditions and appear to be interested in investment for long-term growth.

FY 1964 Program

U.S. assistance proposed for FY 1964 will finance imports which will maintain current consumption levels, and fulfill investment requirements called for by the Development Plan. Supporting Assistance of $35 million is recommended for FY 1964, a $20 million decrease from FY 1963. Development lending for projects and programs is estimated at $95-125 million. U.S. aid, when added to that received from other sources, should meet current payments in excess of earnings, and in addition finance commitments for projects and programs in the Development Plan. Loans will be made for such projects as river basin development, power generation and distribution, and for general imports required to support the Development Plan. A three-year P.L. 480 program of $161 million

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was signed in February 1963. It is estimated that about $60 million in surplus commodities will be needed in FY 1964; the country use portion is $47.2 million.

A Development Grant program of $4.7 million is proposed to help Turkey develop the skills and institutions necessary for its development effort. We will help the State Planning Office and the Ministries improve economic planning and implementation. Since educational achievement is still inadequate -- the literacy rate is only 30% -- we will continue to concentrate assistance in the educational sector, particularly on vocational and professional training. In agriculture the great need is to raise the productivity of land already under cultivation. Therefore, we will continue to finance technical services in the utilization of land and water resources. Over the years, Turkey's forest resources have been seriously depleted. U.S. assistance has contributed to improved forest husbandry and these efforts will continue. In industrial development primary attention is focused on export industries as a means of easing the balance-of-payments problem. We are helping to improve management practices in private enterprise and state-owned industry and are assisting the labor union movement to develop soundly.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	10.0	75.0	95.0-125.0
Power and Communication	-	31.6	
Industry and Mining	-	9.3	
Transportation	10.0	-	
Development Programs	-	31.8	
Other Activities	-	2.3	
Development Grants - Total	5.0	5.2	4.7
Food and Agriculture	1.0	1.2	1.3
Industry and Mining	0.8	0.6	0.5
Education	1.0	0.7	0.8
Public Administration	0.8	0.6	0.9
Other	2.1	2.1	1.2
Deobligations During FY 1962	-0.7	xx	xx
Supporting Assistance - Total	56.1	55.0	35.0
Non-Project	66.8	-	-
Project	-	55.0	35.0
Deobligations During FY 1962	-10.7	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I & IV:			
Country Uses	102.0	36.1	47.2
(Sales Agreements)	(127.5)	(45.1)	(59.0)
Military Assistance Program	179.3	167.9	183.3

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Turkey

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	44.5	225.1	58.6	78.7	109.1	128.7	86.3	110.7	204.0	121.1	221.4	191.6	1,579.5
GRANTS	-	140.1	58.6	78.7	83.6	103.7	61.2	87.5	106.8	98.2	87.7	96.9	1,002.9
LOANS	44.5	85.0	-	-	25.5	25.0	25.1	23.2	97.2	22.9	133.7	94.7	576.6
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	225.1	58.6	78.7	90.4	108.6	57.7	81.7	141.8	91.5	200.1	71.1	1,205.2
Grants	-	140.1	58.6	78.7	70.4	83.6	32.7	71.7	104.3	85.5	82.8	61.1	869.4
Loans	-	85.0	-	-	20.0	25.0	25.0	10.0	37.5	6.0	117.3	10.0	335.8
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	3.4	2.1	2.9	1.6	2.0	3.2	4.8	4.5	4.7	3.8	5.0	38.0
DEVELOPMENT LOANS	-	-	-	-	-	-	-	10.0	37.5	6.0	117.3	10.0	180.8
OTHER A.I.D.	-	221.8	56.4	75.8	88.7	106.5	54.5	66.9	99.8	80.8	79.0	56.1	986.3
FOOD FOR PEACE (PL 480) - TOTAL	-	*	-	*	13.2	20.1	28.5	29.0	24.7	29.6	21.3	120.4	286.7
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	13.0	7.6	27.8	28.5	24.0	28.4	20.3	102.0	251.5
104c - Grants for Common Defense	-	-	-	-	13.0	7.6	27.8	15.3	-	11.5	3.9	15.0	94.1
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	1.8	-	-	-	1.8
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	2.3	2.3
104e - Loans to Private Industry	-	-	-	-	-	-	-	7.8	5.2	5.3	2.7	21.0	42.0
104g - Loans to Governments	-	-	-	-	-	-	-	5.4	17.0	11.6	13.7	63.7	111.3
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(26.1)	(15.1)	(58.6)	(52.0)	(34.7)	(35.0)	(25.4)	(127.5)	(374.4)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	12.2	-	-	-	-	-	15.5	27.7
TITLE III - VOLUNTARY RELIEF AGENCIES	-	•	-	*	0.2	0.3	0.7	0.5	0.7	1.2	1.0	2.9	7.5
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	32.3	-	-	-	5.5	-	0.1	-	37.5	-	-	-	75.3
OTHER U.S. ECONOMIC PROGRAMS	12.2	-	-	-	-	-	-	-	-	-	-	0.1	12.3
MILITARY - TOTAL	68.8	235.9	151.8	238.2	182.8	191.3	152.4	249.4	201.6	100.5	85.9	156.4	2,235.3
GRANTS	68.8	235.9	151.8	238.2	182.8	191.3	152.4	249.4	201.6	100.5	85.9	156.4	2,235.3
LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	146.1	151.8	238.2	161.5	191.3	152.4	249.4	196.4	92.6	85.9	156.4	2,042.3
(Additional Grants from Excess Stocks)	(-)	(21.4)	(7.1)	(2.6)	(2.4)	(1.8)	(1.5)	(4.9)	(14.8)	(13.2)	(10.1)	(4.9)	(89.7)
OTHER MILITARY ASSISTANCE	68.8	89.8	-	-	21.3	-	-	-	5.2	7.9	-	-	193.0
TOTAL ECONOMIC AND MILITARY	113.3	461.0	210.4	316.9	291.9	320.0	238.7	360.1	405.6	221.6	307.3	348.0	3,814.8
FOREIGN ASSISTANCE ACT PROGRAM	-	371.2	210.4	316.9	251.9	299.9	210.1	331.1	338.2	184.1	286.0	227.5	3,247.5
OTHER ASSISTANCE	113.3	89.8	-	*	40.0	20.1	28.6	29.0	67.4	37.5	21.3	120.5	567.3

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
IBRD - World Bank	-	-	60.7
UN Tech. Ass't. (CY)	0.7	0.6	5.7
UN Special Fund	-	0.6	2.6

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	-
1962 (Calendar Year)	-
Cumulative thru 1962	17.1

LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	-	-	6.5
Ex-Im. Bank (Long Term)	1.5	0.8	41.3
Other Government Loans	0.1	0.6	13.6

• Less than $50,000.

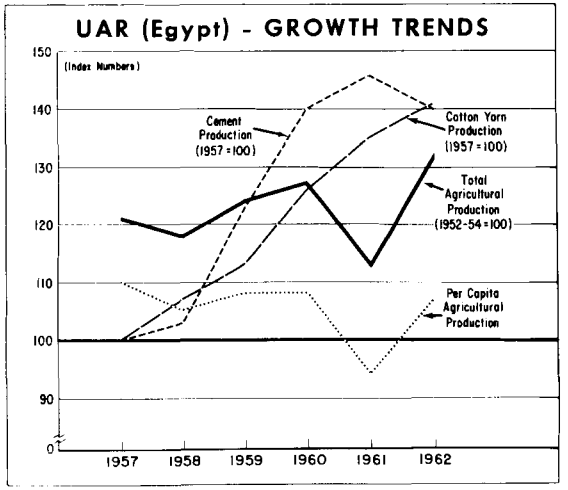
UAR (Egypt)

UAR (Egypt)-GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	27.3	Life Expectancy (years)	40
Annual Growth (percent)	2.5		
		People per Doctor	2,800
Area (1000 sq. mi.)	386		
Pop. Density per sq. mi.	71 a/	Literacy Rate - %	25
Agricultural Land			
Percent of Total Area	3	Pupils as % of Pop. (Primary & Secondary)	12
Acres per Capita	0.2		

a/ 1,800 people per square mile of productive land.



INTERNATIONAL TRADE ($ millions)	1959	1960	1961	1962 Est.
	Calendar Years			
Total Exports (f.o.b.)	460	567	485	407
Cotton	(316)	(387)	(300)	(220)
Total Imports (c.i.f.)	638	667	700	733
Trade Balance	-178	-100	-215	-326
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	462	367	312	304
COST OF LIVING INDEX (1958=100) (Cairo)	100	101	101	99

GROWTH INDICATORS	1959	1960	1961	1962 Est.
	Calendar Years			
Total GNP (*in 1961 prices; $ millions*)*	2,900	3,050	3,185	3,370
Per Capita GNP (dollars)	115	118	120	123
Investment as percent of GNP	15	15	17	19
Domestic Savings as % of Investment	69	78	73	62
Net Foreign Balance as % of GNP	5	3	5	7
Central Gov't Domestic Revenues as % of GNP	24	25	24	28
Agricultural Prod. Index (1952-54=100)	124	127	113	132
Index per Capita	108	108	94	107
Wheat (1,000 MT)	1,440	1,500	1,440	1,510
Cotton Yarn Prod. (1,000 MT)	93	103	111	116

CENTRAL GOVERNMENT FINANCES* (A.I.D. Est.) (FY ending June 30)	1961	1962	1963
	– Million Dollar Equivalents –		
Total Expenditures a/	1,004	1,178	1,363
(Defense Expenditures)	(194)	(243)	(245)
(Capital Outlays) a/	(345)	(395)	(423)
Total Domestic Revenues	778	764	974
Deficit or Surplus	-226	-414	-389

* Converted at $2.30 per pound.

a/ Includes capital outlay of government enterprises financed by foreign and domestic borrowing; but does not include enterprise capital outlay financed from own earnings. The general government capital outlay is ($ millions): FY 1961, $96; FY 1962, $112; FY 1963, $157.

Country Progress

In mid-1960 the United Arab Republic (UAR) began its first over-all economic development plan aimed at doubling national income by 1970. Total development expenditures of $4.5 billion for the first five years are to provide a 7.5% growth rate, with industry replacing agriculture as the most important contributor to Gross National Product (GNP).

While achievements to date have been notable, they have fallen short of planned goals. Over recent years the annual growth in GNP averaged 5% while population growth averaged 2.5%. Despite a crop failure in 1961, GNP grew faster than population as transportation, construction, power, and industrial output rose rapidly. The rate of investment during the first two years of the plan lagged 30% behind anticipated levels. Continued high development expenditures are expected in the remaining three years of the plan, but these will not reach projected goals.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

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Country: UNITED ARAB REPUBLIC (UAR)

U.S. Objectives and Strategy

The U.S. objective is a stable and neutral United Arab Republic (UAR) amenable to Western influence as the best guarantee of stability in the Near East and the survival of the smaller states in the area, including Israel. Rising pressure on resources from a rapidly growing population and the need to improve living standards, forces the UAR to encourage agricultural and industrial growth. Without Western support of its development program, the UAR would tend to rely more heavily on Soviet bloc assistance and make political concessions detrimental to U.S. security interests. To achieve these objectives, the United States will continue to encourage UAR leaders to: (a) concentrate on domestic problems; and (b) temper their stand on foreign policy questions which are of interest to the United States.

Its geographical location, large population, level of development, cultural ties, and its program to improve the conditions of the masses, make the UAR the most influential and powerful of the Arab states. Thus, satisfactory relations with the UAR are important to the achievement of U.S. objectives in the area.

Although we have had some difficulties in moderating the UAR's Arab policy, as evidenced by its intervention in Yemen, there has been progress in U.S.-UAR relations and the UAR has moderated its position on issues important to the United States. This is indicated by relatively mild UAR criticism of the U.S. offer to sell Hawk missiles to Israel and by reduced emphasis by the UAR of the Arab-Israel problem.

The UAR has adopted a policy of planning for development and has drafted a general plan, but has committed itself to goals far in excess of its resources and its capacity to manage effectively. It has offered loans to underdeveloped countries which represent a potential drain on its resources. Nationalization and sequestration measures introduced to rid the country of foreign influence and stop capital flight hinder its development program. To finance its program, the UAR contracted heavy short and medium-term debts which are proving difficult to service.

We believe the UAR leaders are more pragmatic than doctrinaire and can be influenced to modify "Arab Socialism" to achieve their development goals. U.S. strategy is to encourage the UAR to improve resource management, adjust its development programming to financial availabilities, and approach its European creditors for debt refinancing. We will also urge European creditors, through the Development Assistance Committee (DAC) and the International Bank for Reconstruction and Development (IBRD), to refinance UAR loans.

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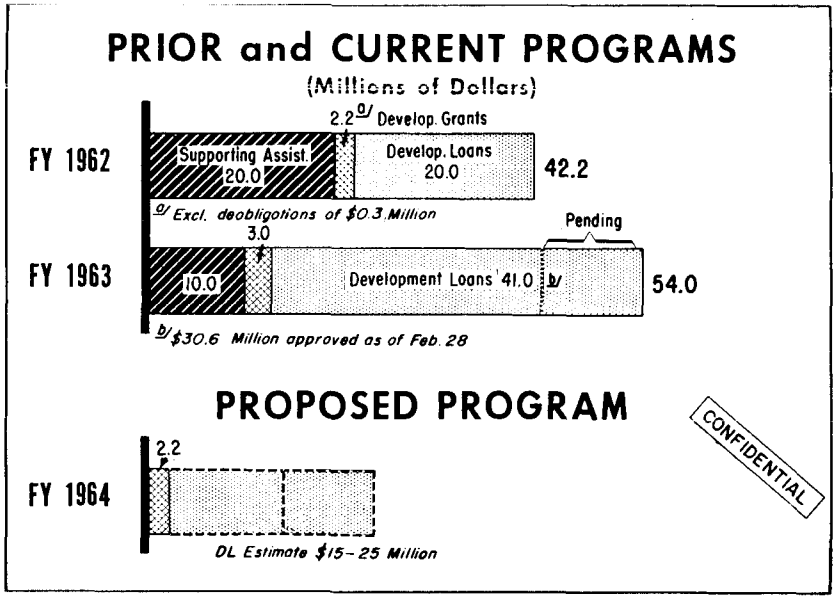

U.S. strategy will depend on whether the UAR continues to take steps which meet our political and economic objectives. The multi-year P.L. 480 agreement signed in FY 1963 and the requirements for continuing Development Grant projects set the levels for these programs for the next two to three years. However, the volume of development lending will depend on UAR economic performance and on developments in the political situation as they affect U.S. national security interests in the area.

Current Situation

The pressure of a rapidly growing population on scarce resources is the major economic problem of the UAR. Over 27 million people depend on less than six million acres of cultivated land, about one-fifth of an acre per person. Increases in arable land have been insignificant and per capita agricultural output has lagged. As population and food consumption levels rise, the UAR will become increasingly dependent upon food imports. While completion of the Aswan Dam by 1970 will increase the cultivable area by two to three million acres, the beneficial effects will have been reduced in part by additional population increases.

Recent economic progress has been notable and reflects the Government's efforts over the past eight years to mobilize resources for economic development. In FY 1961 Gross National Product (GNP)

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rose almost 6% and per capita consumption rose 4.5%. Despite a serious crop failure, GNP increased 3% in FY 1962 and per capita consumption about 4.5%. Public and private investment outlays during FY 1961-1962 rose, although they were 30% short of plan targets. Domestic savings declined from 16% of GNP in FY 1960 to 13% in FY 1962. These declines, solely in the private sector, reflect the impact of the UAR government's nationalization policies which encourage consumption and discourage savings.

High development outlays caused a drain on foreign exchange reserves. The situation was aggravated further in 1961 by sharp declines in agriculture -- cotton production declined 30% and corn 15% to 20%. Export earnings fell sharply and import requirements jumped. To alleviate the impact of crop failure, the U.S. P.L. 480, Title I program was increased from $80 million in FY 1961 to $166 million in FY 1962, with an additional $29 million of emergency assistance provided through Title II. By early 1962, foreign reserve holdings declined to a critical level and the UAR was forced to take steps to halt further declines.

In May 1962, the UAR agreed with the International Monetary Fund (IMF) on a stabilization program involving stringent credit controls and liberalization of exchange controls. The UAR estimated it needed $130 million of stabilization funds to implement the program. The IMF extended maximum drawing rights of $42.5 million, and the UAR turned to the United States for further financial assistance. The United States approved a stabilization loan of $20 million immediately. To induce the UAR to seek financing from Western European sources, the United States indicated that an additional $10 million loan would be considered on a dollar-for-dollar matching basis against new UAR borrowings from Western nations in excess of $20 million. The UAR negotiated loans of $30 million with the U.K. and West Germany and, in September 1962, the United States approved the $10 million credit. The UAR is now negotiating with Italy for another $10 million loan. Total assistance from all sources is expected to reach $112.5 million.

Despite restrictive bank credit policies, substantial financial assistance, and improved agricultural output, the UAR cnntinues to have balance-of-payments difficulties. In 1962 the current account deficit rose to $240 million, compared with $175 million the year before. Reserves declined to $304 million, which equals about four and one-half months of imports. While a major part of the deficit is financed by the supply of surplus agricultural commodities under the P.L. 480 program, repayments of short and medium-term capital to other Western nations are estimated to have increased from about $65 million in 1961 to approximately $105 million in 1962 and are expected to reach almost $140 million in 1963.

If the UAR economy is to continue to grow, the government will have to undertake new measures to alleviate the pressure on the balance of payments and maximize the use of resources. It must approach its European creditors to refinance outstanding debts on longer terms. It must hold development programming to manageable proportions, restrict consumption increases and encourage savings. **An IBRD team recently visited the UAR to evaluate the development plan and determine what assistance the Bank might give. The team discussed these problems with UAR authorities and its report is expected to identify the need for improvement along the lines described.**

FY 1964 Program

The major part of the U.S. assistance program to the UAR will continue to be through the Food for Peace program which provides surplus agricultural commodities to meet the country's food import needs. This will enable the UAR to use its own foreign exchange earnings for the development program. Recently a three-year Title I agreement was signed with the UAR to supply about $390 million of surplus agricultural commodities, mostly wheat, over the three-year period, FY 1963-1965. The Title III program, to provide assistance to needy people through voluntary agencies, will be continued in FY 1964, but at a somewhat lower level. This reduction is expected to result from a decline in the number of recipients and a shift in responsibility for part of the program to the UAR Government.

The Development Grant program proposed for FY 1964 is $2.2 million. Although the UAR has many well-trained people, it continues to need certain types of technical expertise, and it is anticipated that these needs and the requirements for training at all levels in agricultural and technical skills will continue to expand. The FY 1964 funds will be used to continue projects begun in prior years for land reclamation and resettlement, the development of water resources, as well as assistance and advice in economic planning, public administration and industrial management. Other projects support the improvement of UAR training facilities in agriculture, industry, and telecommunications.

The United States is planning a development lending range of $15 - $25 million for FY 1964, but it is possible that Export-Import (Ex-Im) Bank loans may meet part of this requirement. The second phase of a grain storage project, for which a development loan was authorized in FY 1962 will require $15 million in FY 1964. Other loan requests are presently under consideration, and further requests are expected. The extent of U.S. assistance will depend in part on UAR economic performance and the political situation bearing on U.S. national security interests.

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Country: UNITED ARAB REPUBLIC (UAR)

As of June 30, 1961, Free World sources, excluding the United States, had extended to the UAR $567 million of loans and credits, mostly on short and medium-terms. Soviet bloc economic aid amounted to $672.5 million for the same period. No new bloc agreements have been signed since that time, but European sources provided another $37.5 million of loans as well as additional commercial credits in FY 1962, and $30 to $40 million of stabilization loans in FY 1963.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	20.0	41.0	15.0-25.0
Power and Communication	-	30.6	
Industry and Mining	3.0	10.4	
Other Activities	17.0	-	
Development Grants - Total	1.9	3.0	2.2
Food and Agriculture	0.7	0.8	0.6
Industry and Mining	0.6	1.4	0.9
Transportation	0.2	0.2	0.2
Public Administration	0.3	0.3	0.3
Other	0.4	0.3	0.2
Deobligations During FY 1962	-0.3	xx	xx
Supporting Assistance - Total	20.0	10.0	-
Non-Project	20.0	10.0	-
Other U.S. Assistance			
Food for Peace, Titles I & IV:			
Country Uses	132.6	93.1	132.3
(Sales Agreements)	(165.8)	(103.5)	(147.0)

[redacted]

U A R (Egypt)

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	18.1	1.5	12.9	4.0	66.3	32.9	0.3	-0.2	49.2	92.9	106.4	224.1	608.4
GRANTS	0.3	1.3	12.9	4.0	58.8	19.8	0.3	-0.2	9.5	13.9	36.7	65.2	222.5
LOANS	17.8	0.2	-	-	7.5	13.1	-	-	39.7	79.0	69.7	158.9	385.9
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	0.4	12.9	3.3	42.8	2.3	*	-0.8	0.6	21.1	1.9	41.9	126.4
Grants	-	0.4	12.9	3.3	35.3	2.3	*	-0.8	0.6	5.7	2.1	1.9	63.7
Loans	-	-	-	-	7.5	-	-	-	-	15.4	-0.2	40.0	62.7
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	-	-	3.3	2.8	2.4	0.6	-0.8	-1.5	1.5	1.5	1.9	11.8
DEVELOPMENT LOANS	-	-	-	-	-	-	-	-	-	15.4	-0.2	20.0	35.2
OTHER A.I.D.	-	0.4	12.9	*	40.0	-0.1	-0.6	-	2.0	4.2	0.7	20.0	79.5
FOOD FOR PEACE (PL 480) - TOTAL	-	0.8	-	0.7	23.5	30.6	0.3	0.6	45.1	62.7	86.5	182.2	433.0
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	-	13.1	-	-	36.2	54.5	63.9	132.6	300.3
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	12.0	13.7	25.7
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	12.1	16.7	12.0	16.6	57.4
104g - Loans to Governments	-	-	-	-	-	13.1	-	-	24.1	37.8	39.9	102.3	217.2
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(19.1)	(-)	(-)	(48.3)	(72.7)	(79.8)	(165.8)	(385.7)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	-	-	-	-	-	29.1	29.1
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.8	-	0.7	23.5	17.5	0.3	0.6	8.9	8.2	22.6	20.5	103.6
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	7.1	0.2	-	-	-	-	-	-	3.5	9.1	18.0	-	37.9
OTHER U.S. ECONOMIC PROGRAMS	11.0	0.1	-	-	-	-	-	-	-	-	-	-	11.1

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
IBRD - World Bank	-	-	56.5
UN Tech. Ass't. (CY)	0.9	0.8	7.3
UN Special Fund	4.4	2.4	8.5

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	17.9
1962 (Calendar Year)	100.4
Cumulative thru 1962	715.5

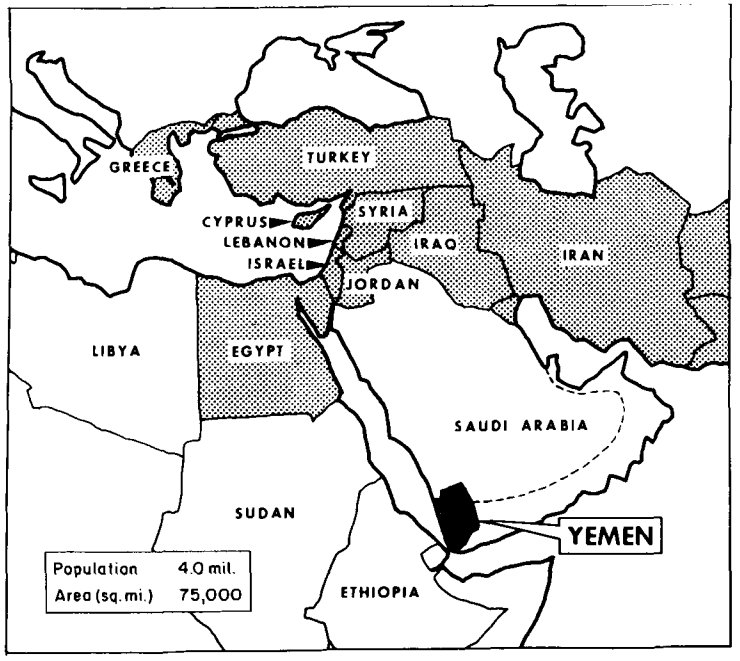
LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	-	-	-
Ex-Im. Bank (Long Term)	1.2	2.5	12.7
Other Government Loans	-	-	10.7

* Less than $50,000.

Yemen

Yemen- BASIC ECONOMIC DATA



Annual Population Growth	n.a.
Gross National Product (1961)*	n.a.
Total ($ Million)	360
Per Capita GNP (Dollars)	90
Agricultural Land	
Percent of Area	n.a.
Acres per Capita	n.a.
Literacy Rate	25%
Pupils - % of Pop. (Primary/Secondary)	10%
Life Expectancy (years)	30-40
People per Doctor	125,000

AGRICULTURAL PROD. INDEX (1952-54=100)
Per Capita Index .....

(Not Available)

INTERNATIONAL TRADE ($ Million)
Total Exports (f.o.b.) .....
Total Imports (c.i.f.) .....
Trade Balance .....

* Converted at 1.35 riyals per U.S. dollar.

Country Background

For centuries Yemen isolated itself from the world beyond the Arabian Peninsula and existed under conditions which appeared to be as primitive as had prevailed during biblical times. However, increasing contact with the outside world in recent years -- there are an estimated 600 Yemenis now studying abroad -- generated an ever-increasing dissatisfaction with internal economic and social conditions. In September 1962 Yemen's theocratic absolute monarchy, which had held the peoples of Yemen in a virtual state of bondage, was overthrown by a revolutionary group which established the Yemen Arab Republic and pledged itself to work for the improvement of conditions for all Yemenis. However, harassment by forces of the deposed Imam, aided by Saudi arms and finances and Jordanian military advisors, has forced the new government to concentrate on self-preservation. The United Arab Republic (UAR) swiftly responded to the Republic's request for military assistance and has provided some 17,000 troops to assist in quelling the counterrevolution.

Beginning in 1956, Russia and China moved into Yemen with a road and port development program totaling some $44 million, plus assistance for military purposes. By comparison, the U.S. program since 1959 has totaled about $28 million. During the construction phase, bloc personnel in Yemen reached a peak of some 1,200 in 1960, dropping to about 150 in 1961. Since the revolution in September 1962, the number of Russian personnel has risen to about 450.

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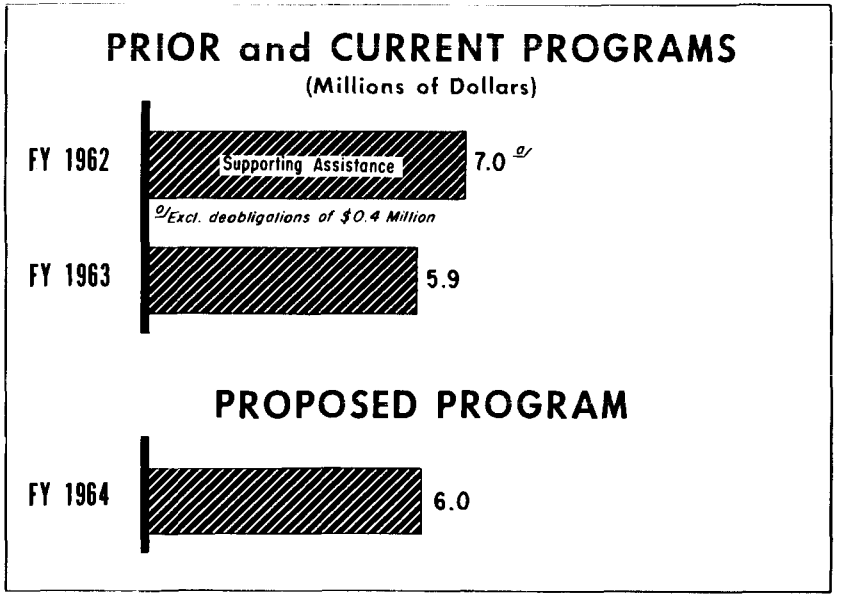
Country: YEMEN

U.S. Objectives and Strategy

The U.S. project-oriented Supporting Assistance program in Yemen was instituted three years ago after the Soviet bloc and Red China offered economic and military aid to that strategically located Kingdom. The objective of the program is to deny control of the area to forces inimical to the West by providing an alternative to complete Yemeni dependence on Soviet and Chinese aid and to develop working relationships with Yemenis who are, or are likely to be, in positions of authority and who can contribute to the development of pro-West attitudes. U.S. recognition of the newly created Yemen Arab Republic has helped advance this objective. There is as yet no firm evidence that U.S. participation in any activity additive to our present program would make a positive contribution to attaining our objective. However, if conditions improve, it may be desirable to undertake, under Supporting Assistance, some technical assistance activity during FY 1964 directed to institution building in addition to ongoing construction projects which are expected to be completed within the next 18 months.



Current Situation

Despite Russian, Communist Chinese, and U.S. assistance on roads and port facilities, the country still lacks practically all prerequisites for social and economic development. Specifically, it lacks trained workers, educational institutions, and other infrastructure, effective government organization and a workable tax system. About 90% of its people are engaged in subsistence agriculture. Only small industries of the most primitive sort exist. Yemen's principal hope for development rests in its fertile land and relatively good rainfall. Except for salt deposits, exploration has revealed no substantial mineral sources.

FY 1964 Program

The $6 million requested for the FY 1964 program will finance continuing construction and training activities, i.e., building 250 miles of gravel surface road; constructing the Taiz water system and completing engineering on the Sanaa water system, carrying on rural irrigation works and maintaining the participant training activity at its present level of 35-40 students.

The coup in September 1962 and the resulting internal strife slowed down construction activities. Both the road project and the Taiz water system, originally scheduled for completion in June 1964, are now expected to be completed in June 1965. The rural water development project will continue to explore the most effective methods of utilizing supplies of underground and surface water under conditions which exist in Yemen.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Supporting Assistance - Total	6.7	5.9	6.0
Project	7.0	5.9	6.0
Deobligations During FY 1962	-0.3	xx	xx

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Country: YEMEN FINANCIAL DATA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	4.0	6.7	14.0
Technical Coop./Development Grants .	-	-	-
Development Loans	-	-	-
Other A.I.D.	4.0	6.7	14.0
FOOD FOR PEACE (P.L. 480) - TOTAL	1.4	-	8.8
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	1.4	-	8.8
Title III	-	-	-
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)...	0.1	0.2	0.6
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	43.7
LOAN $ REPAYMENTS & INTEREST.....	-	-	-

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Regional Programs

Regional Programs

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Regional Projects, Objectives and Background

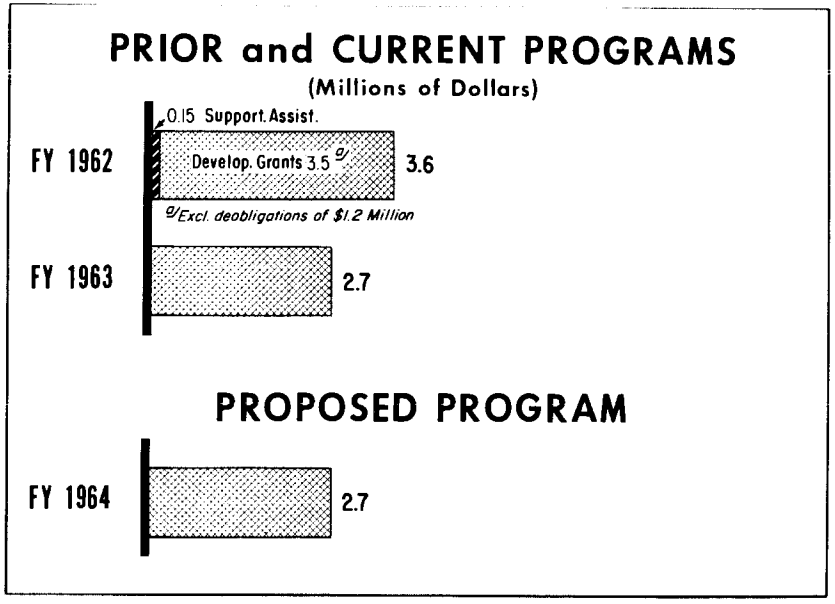
The Near East and South Asia Regional Projects Program consists mainly of continuing technical assistance activities that are more effectively carried out on a regional than on a country-by-country basis. Such activities include: training participants from countries within this region at the American University of Beirut (AUB); conducting seminars and conferences on agricultural, industrial and labor subjects for the benefit of high and middle level technicians and civil servants; and providing advisory services on regional malaria eradication and municipal water supply projects.

We have used AUB facilities for training of program participants since 1951. Since that date, 1,843 participants have completed training in fields such as public health (708), agriculture (398), education (328), and engineering (174). The countries which have sent the greatest number of these participants to AUB are Lebanon (482), Pakistan (308), Iran (248), Jordan (232), and Afghanistan (85). The extent to which this program has contributed to the trained manpower resources of the Middle East is demonstrated by the fact that many AUB graduates hold important positions in various ministries in their respective countries. A good example is the Director General of Education in Iran who has played an important role in expanding and upgrading education facilities in that country and who, in the spring of 1962, organized a ten-day visit to AUB for a group of over one hundred Iranian educators. Additional evidence that the program has been recognized as contributing substantially to the development of manpower resources in the Middle East is that countries such as Saudi Arabia and Iraq have sponsored similar programs of their own at AUB in an effort to increase the supply of much-needed skills. This project has made a significant contribution toward improving the cooperative relationships between trained technicians and governments in Arab lands. It has effectively served in promoting unity between Arab and Western cultures.

Seminars and conferences in the fields of agriculture and labor leadership have been held since FY 1956. These meetings have provided an opportunity for government officials from the countries of the Near East and South Asia Region to exchange views and experiences on common problems, and to learn new approaches from American specialists.

FY 1964 A.I.D. Proposed Program

The principal regional project to be carried on in FY 1964 will be the training of up to 630 participants under the continuing contract with the AUB, about the same number as last year. The number of participants who can be accommodated each year varies with tuition costs, the expenses of international travel, and the availability of qualified candidates. We will also continue to finance the services of Regional Technical Advisors in the fields of participant



training, malaria eradication, and municipal water supply, and cover the costs of a series of conferences, seminars, and training courses for foreign government officials concerned with agriculture and labor.

A Development Grant level of $2.7 million is proposed for FY 1964.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	2.3	2.7	2.7
Food and Agriculture	0.5	*	*
Education	2.9	2.6	2.6
Other	0.1	*	-
Deobligations During FY 1962	-1.2	xx	xx
Supporting Assistance - Total	0.1	-	-
Non-Project	0.1	-	-
Deobligations During FY 1962	*	xx	xx

* Less than $100,000.

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Country: CENTRAL TREATY ORGANIZATION

U.S. Objectives and Strategy

U.S. political objectives are to advance a sense of community and mutuality of interests among Central Treaty Organization (CENTO) countries, and to increase the appreciation of the advantages to be derived from collaboration regionally and with the West.

Programs financed by the United States are designed to promote these objectives. This is done through application of the following guidelines: (a) each U.S.-financed project must benefit two or more countries in the region; (b) CENTO projects must complement Agency for International Development (A.I.D.) bilateral programs and policies, and enhance their effectiveness; (c) all project proposals must be studied by specialized multi-country CENTO groups and approved by the CENTO Economic Committee or the Economic Steering Group; and (d) all future CENTO capital project loan proposals, to be eligible for U.S. consideration, must make a significant regional contribution, have priority in existing national development plans, and be acceptable to A.I.D. for funding on a bilateral basis.

FY 1964 Program

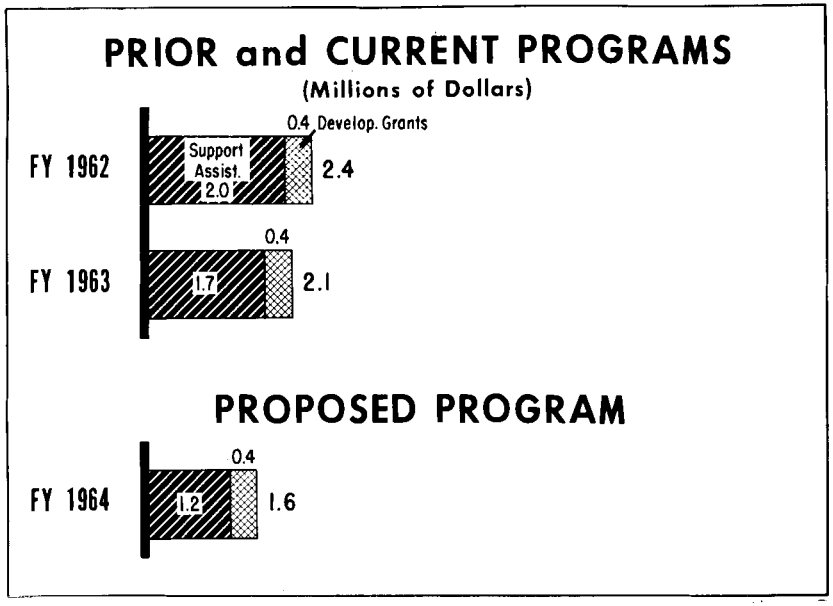
In FY 1964, $1.2 million in Supporting Assistance grants is needed as a final contribution for the CENTO Regional Airway System project. When completed in June 1964, this project will provide a fully operating, controlled airway navigational system between Ankara, Tehran and Karachi, including navigational aids, ground communications services and trained operating personnel. It will tie in with the CENTO Microwave Regional Telecommunications System, which already has been fully funded, and which will be completed at about the same time.

In addition, a Development Grant Program of $400,000 is required to continue the technical assistance program. These funds will be used to provide experts and convene regional conferences to consider selected common problems of the three countries in the region.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	0.3	0.4	0.4
General and Miscellaneous	0.2	0.2	0.3
Other	0.1	0.2	0.1
Supporting Assistance - Total	2.0	1.7	1.2
Project	2.0	1.7	1.2



AFRICA

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FY 1964 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Development Loans	Development Grants & Tech. Coop.	Supporting Assistance
TOTAL	$333,525-408,225	$165,000-239,700	104,525	64,000
Algeria	2,450	-	2,450	-
Congo (Leopoldville) a/	42,310	-	2,310	40,000
East Africa	15,185 - 16,985	5,900 - 7,700	9,285	-
Kenya	(5,060)	(2,000)	(3,060)	-
Tanganyika	(5,750)	(2,800)	(2,950)	-
Uganda	(3,975 - 5,775)	(1,100 - 2,900)	(2,875)	-
Zanzibar	(400)	-	(400)	-
Ethiopia	8,230	2,500	5,730	-
Ghana	2,450	-	2,450	-
Guinea	10,900 - 13,900	3,000 - 6,000	2,900	5,000
Liberia	20,300	9,000	11,300	-
Libya	10,525	-	1,525	9,000
Mali	1,810 - 2,510	600 - 1,300	1,210	-
Morocco	16,150 - 23,150	5,000 - 12,000	1,150	10,000
Nigeria	91,500-121,500	70,000-100,000	21,500	-
Rhodesia & Nyasal'd	3,775 - 5,575	0- 1,800	3,775	-
Sierra Leone	2,270 - 6,770	0- 4,500	2,270	-
Somali Republic	8,500	4,000	4,500	-
Sudan	34,865 - 39,865	30,000 - 35,000	4,865	-
Tunisia	28,850 - 43,850	25,000 - 40,000	3,850	-
U.A.M. & Other States b/	22,155 - 28,055	10,000 - 15,900	12,155	-
Regional	11,300	-	11,300	-

a/ In addition $5 million for the Congo is included in the presentation for "Contributions to International Organizations."

b/ UNION AFRICAN & MALAGASY STATES

Cameroon, Central Af. Rep., Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Malagasy Rep., Mauritania, Niger, Rwanda, Senegal, Upper Volta

OTHER STATES

Burundi, Togo

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SUMMARY OF PROGRAMS - AFRICA

By Country and Function

(In thousands of dollars)

Country	TOTAL			Development Loans			Development Grants			Supporting Assistance			Other Programs		
	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964
Algeria	334	1,800	2,450	-	-	-	-	1,000	2,450	334	800	-	-	-	-
Congo (Leopoldville)	67,040	42,514	47,310	-	-	-	3,607	3,019	2,310	a/	35,095 a/	40,000	63,433 a/	4,400	5,000
East Africa															
Kenya	3,180	5,270	5,060	-	2,200	2,000	3,166	3,070	3,060	14	-	-	-	-	-
Tanganyika	2,436	12,565	5,750	-2	10,200	2,800	2,233	2,365	2,950	205	-	-	-	-	-
Uganda	3,613	4,440	3,975-5,775	-	2,000	1,100-2,900	3,613	2,440	2,875	-	-	-	-	-	-
Zanzibar	55	-	400	-	-	-	55	-	400	-	-	-	-	-	-
Ethiopia	6,262	10,158	8,230	-	4,000	2,500	6,262	6,158	5,730	-	-	-	-	-	-
Ghana	63,853	7,005	2,450	62,000	4,500	-	1,853	2,505	2,450	-	-	-	-	-	-
Guinea	6,106	9,559	10,900-13,900	-	2,100	3,000-6,000	2,606	2,459	2,900	3,500	5,000	5,000	-	-	-
Liberia	10,755	42,760	20,300	-	33,700	9,000	10,755	9,060	11,300	-	-	-	-	-	-
Libya	11,153	11,420	10,525	-	-	-	2,161	2,420	1,525	8,992	9,000	9,000	-	-	-
Mali	2,545	2,778	1,810-2,510	-	1,800	600-1,300	-7	978	1,210	2,552	-	-	-	-	-
Morocco	30,773	21,604	16,150-23,150	-	-	5,000-12,000	828	1,104	1,150	29,945	20,500	10,000	-	-	-
Nigeria	21,040	41,100	91,500-121,500	-	23,100	70,000-100,000	21,040	18,000	21,500	-	-	-	-	-	-
Rhodesia and Nyasaland	2,820	2,632	3,775-5,575	-	-	0-1,800	2,820	2,632	3,775	-	-	-	-	-	-
Sierra Leone	1,460	2,234	2,270-6,770	-	-	0-4,500	1,460	2,234	2,270	-	-	-	-	-	-
Somali Republic	11,468	9,000	8,500	-	4,400	4,000	11,129	4,600	4,500	339	-	-	-	-	-
Sudan	9,816	7,689	34,865-39,865	2,000	3,800	30,000-35,000	7,832	3,889	4,865	-16	-	-	-	-	-
Tunisia	28,244	34,500	28,850-43,850	12,400	25,200	25,000-40,000	5,844	2,487	3,850	10,000	6,813	-	-	-	-
African and Malagasy Union States (UAM) and Burundi and Togo	24,365	15,564	22,155-28,055	9,200	3,500	10,000-15,900	11,868	12,010	12,155	3,297	54	-	-	-	-
Burundi	-	(70)	(55)	-	-	-	-	(70)	(55)	-	-	-	-	-	-
Cameroon	(12,536)	(1,025)	(1,500-5,000)	(9,200)	-	(0-3,500)	(339)	(1,025)	(1,500)	(2,997)	-	-	-	-	-
Central African Republic	(234)	(461)	(610)	-	-	-	(234)	(461)	(610)	-	-	-	-	-	-
Chad	(299)	(990)	(450)	-	-	-	(299)	(990)	(450)	-	-	-	-	-	-
Congo (Brazzaville)	(1,184)	(565)	(610)	-	-	-	(1,184)	(565)	(610)	-	-	-	-	-	-
Dahomey	(683)	(750)	(995-1,695)	-	-	(0-700)	(683)	(750)	(995)	-	-	-	-	-	-
Gabon	(396)	(366)	(520-3,520)	-	-	(0-3,000)	(396)	(366)	(520)	-	-	-	-	-	-
Ivory Coast	(2,074)	(5,080)	(2,400-6,700)	-	(3,000)	(0-4,300)	(2,074)	(2,080)	(2,400)	-	-	-	-	-	-
Malagasy Republic	(636)	(530)	(500)	-	-	-	(636)	(530)	(500)	-	-	-	-	-	-
Mauritania	-	(254)	(170-870)	-	-	(0-700)	-	(200)	(170)	-	(54)	-	-	-	-
Niger	(1,208)	(1,398)	(1,035-2,035)	-	(500)	(0-1,000)	(1,208)	(898)	(1,035)	-	-	-	-	-	-
Rwanda	-	(30)	(95)	-	-	-	-	(30)	(95)	-	-	-	-	-	-
Senegal	(3,012)	(2,130)	(1,200-2,400)	-	-	(0-1,200)	(3,012)	(2,130)	(1,200)	-	-	-	-	-	-
Togo	(1,221)	(925)	(800)	-	-	-	(921)	(925)	(800)	(300)	-	-	-	-	-
Upper Volta	(882)	(990)	(1,215-2,715)	-	-	(0-1,500)	(882)	(990)	(1,215)	-	-	-	-	-	-
Afro-Malagasy Organization for Economic Cooperation	200	-	-	-	-	-	-	-	-	-	-	-	200	-	-
Commission for Tech. Coop. in Africa, South of the Sahara (CCTA)	1,650	600	1,500	-	-	-	1,650 b/	600	1,500	-	-	-	-	-	-
Regional	6,266	7,745	9,800	-	-	-	6,267	7,745	9,800	-1	-	-	-	-	-
Programming Adjustment	-	-20,500	-	-	-20,500	-	-	-	-	-	-	-	-	-	-
AFRICA - TOTAL	315,434	272,437	338,525-413,225	85,598	100,000	165,000-239,700	107,042	90,775	104,525	59,161	77,262	64,000	63,633 c/	4,400	5,000

a/ The FY 1962 figure includes $38 million for the Commodity Import Program which in FY 1964 will be funded from Supporting Assistance and the amount in FY 1963 is shown for comparability.
b/ Includes Economic Commission for Africa and Organization for Coop. and Coord. Control of Endemic Diseases.
c/ Funded from International Organizations and Programs. Details contained in corresponding sections in this volume under Index Tab "International Organizations."

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The fundamental U.S. interest in aiding African nations is to help in the development of countries which have both the will and the ability to determine their own destinies and courses of action without outside domination. This involves helping the independent countries achieve effective self-government, economic and social growth, and an ability to be responsive to the needs and aspirations of their people. It also involves a concern for their ability to help themselves while remaining as free as possible from Sino-Soviet bloc subversion, domination, or control. It thus further includes an objective of a reasonable degree of internal political stability within individual countries and on the continent as a whole.

There is a further specific U.S. interest in being able to maintain limited military and other facilities in a few countries in Africa, and the denial of facilities to the Sino-Soviet bloc. The securing of the National Treaty Organization's (NATO) southern flank and the protection of air and sea routes to other areas are important to U.S. security. Therefore, a direct national requirement exists for military and related installations, rights and facilities in North Africa, as well as important communication arteries in the Horn of Africa.

The fundamental interests of the United States in Africa are not, however, interests of the United States alone. They are generally shared by the Free World and, especially, by Western Europe. Thus, while U.S. interests and objectives in Africa are quite broad, and apply to all countries, the role of the United States can be, and should be, more limited, and may vary significantly from country to country.

The course of action that the independent states of Africa adopt in their efforts to achieve economic and social improvement is of particular concern to the United States and its desire for a peaceful world community of free and independent states. The opportunity now exists for the more economically advanced Free World nations to influence the development of political institutions and attitudes and the establishment of sound economic and social structures in the newly developing countries. Failure to recognize this opportunity and to act now may have a profound effect on world affairs in the years to come.

Formal alignment of African countries with the United States is not necessarily an objective. However, a receptive attitude and limited cooperation with the United States to satisfy essential U.S. security needs is sought on the basis of recognized mutual interests.

Background

Less than three years has elapsed since most of the new African nations have become independent. During this time, their societies have been involved in almost constant turmoil as desires by the populace for a better way of life emerge, as new institutions evolve, and as international relationships develop. Major debates are being conducted with respect to policies and problems relating to education, agriculture, and industrialization. Externally, these young states find themselves in an unsettled world whose attention and conflicting interests assail them. In the midst of these forces, the leaders of these new nations share an urgent, understandable desire to make a gigantic leap across time, to attain a status more comparable to that of the developed nations of the world.

Political Developments. Approximately 30 African countries, having a combined population exceeding 170 million, attained national freedom in recent years with considerably less disruption than had been anticipated. While these countries continued to develop with relatively little disorder during the past year, the possibilities of serious violence in the entire southern tier of this massive continent cannot be dismissed.

Probably the most significant political events in the past year in Africa were that peace was established in Algeria and the armed conflict halted in the Congo. For an indefinite period, Algeria will continue to be burdened by the devastation of the war and by rampant unemployment and administrative disorders, as well as by other consequences resulting from the flight of French personnel and capital. There has been, however, impressive progress made in restoring central civilian authority and fruitful cooperation with the French, as well as hopeful signs that the government will follow a moderate role in its external political relationships and a realistic approach in its efforts to revive the economy.

On January 21 of this year, when U.N. troops moved into Kolwezi, the U.N. military action to end the secession of Katanga was successfully concluded. While restoration of order in this Central African giant, completely disrupted by chaos and civil war, is far from completed, the successful U.N. action in the Congo may well have turned it away from a path which could have led to extension of the conflict to its southern neighbors and renewed bloc penetration. For the Congo, this represented an important landmark toward territorial integrity and internal political order.

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Another favorable development during the year was the transformation of Guinea from a pro-bloc to a more moderate state, making overtures to the West. Previously, this country had voted "no" to the French Community and had opened its doors to the East. At the moment, Guinea appears prepared to settle its differences with France and, possibly, to resume more normal economic relations.

There have also been a number of promising developments with respect to increased interterritorial cooperation in Africa. While there have been and undoubtedly will continue to be some attempts at real political union, interstate relations remain still very much in flux. In the next several years, measures to promote regional economic cooperation are likely to grow more significant. While these probably will not greatly affect the new political geography of Africa, at least in the immediate term, they are likely to exert an increasing impact on economic and social developments. Obstacles to regional unity remain prodigious. Differences in language, religion, local custom, education and modernization, and conflicting interests of poor and relatively wealthy nations are sufficiently wide to be disruptive, although similarities within certain groupings are a unifying force. Despite these problems, during the past year progress has been made to improve regional coordination in Africa and to create regional institutions.

During 1962, the Commission for Technical Cooperation in Africa (CCTA) came to the front ranks of important African regional economic development bodies. Leadership was transferred from European to African control and membership expanded to include nations other than those in Tropical Africa. The Commission became more involved in constructive, imaginative projects in addition to retaining its function as a clearing house of scientific and technical knowledge, and is thus developing the potential to fulfill an important role in helping African states meet their expanding needs for scientific and technical assistance and training.

Economic Situation. Relatively little has occurred in the brief post-independence period to lessen the basic problems affecting prospects for African economic and social progress. Some of the obstacles in this area are:

1. A dearth of Africans trained for the many responsibilities associated with social and economic growth. Ignorance, illiteracy, and shortage of people with even rudimentary skills demonstrate Africa's position as the world's most educationally backward area. Less than 20% of all Africans of school age are presently enrolled in classes. In some countries, the percentage is less than 2%. Significantly, only 3% of the 15-19 year old children are in any kind of school and only .01% of the next higher age group are in any higher education institutions.

2. A formidable array of agricultural problems. Patterns of annual floods with resultant soil losses in some parts, and crippling drought conditions in others, are common in Africa. Traditional crops still require the bulk of Africa's human resources. Plant varieties remain unimproved. Destruction from pests and diseases is great. Inefficient agricultural practices, involving excessive waste of men and other resources, continue to be followed. The consequences of these and related agricultural difficulties are most significant, since two-thirds or more of Africa's population depends on agricultural production for a livelihood and the continent's foreign exchange earnings depend heavily upon agriculture exports. Examples of the African economies' vulnerability in such dependence are the unfavorable world market situations for cocoa and coffee, which are produced by most African countries, and contribute significantly to their export earnings.

3. Lack of investment capital. Local financial institutions exist only to a limited extent. The major private financial interests are foreign-owned, and came to Africa to serve foreign-owned commerical, agricultural, and extractive industry needs. Africans have only recently become familiar with the use of commercial and savings banks. The low income of most Africans permits little saving. The general lack of ties between the African community and the existing financial institutions has also tended to preclude the mobilization of savings. Savings, therefore, have accrued primarily through government sources, largely from import and export taxes.

4. The drag of disease. Disease contributes to both high mortality and debilitating sickness. High incidence of endemic tropical diseases make sickness a perpetual crippling force in African lives. It causes many students to terminate their education and severly hampers labor productivity. Here, too, potentially corrective forces are meager. The present ratio of physicians to population is estimated at less than 1 to 20,000. Many more training institutions are needed.

5. An inadequate transportation system. With few exceptions, highways and roads are limited to the more developed areas along the coast and to fingers extended inland to bring out timber, mineral or agricultural commodities. New roads are required to open larger areas for trade and commerce, as well as to link these to already established areas.

6. The existence of tribal customs and institutions which impede the rural population from taking the first long steps to better their lives. Primitive agricultural techniques, reflected in the simple needs to introduce animal power, rudimentary plows,

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etc., illustrate the depths of the problem of obtaining social change. Yet the development of rural Africa is of pivotal importance to the over-all economic growth on the continent.

There are grounds for optimism, however, in the absence of obstacles to development which are common to other less developed countries. There is not, in Africa, the desperate shortage of land in relation to population which exists in many countries. With a few exceptions, there is almost a complete lack of large land holdings, and of the usual pressure for land reform. Certain areas are overcrowded in relation to their current productivity, and some traditional patterns of land holding do give rise to development deterrents, such as fragmentation or lack of individual incentive to improve family land. Nevertheless, land problems are less important than in many other areas. There is also a general absence of rigid caste systems which hamper economic incentives. Another favorable aspect of Africa's development potential is the African leaders' spirit of optimism and urge to develop.

Other Free World Activities. Western Europe has provided the major portion of total external economic assistance to Africa for a number of years. During the past four years, other Free World obligations increased from $915 million in FY 1959 to $1.2 billion in FY 1962, as compared with U.S. economic assistance (including Food for Peace Programs) in FY 1962 of approximately $500 million. Western Europe bilateral and European Economic Community (EEC) obligations of $1.1 billion represented 90% of the total. Bilateral assistance provided by the metropoles, especially France and the U.K., but also Belgium and Italy, accounted for over $870 million, or 70% with France alone accounting for more than 50%. U.N. grants and International Bank for Reconstruction and Development (IBRD)/International Finance Corporation (IFC)/International Development Association (IDA) loans of nearly $90 million represented nearly 7%. Current FY 1963 estimates indicate that obligations will roughly approximate the FY 1962 level.

Grants continue to predominate as the major type of assistance provided by other free nations, in particular the Western European donors. Grants represented approximately 72% of total other Free World obligations in FY 1962. The grant portion by donor was as follows: 100%--EEC, Belgium and Italy; roughly 86%--France; 54%--United Kingdom; and 6%--West Germany. These compare with the grant portion for all types of U.S. assistance of 42%.

The level of other Free World assistance received varies considerably from country to country and by area. The North Africa area consisting of four countries with a population totaling about 30 million accounted for slighly over $400 million, or 34% in FY 1962 whereas Tropical African countries with a population of about 175 million received over $800 million, or 66%.

United States A.I.D. Strategy

While U.S. interests and objectives in Africa are quite comprehensive, the role of U.S. economic assistance to that continent is much more limited. The basic elements of U.S. assistance policy in Africa may be outlined as follows.

First, the United States has been pursuing a policy of generally restricting its economic assistance to Africa to a subsidiary and supplementary role to that of other Free World assistance. Western Europe currently, as in the past, provides the great bulk of external assistance, both money and manpower, required in Africa, and U.S. efforts are being directed to maximizing the flow of such assistance. Of the approximately $1,730 million of Free World economic assistance to Africa obligated during FY 1962, about $474 million (or about 27%) was provided by the United States. It is neither the desire nor intention of the United States to supplant other Free World assistance to Africa. African development requirements, however, are of such magnitude, and their problems of such a nature, that U.S. assistance is also required.

Another element of U.S. Agency for International Development (A.I.D.) strategy in Africa concerns what has been termed our "bridge" role, in which we seek to facilitate a country's transition from Sino-Soviet orientation to greater ties with the Free World. Guinea's relations with France were severed upon gaining independence, and she has relied heavily upon the Soviet bloc for needed assistance. Mali has also turned to the bloc to reduce its dependence on the former metropole. It has been our strategy there to discourage complete reliance of these two African countries on the bloc by providing them with a moderate program of U.S. assistance. There are indications that this U.S. strategy is succeeding. Relationships of the two countries with the bloc appear to be deteriorating, and there is a growing realization in Guinea, and to a lesser extent in Mali, that their national interests will be better served by closer ties with the West. It is hoped that Mali's and Guinea's relations with France will be progressively re-established, and that U.S. economic assistance to these two countries can be proportionately reduced.

A third element of U.S. A.I.D. strategy in Africa relates to the maintenance of U.S. military bases in that continent. For example, the United States desires to retain U.S. bases and facilities in Libya, Ethiopia, and Morocco.

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Although the present agreement providing for U.S. bases and other strategic facilities in Morocco call for evacuation by the United States at the close of calendar 1963, the United States Government hopes to be able to retain certain of these facilities for a more extended period of time. It is expected that negotiation of this matter will take place during this year. The United States is, of course, also interested in hastening Morocco's development and in preventing Moroccan alignment with, or over-reliance upon, the bloc for military or economic assistance. It is anticipated that France will provide the bulk of the assistance required by Morocco. Thus, U.S. assistance to Morocco will be directed primarily toward retention of certain of our facilities in that country.

In Libya, also, our strategy is aimed primarily at the retention of U.S. rights at Wheelus Air Base, and at the maintenance of the country's political stability and pro-Western orientation. Prospective oil revenues, which in the next few years are expected to eliminate the need for external economic assistance on other than conventional terms, will probably tend to diminish the effectiveness of economic assistance programs in advancing U.S. interests in Libya. The country lacks both the capacity and institutional framework for effective direction of its resources. No significant progress has been made to prepare for the productive use of the oil revenues. The U.S. strategy here is to fulfill the present payment commitment for use of base rights and to continue a scaled-down Development Grant program, generally limited to technical assistance in development planning and resources utilization designed to prevent the waste or dissipation of Libya's growing oil revenues.

Along the Red Sea and in the Horn of Africa, it is in the U.S. interest to preclude, or minimize, bloc penetration of that area. In view of the importance of the Kagnew Station in Ethiopia and the fact that as a result of long independence, Ethiopia has no strong cultural and economic ties with any other country, the United States continues to take the leadership in Free World assistance to Ethiopia while at the same time encouraging others to increase their assistance. The Sino-Soviet bloc has moved into the neighboring Somali Republic and is attempting to exploit the unstable situation that exists there through grants and credits designed to increase its influence in key sectors of the economy. Because of this, and the threat to the stability of the area posed by deep seated antagonisms between Ethiopia and Somalia, it remains in the U.S. interest to lead a coordinated Western assistance program in order to enhance U.S. ability to exert a moderating influence in the Horn of Africa.

A fourth, and increasingly important element of the U.S. aid program in Africa relates to the concentration of assistance in countries and in programs where tangible positive results are most likely. We have sought to concentrate our assistance in countries which have favorable development potentials but with a clear insufficiency of external developmental assistance. By concentration of U.S. economic assistance in such promising countries as Nigeria, Tunisia, Sudan, and Liberia it is hoped that we can create political and economic models for the rest of Africa. Except for Liberia, these countries are relatively more advanced than most African states, are each becoming increasingly important in the Free World community, and can and do exert considerable influence on the future course of events in all of Africa. Almost 70% of the proposed A.I.D. program for Africa for FY 1964 is directed to these four countries, the Congo (Leopoldville), and regional activities.

U.S. aid policies common, in varying degrees, to all four of the aforementioned "concentration" countries include: (a) formally or informally, assuming a leadership role in supporting the development plans of each country, while at the same time encouraging increased developmental assistance from other Free World nations and from international agencies; (b) within the total amount of U.S. assistance provided, maximizing the assistance provided under the Food for Peace program and by the Export-Import (Ex-Im) Bank, subject to the criteria applicable under these assistance programs; (c) within the U.S. A.I.D. assistance provided, maximizing the portion provided under the Development Loan program for specific developmental projects, subject to applicable criteria; (d) seeking to maximize the aid-recipient country's contribution toward its development plans, through the adoption of effective self-help measures in such fields as budget formulation, taxation, export promotion, education, and the establishment of effective institutional means for democratic government; and (e) providing U.S. assistance only when such assistance has not been forthcoming in adequate amounts from other Free World sources and from international agencies.

The largest single aid recipient is Nigeria, the most populous country in Africa (over 40 million). It has a heritage from British rule of democratic values and political institutions. Its reservoir of trained manpower is not large but nonetheless above average in Africa. It has significant economic resources and an excellent potential for economic growth and development. It has important leadership capacity in Africa, has proclaimed an independent foreign policy sympathetic to the West, and looks to the West for encouragement and support in the field of economic development.

By building on this position of relative strength in Africa, it is the U.S. objective to see that Nigeria develops in an orderly

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fashion as a strong, united, and independent nation which provides leadership, sense of direction, and example to other countries of Africa. The major element of our strategy in Nigeria is the U.S. commitment to support the Nigerian Six-Year Development Plan in the amount of $225 million. This commitment includes all resources provided by A.I.D., development-type credits by the Ex-Im Bank, and any food provided under P.L. 480. The U.K. has committed $50 million in support of the first two years of its former colony's Plan. West Germany has thus far pledged $25 million. Canada and Israel are also assisting, and it is hoped that Japan and others will also contribute.

In addition to concentration of African A.I.D. assistance within a few countries, A.I.D. strategy is also directed toward program concentration in such key fields as education (including vocational education), public administration, and agriculture. Inasmuch as U.S. assistance is usually only a small part of a recipient country's resources, and therefore has only a limited capacity to influence events, it is essential that our activities be concentrated narrowly enough to obtain tangible results.

In contrast to the above, there are some 15 ex-French and ex-Belgian countries which are receiving very substantial aid and trade benefits from their former metropoles and the EEC. U.S. interests here are largely political. Our modest--in many cases, token--assistance to each of these countries permits them to continue placing major reliance on the Europeans, while keeping the Soviet bloc out.

The governments of these countries are frequently subjected to charges, both domestically and from more radical African countries, of submitting to a form of neo-colonial dependence. Because of this, such governments find it politically imperative to diversify their sources of external assistance. Apart from U.N. and other international programs, the alternatives to total reliance of these countries on European assistance are limited for practical purposes to the United States and/or the Soviet bloc. It may often be in the U.S. interest to supplement European assistance to these countries because: (a) our assistance makes continued major reliance on the former metropole politically feasible, and thereby helps to maintain moderate pro-Western regimes in power; and (b) U.S. assistance establishes an independent and favorable U.S. identification with the economic and social betterment of the African people--an identification which is often serviceable in securing essential political cooperation with the United States. (Although the ex-metropoles can be relied upon to maintain a generally pro-Western posture among such countries, there are issues concerning which either the degree or nature of U.S. interest varies from that of the ex-metropole--such as on Cuba, the Congo, etc.--and where an independent U.S. leverage is desirable.)

In this context, it is neither appropriate nor desirable for A.I.D. to take the lead in providing external assistance. Initiatives of this kind should properly lie with the ex-metropole countries. Wherever possible, the United States does try to work in harmony with the ex-metropole and where necessary to point out significant problems and needs of the country concerned. Assistance to these countries is generally limited to Peace Corps activities, development grants for specific short-term technical assistance projects, and to occasional development loans. Implementation of U.S. A.I.D. strategy in these 15 countries will continue to require a relatively modest expenditure of A.I.D. resources.

Flexibility in being able to respond to special country situations in Africa is another element of our assistance strategy in Africa. The Congo is an example of this type of strategy. Progress in the Congo must be realized through flexible U.S. aid policy. Progress there must be reckoned in relative and broad political terms. Soviet efforts at subversion there have largely been frustrated; a moderate central government cooperating with the U.N. and the West is still in power; the major secessionist movements have been controlled; and internal security has been improved. With the reintegration of Katanga, the situation there now permits an acceleration and concentration of U.N. and bilateral efforts addressed toward political and economic stabilization of that dislocated area, and a de-emphasis of military activities.

For the shorter term, our U.S. policy in the Congo is directed primarily at meeting three urgent problems: (a) the development of a new role for the U.N. as coordinator of all bilateral assistance activities; (b) the implementation of a comprehensive economic stabilization program to contain the already serious inflation; and (c) the improvement of internal security through programs for military and police training. The containment of inflation in the Congo is of particular importance at this time; if allowed to continue unchecked, inflation will progressively undermine the already fragile fabric of central government control over the provinces and the army, and thereby seriously jeopardize the future political stability and internal security in the Congo.

Lastly, U.S. A.I.D. strategy in Africa involves the use of various administrative and procedural "tools" designed to facilitate progress toward our objectives. To the maximum extent feasible, we seek to emphasize loans over grants; to favor loans for specific projects over loans for general import financing; to restrict loans to economically sound projects, where the recipient country

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undertakes a responsibility to finance a substantial portion of the local currency and all recurrent costs that may materialize as a result of such projects; to favor loans that provide an improved climate for expansion of private enterprise; to provide assistance only when such required assistance has not been forthcoming from other Free World donor countries or international organizations; and to "irregularize" assistance levels so as to avoid giving recipient countries the impression that they can regularly expect a relatively fixed amount of U.S. assistance.

Additionally, it is our general policy to coordinate U.S. assistance programs with aid efforts of other Free World nations on an over-all basis as well as at country and project levels. U.S. efforts are directed not only toward encouraging increased assistance by existing donors, but also in obtaining the participation of other Free World donors and toward maximizing the effectiveness of assistance through improved terms, general agreement on objectives and criteria, and coordinated programming. These efforts are being carried out through multilateral and bilateral channels, especially the Development Assistance Committee (DAC), which includes major and smaller West European donors and the IBRD.

The highly selective nature of the above-outlined U.S. economic assistance principle implies selectivity in implementation and administration. In order to minimize the number of American technicians abroad in each of these countries, regional teams, specializing in such technical fields as education or health, have been located at one place in the field to service several country programs. Every effort has been and continues to be made to minimize the number of U.S. technicians present, particularly in those countries where the United States has only a subordinate interest to that of the former metropole. In ten of the countries in Africa, there exists what are termed "delegated post" arrangements. No separate A.I.D. Mission or organization exists in such cases. The Ambassador is responsible for the conduct of A.I.D. affairs, and the number of people on his staff dealing with A.I.D. matters is limited. To the extent possible, management and operating functions are performed in Washington by geographic area offices, or at central locations in the field.

FY 1964 Program

The Executive Branch proposal for FY 1964 A.I.D. assistance to Africa totals $338 million consisting of $165 million in Development Loans, $104 million in Development Grants, $64 million in Supporting Assistance, and $5 million in Contributions to International Organizations. These figures compare with estimated A.I.D. assistance this year of $271 million ($100 million Development Loans, $90 million Development Grants, $42 million Supporting Assistance and $39 million Contributions to International Organizations). In FY 1962, the amount for these A.I.D.-funded programs in Africa totaled $293 million ($86 million Development Loans, $107 million Development Grants, $59 million Supporting Assistance and $43 million Contributions to International Organizations).

The Development Grant program proposed for Africa in FY 1964 will continue to concentrate on technical assistance activities in education and agriculture. The major portion of this program is in the educational field and consists of services, principally from American universities under contractual arrangements. These universities are assisting and advising Africans who engage in teacher training, vocational education, and education in public administration, health, and agriculture. The program is directed toward the training of Africans largely within Africa, and the development of the institutional framework essential to the provision of teachers, electricians, farm agents, health officers, etc., required if the African nations are to obtain a measure of economic growth. A significant portion of the program involves the transmission of American techniques of farm research, experimentation, and land and water conservation in order to help Africans make better use of their available resources.

While most of such assistance proposed for these programs needs to be largely implemented on a bilateral basis where funds can be directly used to further development efforts, increasing emphasis is being given to providing Development Grant assistance on a regional basis. Such an approach is followed in order to encourage African nations to maximize the uses of their scarce resources through joint or multi-country approaches to common economic and social problems. Existing African organizations and institutions are utilized where possible. For example, the United States is funding scholarships in African institutions of higher learning for students of other African countries. Also, the United States is supporting activities of such organizations in Africa as the CCTA of which 26 African governments are full members; the Organization for Control of Endemic Diseases (OCCGE) with an African membership of seven nations; and the East African Desert Locust Control (EADCLO) recently formed by six African nations. The efforts of these organizations are concentrated mainly in the fields of health, agriculture and education.

The development lending program in Africa is characterized by a variety of activities. Loan applications or proposals exceed the appropriation request by a considerable margin. Although these projects are all considered to have merit, it is recognized that

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the necessary review and analysis required to insure project technical and economic feasibility will probably result in some projects being delayed or dropped entirely. There is a concentration in FY 1964 in the fields of transportation, education, water resources development and industry. Because of the particular emphasis in Africa on education, a significant number of projects involve loan proposals for the construction of educational facilities. Prior to this year, this type of activity had been carried out primarily on a grant basis. In the transportation field, projects consist of the improvement and development of road, rail, and air facilities. Industrial activities include development and expansion in chemicals, cement, small processing plants, and the possibility of a steel mill in Nigeria. Probably the largest single activity will be the proposed U.S. participation in the Niger Dam power complex in Nigeria.

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Algeria

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Algeria - BASIC ECONOMIC DATA

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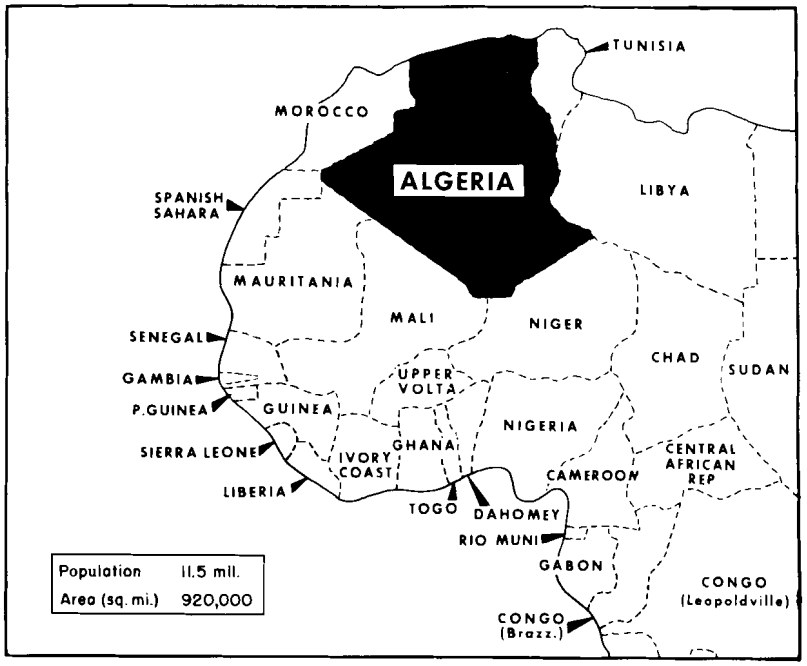

Annual Population Growth	2.5%
Gross National Product (1961)*	
Total ($ Million)	3,170
Per Capita GNP (Dollars)	281
Agricultural Land	
Percent of Area	19%
Acres per Capita	10
Literacy Rate	9%
Pupils - % of Pop. (Primary/Secondary)	10%
Life Expectancy (years)	42
People per Doctor	57,500

	1959	1960	1961	1962 (Est.)
AGRICULTURAL PROD. INDEX (1952-54=100)	102	116	80	103
Per Capita Index	87	98	67	84
Wheat (1,000 MT)	1,105	1,897	653	1,225
ELECTRIC POWER OUTPUT (KWH per capita)	108	117	125	n.a.
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	365	557	674	770
Petroleum	(17)	(163)	(306)	(400)
Total Imports (c.i.f.)	1,140	1,265	1,024	650
Trade Balance	-775	-708	-350	+120
INDUSTRIAL PRODUCTION INDEX (1958=100) a/	102	111	110	n.a.
COST OF LIVING INDEX (1958=100) (Algiers)	110	115	119	n.a.

* Converted at 4.937 francs per U.S.$.

a/ Excludes oil and natural gas.

Country Background

Algeria's location, population, military strength, revolutionary prestige, oil and other resources, strategic importance and the energy and ambitions of its leaders make it potentially the most powerful country in North Africa. It is certain to exert a strong influence on future developments concerning the United States in Tunisia, Morocco and Libya and is likely to assume a leadership role in any future Mahgreb combination of North African countries.

Algeria became independent last July. After seven and one-half years of guerilla warfare, it is faced with large areas of devestation and massive numbers of unemployed, underemployed and indigents. Its economy, tied for 130 years to metropolitan France, has been disrupted by the departure of three-fourths of the French nationals who were dominant in the political and economic life of the country. Algeria's new and dynamic government, its revolutionary zeal somewhat tempered by the need for pragmatic solutions to overwhelming problems, has made a start toward recovery which may be painful and long.

The widespread departure of French settlers and withdrawal of their capital as well as skills, together with the war devastation, brought the economy to a near standstill. As a result, between one and two million Algerian workers are estimated to be without jobs or sufficient income to provide the needs of dependents. During the past winter, the United States, through P.L. 480, provided surplus farm commodities sufficient to sustain about 4,000,000 Algerians. Factories, stores, and workshops have been slow to reopen. Many of the larger farms remained fallow until the government undertook a massive replanting campaign to feed its citizens with a spring crop in 1963.

Politically, a government headed by Premier Ahmed Ben Bella and drawn from members of the Front de Liberation Nationale (FLN) was installed in September 1962 and has effective control over the country. The government has banned the Communist Party. It espouses a policy of non-alignment in its foreign affairs and appears to be striving toward cooperative relations with Western nations. Aid has been and probably will continue to be accepted in the future from bloc countries, though not as yet in significant quantities.

One of the consequences of the Algerians' long struggle for independence is their strong sympathy with other revolutionary movements. This affinity was the basis of Premier Ben Bella's visit to Cuba last fall, after his trip to the United States. Expressions of Algerian Government sentiments siding with Castro have noticeably decreased since then.

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U.S. Objectives and Strategy

U.S. objectives in Algeria are necessarily interim now. It is in the U.S. interest that Algeria: (a) rebuild its economy and institutions; (b) achieve internal political stability and form improved ties with Western and neighboring countries; (c) develop a new, French relationship conducive to primary Algerian reliance on France for aid; (d) use its resources in development for the benefit of its people and; (e) channel its energies toward internal reconstruction and away from external adventures. The United States plans to play a supplementary role of sympathy and helpfulness without distracting from or substituting for Algerian ties with France and Europe.

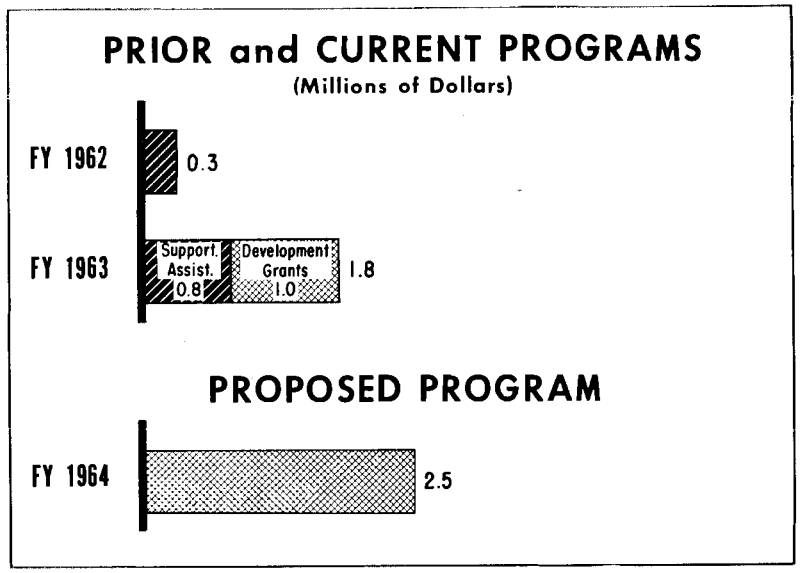
The economic aid strategy is, first to help Algeria through its initial critical period while its governmental policies and directions are being formulated and the Algerian-French relationship pattern is being worked out, concentrating in this period on the most urgent problems of the needy and unemployed, and of reviving the economy. It is planned to expect and encourage reliance by Algeria primarily on aid from France, other Western European and Free World countries and international organizations, combined with its own resources, to cope with its problems of rehabilitation and longer range development. The United States plans, and in FY 1963 is beginning, to provide assistance for rural rehabilitation on a limited scale at a level sufficient to show continuing direct interest in Algerian stability and progress while not conveying the implication of U.S. intention to fill the total gap in Algerian external resource requirements unmet from other sources.

Current Situation

Since independence, Algeria has demonstrated a desire to establish cooperative relations with Western nations. French-Algerian bilateral assistance agreements have been signed. Algeria has requested assistance from the U.N. Special Fund and is encouraging assistance from other friendly countries. Premier Ben Bella has encouraged the participation of foreign private investors, including those from the United States, to help industrialize Algeria as well as develop her potential resources.

The Algerian Government has acted in responsible fashion, concentrating on its internal problems (organization, security, unemployment, agrarian reform, economic recovery) and pursuing a moderate policy toward its North African neighbors.

The extent of French interest in Algeria is indicated by the fact that over the past five years, 80% of Algerian exports have gone



to the metropole and more than 80% of Algerian imports came from France.

Under their bilaterial agreements, France recently agreed to provide substantial economic assistance. In calendar year 1963 this sum will be approximately $260 million for development aid and budgetary support. About $200 million will be development aid mostly under the "Constantine" plan which provides for the development of industry and housing, aid in land reform and improvement of educational facilities.

Effective support was provided by the Algerian Government to the American voluntary agencies in facilitating the transportation and distribution of P.L. 480 foodstuffs under last winter's mass emergency feeding program. In addition, the Government of Algeria (GOA) is taking steps to convert the emergency feeding program to a series of "Food-for-Work" projects for the employable elements in the population.

FY 1964 Program

The FY 1964 Agency for International Development (A.I.D.) program assumes the replacement of the emergency feeding program by a P.L. 480, Title II "work relief" activity, directed at rural rehabilitation and development. Some need for emergency feeding

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for widows, orphans, injured and other unemployables is expected to continue, however. The value of the Title II and III programs is estimated roughly at $70 million in Commodity Credit Corporation cost plus transportation at current levels.

Some Development Grant funds will be required to supplement the "Food-for-Work" program by providing U.S. technicians to guide the planning and implementation of the rural rehabilitation projects, as well as small hand tools and other commodities to support these projects. Development Grant funds would also be used to finance a small number of participants. A small amount of development lending also may be provided in FY 1964.

Algeria is expected to receive large external assistance from non-U.S. sources. Apart from French aid this year, substantial development loans are anticipated from West Germany, Kuwait, and the United Arab Republic (UAR); technical assistance and commodities are likely from Switzerland, Norway, and Yugoslavia; technicians and physicians from bloc countries; and aid from U.N. technical assistance agencies.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

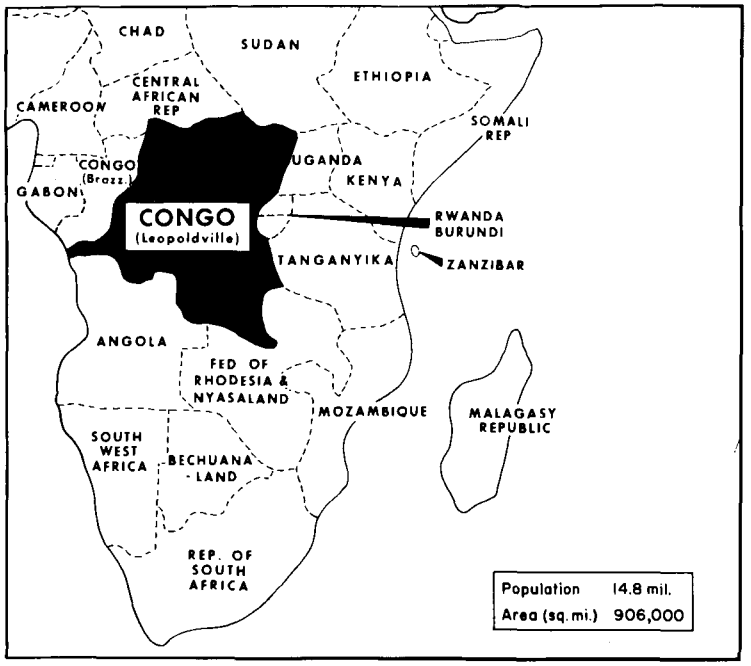
	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	-	1.0	2.5
Agriculture and Natural Resources	-	0.9	2.3
General and Miscellaneous	-	0.1	0.2
Supporting Assistance - Total	0.3	0.8	-
Project	0.2	0.8	-
Non-Project	0.1	-	-

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	-	0.3	0.3
Technical Coop./Development Grants	-	-	-
Development Loans	-	-	-
Other A.I.D.	-	0.3	0.3
FOOD FOR PEACE (P.L. 480) - TOTAL	2.3	10.1	14.7
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	-	6.4	6.4
Title III	2.3	3.7	8.3
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	-	-	60.0
UN Tech. Ass't. (CY ending in FY)	*	*	*
Eur. Econ. Community Devel. Fund	17.7	-	17.7
SINO-SOVIET BLOC ASSISTANCE (CY)	-	6.0	6.0

*Less than $50,000

Congo
(Leopoldville)

Congo (Leopoldville)- BASIC ECONOMIC DATA



Annual Population Growth	2.5%
Gross National Product (1959)*	
Total ($ Million)	1,220
Per Capita GNP (Dollars)	88
Agricultural Land	
Percent of Area	22%
Acres per Capita	9
Literacy Rate	50%
Pupils - % of Pop. (Prim/Second.)	11%
Life Expectancy (years)	n.a.
People per Doctor	60,300

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	117	118	94	86
Per Capita Index	105	104	81	72
Cassava (1000 MT)	7,212	7,500	6,000	6,000
COPPER, Smelter production (1000 MT)..	280	301	294	n.a.
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	472	n.a.	390a/	n.a.
Copper	(160)	n.a.	n.a.	n.a.
Total Imports (c.i.f.)	285	n.a.	230	n.a.
Trade Balance	+187	n.a.	+160	n.a.
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil) (official holdings)	87b/	63	20	12(June)

* Converted at 50 Congo francs per U.S. dollar.
a/ - Incomplete.
b/ - Includes holdings of Rwanda and Burundi.

Country Background

The Republic of the Congo (Leopoldville), third largest country on the African continent and larger than the United States east of the Mississippi, is among the richest in Africa in natural resources and economic development potential. It includes the bulk of the immense basin of the Congo River system with its rich mineral resources, vast untapped hydroelectric power potential, and only partially developed agricultural potential. The Congo is one of the major world producers of copper, cobalt, manganese, diamonds, palm oil and kernels, rubber, and coffee. Its economy at the time of independence was stronger and more diversified, and had a greater per capita infrastructure and capital investment than any other newly independent tropical African country.

However, there are important problems in the Congo's base for economic development. In spite of highly productive plantations and industrial complexes in the Katanga, the bulk of the population still work in subsistence agriculture. There is an almost total lack of managerial and leadership skills in the private and public sectors. Under the Belgians, only about one in ten students completed primary school and a handful had any form of secondary education.

Since independence, the Congo has not had sufficient stability to begin a comprehensive program of economic, social and political development. When independence was precipitously granted, the Congo was unprepared, resulting in an explosion followed by progressive political and economic deterioration. The initial outburst of violent anti-colonialism touched off by the mutiny of the army led to a collapse of physical security, Belgian withdrawal, tribal violence and three secessionist movements. The Central Government largely ceased to function as an effective political and administrative organism, transportation and communications broke down and the economy stagnated. The bloc and radical Afro-Asian nationalists intervened, first in support of the erratic Lumumba regime and subsequently the Gizenga seccessionist movement.

The U.N. intervened to restore order with the full support of the United States. This collective response consisted essentially of: (a) a politico-military effort to re-establish security and create conditions under which the Congolese could resolve their differences and establish an effective central government; (b) import assistance to prevent economic collapse; (c) key personnel to maintain the essential administrative and technical government services; and (d) initiation of long-range technical assistance programs.

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Country: CONGO (Leopoldville)

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U.S. Objectives and Strategy

Major U.S. objectives in the Congo are:

(1) Establishment of a unified, independent state and development of institutions capable of maintaining political stability and initiating a program of economic and social development;

(2) Prevention of Soviet penetration and extension of the cold war into the Congo;

(3) Gradual phasing out of the U.N. operation on terms which will reflect credit on the organization and enhance its prestige and authority; and

(4) Development of relationships between Belgium and the Congo which will permit Belgium to assume the main burden of future assistance to the Congo on terms acceptable to the Congo and the U.N.

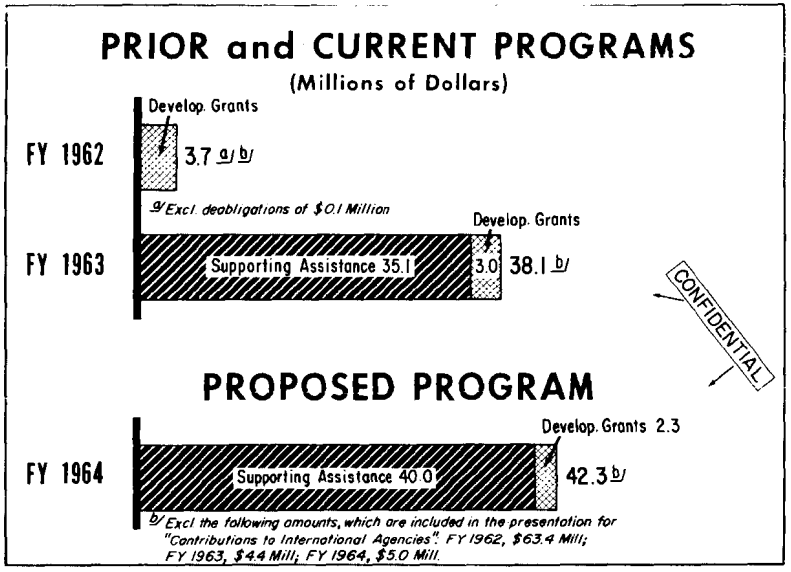
The strategy of U.S. assistance to the Congo in the next two to three years should be a concentrated and purposeful support of a stabilization program. This will require both the provision of supplementary technical and financial resources and the assumption of a vigorous leadership role vis-a-vis the Congolese Government, the U.N. and other donors to achieve maximum concentration and coordinated effort on this priority problem. U.S. assistance not directly related to stabilization or physical security is to be sharply de-emphasized until such time as stabilization is achieved. A central element of the strategy will be to maintain and strengthen the U.N. as the over-all coordinator of assistance and to expand and channel the assistance of other donors within this broad framework.

Major lines of action will be:

(1) Support of a vigorous program of economic stabilization through provision of import support and assistance in bringing the budgetary situation under control;

(2) Support of a program for the reorganization and retraining of the Congolese Army;

(3) Support of measures to promote political stability and to improve the effectiveness of government administration on all levels; and



(4) Limited support of long-range activities particularly in education.

Current Situation

Progress in the Congo at this stage must mainly be reckoned in broad political terms. Soviet efforts at subversion have been frustrated. A moderate central government cooperating with the U.N. and the West has been maintained in power. The major secessionist movements have been controlled and internal security has been substantially improved. Despite continued economic stagnation and the serious threat of inflation, the economic apparatus of the country remains largely intact. In fact, during the past year, exports improved substantially. In the main, though, staggering numbers of short-run economic, political and administrative problems remain. However, with the reintegration of Katanga, the situation now permits a concentrated effort for their solution.

Some progress has been made on the long-range education and manpower problems. The technical assistance program of the U.N. Congo Fund, in cooperation with U.S. and other bilateral activities has established a number of specialized schools in such fields as administration, teacher training, agriculture, public

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works, and mining. A comprehensive reorganization of the educational system is in progress. Intensive training efforts are being conducted in a wide variety of subjects. Assistance is being given to Lovanium University to permit a rapid expansion of its enrollment. An integrated program of development assistance coordinating the efforts of all concerned remains to be achieved but prospects for improvement are good. Increasing offers of assistance are being received from European countries and multilateral organizations which should provide a broadly based pool of support for a long-term program.

There are three urgent problems which require immediate and vigorous action if the progress achieved is not to be jeopardized: (a) the development of a new role for the U.N. as coordinator of bilateral assistance activities; (b) the implementation of a comprehensive economic stabilization program to contain the serious inflation; and (c) the improvement of internal security through programs for military and police training.

With the reintegration of Katanga the emphasis of the U.N. operation in the Congo must be shifted from military to civilian activities. The continued political weakness of the Congo Government makes the maintenance of a U.N. coordinating role essential both to achieve the best use of increasing offers of bilateral assistance and to insulate the Congo Government from pressures from the Soviet bloc.

The future of the Congo is dominated by the spectre of runaway inflation. If allowed to continue, inflation will undermine the already fragile fabric of Central Government control over the provinces and the army and seriously jeopardize the future political stability and internal security of the Congo. Effective control of the inflation is essential to political consolidation and achievement of U.S. security objectives in the Congo. Nothing less than an adequately-financed, well-coordinated and well-staffed stabilization program, pursued with resolution and resourcefulness, will avoid runaway inflation and political chaos in the Congo.

The lack of effectively organized, well trained and disciplined military and police forces continues to threaten the internal security of the Congo. In addition, the bloated military establishment constitutes a serious drain on government finances which is a major cause of inflation. It is imperative that effective training and reorganization programs be carried out under multilateral auspices as soon as possible.

FY 1964 Program

The U.S. program in FY 1964 will be directed almost exclusively toward the implementation of a vigorous stabilization and internal security strategy and will be closely integrated with the contributions of the U.N. and other donors in a coordinated effort. Funds for import support will be shifted to long-term loans beginning in FY 1964, supplementing the maximum possible use of P.L. 480, Title I sales. Contributions to the Congo Fund (technical assistance) may be as high as $5.0 million in FY 1964 depending on the progress of the U.N. in gearing the activities of the Fund to the stabilization program, but it is not intended that the U.S. contribution to the Fund (requested in the "Contributions to International Organizations" appropriation) will exceed 50% of the total. Development Grant activity for FY 1964 is planned at a level of $2.3 million, mostly concentrated on direct support of stabilization and internal security. Other Development Grant projects are proposed for equipment and training of civil police and the customs service, for training of finance services, for support of the National School of Law and Administration and continuation of the English language training program.

Country: CONGO (Leopoldville)

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	3.6	3.0	2.3
Agriculture and Natural Resources	1.3	0.8	-
Education	1.7	1.0	0.2
Public Safety and Public Administration	0.4	0.8	1.6
General and Miscellaneous	0.3	0.4	0.5
Deobligations During FY 1962	-0.1	xx	xx
Supporting Assistance - Non-Project	(38.0) a/ b/	35.1 a/	40.0
International Organizations and Programs b/	(25.4) c/	(4.4) d/	(5.0) d/
Food for Peace, Titles I & IV:			
Country Uses	11.0	27.5	27.0
(Sales Agreements)	(12.2)	(30.5)	(30.0)
Military Assistance Program	-	3.4	- e/

a/ Represents contributions from "International Organizations and Programs" appropriations to U.N. for commodity assistance to the Congo shown here for comparability.
b/ Details in Section on Contributions to International Organizations. Shown here for information only.
c/ Consists of $5.2 million for U.N. technical assistance and $20.2 million for military purposes.
d/ For U.N. technical assistance. See section on Contributions to International Organizations.
e/ Modest program anticipated. Magnitude unknown at this time. Programs will be funded from the "Special Africa MAP Program."

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	67.3	67.0	134.5
Technical Coop./Development Grants	-	3.6	3.7
Development Loans	-	-	-
Other A.I.D.	67.3	63.4	130.8
FOOD FOR PEACE (P.L. 480) - TOTAL	8.2	16.7	25.0
Title I, Country Uses	-	10.9	10.9
(Sales Agreements)	(-)	(12.2)	(12.2)
Title II	7.6	4.2	11.8
Title III	0.6	1.6	2.3
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE a/			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	-	-	150.0 b/
UN Tech. Ass't. (CY ending in FY)	0.1	0.1	0.2
Eur. Econ. Community Devel. Fund	2.8	-	5.0
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-
LOAN $ REPAYMENTS & INTEREST	-	-	-

a/ Annual data are net deliveries.
b/ Includes $30.0 million loaned to Belgium Government for Congo.

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EAST AFRICA

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This section prefaces the discussions of Kenya, Tanganyika, Uganda and Zanzibar, formerly known as British East Africa. Tanganyika and Uganda have acquired full independence, while preliminary steps toward the independence of Kenya and Zanzibar are proceeding. Strong regional ties continue among the four, which the United States would like to see strengthened and expanded.

The economies of all four countries rely heavily on agriculture for income, although Kenya's industry and commerce are significant. Uganda's and Zanzibar's economies are least diversified in the overwhelming reliance on cotton and coffee in the former, cloves and coconut products in the latter. Tribal, ethnic and sectional differences are present throughout the area but offer the greatest potential danger in Kenya and Zanzibar. The entire area suffers from a shortage of sufficiently trained manpower.

Tanganyika has been independent long enough to establish key national policies and gain support for its development program, while recently independent Uganda is well on the way to doing so. In Kenya and Zanzibar, Africans have been playing an increasingly active role in government decisions but truly national determinations can only be made after independence.

There are a number of existing regional links in East Africa including provision for free trade in the area. The East African Currency Board issues a common currency. The East Africa Common Services Organization administers the railways and harbors; postal and communications services; civil aviation; collection of income taxes; customs duties and excise taxes; meteorology; preparation of statistics; and agricultural, medical and industrial research. A University of East Africa has recently been established which incorporates, under general direction, the Royal College, Nairobi; Makerere College, Kampala; and University College, Dar es Salaam.

The maintenance of these kinds of ties, avoiding wasteful duplicative efforts and retaining free trade, illustrate possibilities of effective economic cooperation in this area. Such cooperation could provide a basis for the emergence of some form of political federation under responsible African leadership which could serve to subordinate the divisive regional and tribal rivalries endangering the stability of individual countries.

The Agency for International Development (A.I.D.) plans regarding East African regionalism are:

1. to regard the advocacy of an East Africa Federation as a function of African leadership while discreetly encouraging others to support this leadership;

2. while looking to the U.K. as the principal donor in regional as well as individual country assistance, to recognize the greater difficulty of the metropole power in influencing regional interrelationships and be prepared to advocate a more active role for other donors; and

3. to extend and urge other donors to extend both technical and capital assistance to regional organizations on terms as advantageous as those provided individual countries in East Africa.

In addition to the program goals stipulated for each country, A.I.D. will assist the individual governments to "Africanize" regional institutions as rapidly as practicable consistent with the maintenance of efficiency through assistance in training and technical advice. Through specific aid to the University of East Africa, A.I.D. hopes to promote regional cooperation in university education.

ZANZIBAR

Because of Zanzibar's limited importance to U.S. interests, the description of A.I.D.'s role in that country is treated in the following material, rather than under a separate section.

The Protectorate of Zanzibar is composed of the islands of Zanzibar and Pemba, as well as nominal title to a long stretch of the Kenya coast. Pre-independence elections are expected to be held in mid-1963 with independence from Britain likely to follow in early 1964 if proper conditions exist. Zanzibar approaches independence with problems of Arab-African racial hatred, Communist subversion, and economic stagnation.

Zanzibar's financial position, based entirely on an agricultural economy, has been deteriorating, with operating budget deficits becoming more severe each year. The principal sources of government revenue are import and export duties, but these have declined with the falloff in the general economy. The Arab and Asian minorities in the total population of 300,000 dominate the economy. Many of the 230,000 Africans live as tenants on Arab or Asian land. Race relations have been severely strained since election riots in June 1961, and security has been maintained only by presence of British troops.

Assistance from both the Soviet and Chinese Communists has been encouraged by the two leading Arab and African dominated parties. This has taken the form of scholarships, visits to Communist

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countries, propaganda material and financial aid to politicians, and has been large in relation to Zanzibar's size and importance in Africa.

U.S. interests in Zanzibar look to the establishment of a responsible government which will resist Communist pressures and diminish racial hatred; and unhampered functioning of the NASA "Project Mercury" station. A.I.D. assistance is directed to providing a minimum "presence" and facilitating particular U.S. requirements such as the "Project Mercury" installation. A.I.D. plans to depend upon the U.K. to bear the major responsibility for Zanzibar, and plans to encourage the provision of opportunities for education and special training by other Western sources.

In FY 1964 A.I.D. proposes to provide approximately $30,000 for training in the United States to prepare Zanzibar personnel for government service. Assistance is to be provided Zanzibar for construction of a co-educational teacher training college.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	0.1	-	0.4
Education	-	-	0.4
General & Miscellaneous	0.1	-	-

FINANCIAL DATA

Obligations and Commitments (Millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L DEVELOPMENT-TOTAL	-	0.1	0.1
Technical Coop./Development Grants.	-	0.1	0.1
FOOD FOR PEACE (PL 480) - TOTAL	-	*	*
Title III.....	-	*	*
ASSISTANCE FROM INT'L AGENCIES			
UN Tech. Ass't. (CY ending in FY)..	0.1	0.1	0.4

*Less than $50,000

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Kenya

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Kenya-BASIC ECONOMIC DATA

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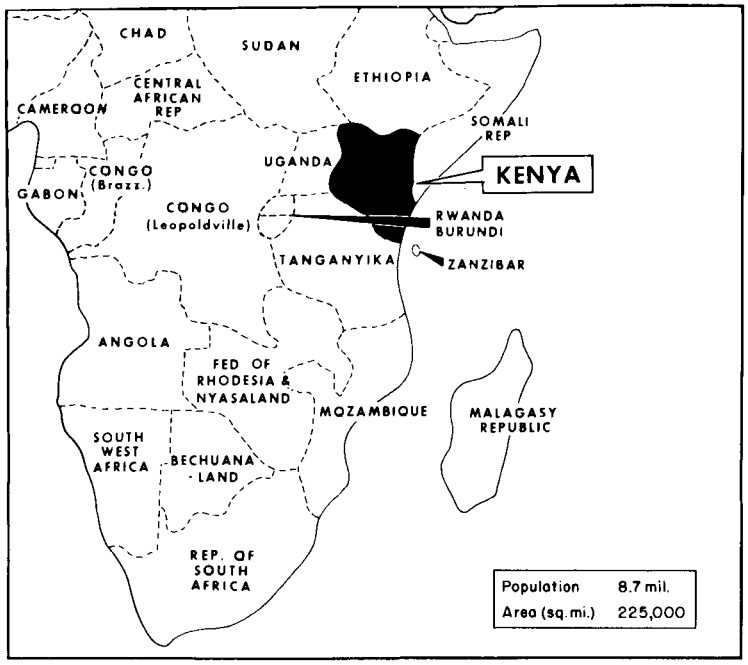

Annual Population Growth	3.0%
Gross National Product (1961)*	
Total ($ Million)	675
Per Capita GNP (Dollars)	80

Agricultural Land	
Percent of Area	28%
Acres per Capita	2
Literacy Rate	20-25%
Pupils - % of Pop. (Prim/Second.)	10%
Life Expectancy (years)	n.a.
People per Doctor	10,700

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	133	140	145	n.a.
Per Capita Index	113	115	116	n.a.
Corn (1000 MT)	1,000	1,200	1,341	n.a.
ELECTRIC POWER OUTPUT(KWH per capita) a/	50	53	55	62
INTERNATIONAL TRADE ($ Million) b/				
Total Exports (f.o.b.)	141	151	161	170
Coffee	(30)	(29)	(30)	(30)
Total Imports (c.i.f.)	187	216	213	210
Trade Balance	-46	-65	-52	-40
COST OF LIVING INDEX (1959=100) c/..... (Nairobi)	100	101	103	107

* Converted at $2.80 per pound.
a/- Includes imports from Tanganyika and Uganda.
b/ - Includes trade with Tanganyika & Uganda.
c/ - Food prices for Africans.

Country Background

Kenya occupies a pivotal position in East Africa, having traditional economic ties with Tanganyika, Uganda and Zanzibar. **Maintenance of a stable African government following Kenyan independence could contribute to a federation of East African nations.**

Kenya is now passing through a period of rapid political and constitutional change in a drive for independence by early 1964. The hazards of transition are heightened by intense rivalries between certain tribal groups and between the two African parties which form an uneasy governmental coalition. Adding to the tensions of change is the dominant position of the 300,000 non-Africans in the economy.

The uncertainty that has existed for the past two years as to the role Europeans will be permitted to play in an independent Kenya has led to a decrease in private investment, an outflow of capital and emigration of white settlers and expatriate civil servants. The consequence has been chronic unemployment, a deterioration in the cash economy and arrested growth.

Kenya possesses a substantial amount of highly productive land, relatively advanced institutions (communications, marketing system, financial institutions, etc.) and a small but significant industrial base which contributed to a creditable rate of economic growth prior to 1960. Kenya relies on a few cash crops for export earnings and substantial economic development is limited by this dependence. Since industry and commerce are dependent to a large degree on European consumers, these sectors will probably contribute less than they have in the past to the country's growth until African participation in the cash economy reaches a higher level.

Kenya's financial position since 1961 has been characterized by a substantial operating budget deficit, covered by U.K. grants, and by almost complete dependence on foreign assistance for its development budget.

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Country: KENYA

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U.S. Objectives and Strategy

U.S. interests in Kenya, given that country's continued dependent status and present political and economic outlook, focus on the achievement of an orderly transition to independence under conditions that will encourage the establishment of a stable responsible government which respects the integrity of its neighbors and the rights of all of its citizens. Related U.S. interests are: promotion of a development effort of sufficient breadth to minimize social and political unrest, the denial of sensitive areas of government and economy to the bloc, the maintenance of East African regional ties and economic cooperation, and the encouragement of a climate conducive to private investment.

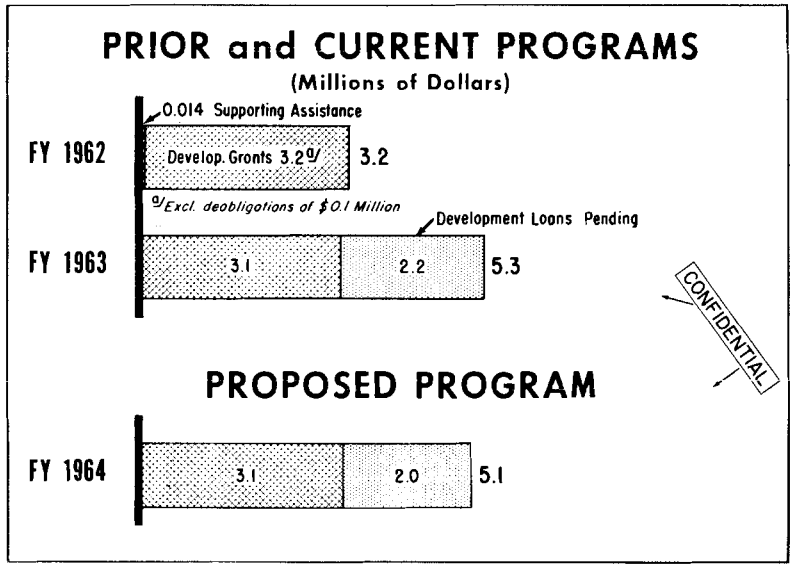
Agency for International Development (A.I.D.) will encourage the U.K. to continue budget support, technical assistance and development financing, and will seek to maximize other Free World aid. Support from the U.K. is estimated at $39 million ($15 million in loans) in FY 1963, an increase over FY 1961 and FY 1962 respectively of $17 million and $4 million. West Germany provided loans and grants of about $9 million in FY 1963, and Japan and Israel are providing technical assistance. The International Bank for Reconstruction and Development (IBRD) has made loans of $14 million to help finance roads and land resettlement and agricultural development projects.

A.I.D. assistance is designed to support that of other donors and provide evidence of U.S. confidence in, and goodwill toward Kenya and interest in her development under democratic self-government.

Current Situation

Kenya possesses a substantial amount of highly productive land, relatively advanced institutions (communications, marketing systems, financial institutions, etc.) and a small but significant industrial base which contributed to a creditable rate of economic growth prior to 1960. She is already mobilizing her resources by settlement of Africans on lands of high potential, improvement of agricultural field services, strengthening of cooperatives, expansion of secondary and higher education facilities, and by training Africans for the public service. By these measures, the 80% of Kenya's population now engaged in subsistence agriculture may be able to participate in the country's economic growth and become better equipped to govern themselves.

A.I.D. provides essential assistance in a number of these areas. Education projects have included construction of secondary schools, demonstration of the practicality of day schools instead of traditional boarding schools, and inclusion of vocational agriculture and industrial arts courses in the regular school curriculum. U.S. technicians have assisted in improving the competence of the



agriculture extension staff, and an A.I.D.-sponsored U.S. university is training the future faculty of East Africa's major agricultural college. Facilities for the Kenya Institute of Administration and a portion of the faculty are being provided by A.I.D. to train Africans for civil service. A Food for Peace project, following a severe drought and floods in 1961-1962, provided famine relief for more than 500,000 people.

In 1962 the IBRD reviewed the economic potential of Kenya and made recommendations designed to assist the Government in development planning for the next four years. Should this plan be adopted by an independent Government of Kenya, it will give sound direction to the formulation of policies to further expand and stimulate the economy.

FY 1964 Program

The proposed U.S. assistance level for FY 1964 is approximately $3.0 million in grants, about the same as in FY 1963. A.I.D. will direct this assistance toward realizing the following goals:

1. Agriculture. Kenya hopes to increase substantially cash marketings of African crop and livestock producers by improving extension services. Selected Africans will be provided training in the United States for higher level positions being vacated by expatriate officers. Rural youth and home economics

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programs are being introduced. Additional farmer training centers will be constructed to accommodate an expanded program of short training courses for farmers and their wives. U.S. experts will continue to assist in research and to give technical advice. A.I.D. has contributed to the construction of the East Africa Veterinary School and will provide part of the faculty and advice on the curriculum.

2. Education. Continued assistance is planned to increase the annual number of secondary school graduates. A.I.D. will construct several new secondary schools and provide part of the faculty for a new teacher training college. U.S. technicians will assist in the redirection of the educational system to make it relevant to Kenya's needs.

3. Government Management. To train Africans for jobs being vacated by expatriates, an American team of five specialists will teach and advise on curriculum, training methods and research at the Kenya Institute of Administration. Training in the United States will be provided for candidates for key jobs in public administration.

4. Community Development. A.I.D. will provide assistance in training and demonstration projects for the development of effective community organizations to carry out self-help projects.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	2.2	2.0
Health and Sanitation	-	2.2	
Development Grants - Total	3.2	3.1	3.1
Agric. & Natural Resources	0.7	1.0	1.3
Education	0.1	0.7	0.7
Public Safety & Public Admin.	1.0	0.6	0.4
Comm. Dev. & Social Welfare	0.1	0.2	0.2
General & Miscellaneous	0.3	0.6	0.5
Non-Project	1.1	-	-
Deobligations During FY 1962	-0.1	xx	xx
Supporting Assistance - Total	*	-	-
Non-Project	*	-	-

* Less than $50,000.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	0.3	3.2	8.2
Technical Coop./Development Grants	0.2	3.2	4.2
Development Loans	-	-	-
Other A.I.D.	0.1	*	4.0
FOOD FOR PEACE (P.L. 480) - TOTAL	1.5	8.2	10.2
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	1.4	8.0	9.4
Title III	0.1	0.2	0.8
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	-	8.4	14.0
UN Tech. Ass't. (CY ending in FY)	0.1	0.1	0.4
UN Special Fund	-	3.2	3.2
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-
LOAN $ REPAYMENTS & INTEREST	-	-	-

*Less than $50,000

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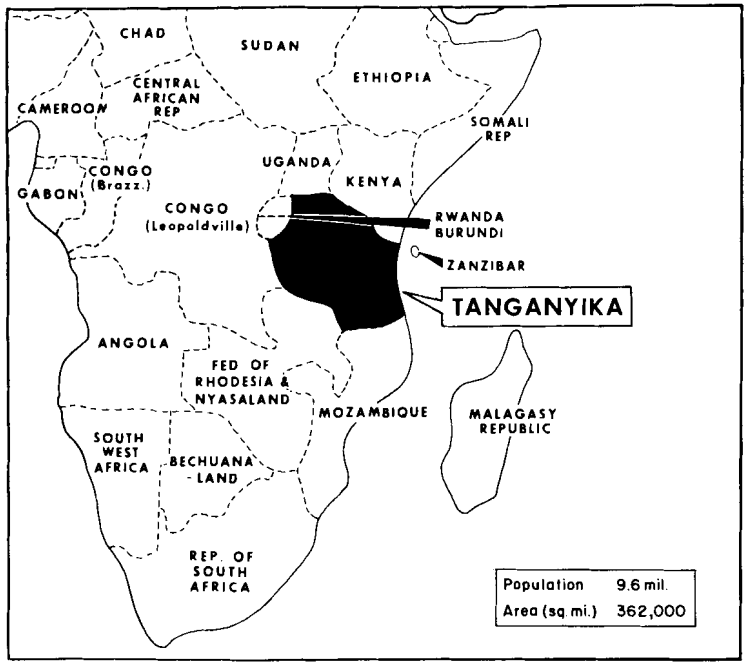
Tanganyika

Tanganyika- BASIC ECONOMIC DATA



Annual Population Growth	1.8%
Gross National Product (1961)*	
Total ($ Million)	555
Per Capita GNP (Dollars)	59
Agricultural Land	
Percent of Area	19%
Acres per Capita	4
Literacy Rate	5-10%
Pupils - % of Pop. (Prim/Second.)	6%
Life Expectancy (years)	n.a.
People per Doctor	16,800

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	139	148	144	146
Per Capita Index	128	133	127	127
Sorghum & Millet (1000 MT)	1,006	995	914	975
ELECTRIC POWER (KWH per capita) a/	22	23	24	25
INTERNATIONAL TRADE ($ Million) b/				
Total Exports (f.o.b.)	136	161	144	140
Sisal	(37)	(43)	(39)	(38)
Total Imports (c.i.f.)	119	132	141	140
Trade Balance	+17	+29	+3	-
COST OF LIVING INDEX (1958=100) ..... (Dar es Salaam)	98	99	100	100

* Converted at $2.80 per pound.
a/ - Includes exports to Kenya.
b/ - Includes trade with Kenya and Uganda.

Country Background

Tanganyika, a republic larger than France and Germany combined, but with only 9.6 million people, became independent in December 1961, following administration as a British Trusteeship since World War I. Tanganyika is led by the astute and popular Julius Nyerere who was inaugurated as the country's first President in December 1962. Faced with the enormous obstacles of poverty, a largely illiterate population, and a paucity of educated leaders, the slogan "Uhuru na Kasi" (Freedom and Work) continues to set the national tone. Nonracialism has been confirmed as the official policy of the Government and of the Tanganyika African National Union, the only political party. Although certain legislation has been passed which could provide a basis for authoritarian exercise of power, the Tanganyika Government's policy orientation under Nyerere's leadership has generally been moderate and the country continues to provide a constructive influence in East African affairs.

The task facing Tanganyika, if it is to achieve significant economic progress, is a gigantic one. The country's per capita Gross National Product (GNP) of $59 is extremely low. Basic facilities in transportation and communications are generally lacking. Nearly all of the approximately 9,500,000 Africans live largely in the subsistence sector. Most skilled positions are held by the 20,000 Europeans and 70,000 Asians living in the country. Although few Africans have ever received training in managerial, professional, technical or clerical fields, the government is under tremendous popular pressure to "Africanize" as quickly as possible. Some loss of administrative efficiency, particularly in local government, is already in evidence through replacement of expatriates; however, the Government is attempting to bring in personnel from other countries to fill key operating positions until such time as sufficient numbers of Africans have received higher-level training.

In 1961 Tanganyika adopted a three-year public sector Development Plan of $67.2 million based on a survey carried out by the International Bank for Reconstruction and Development (IBRD). Major emphasis of the Plan is in the fields of agriculture, education, and transportation. The Government is largely successful in meeting operating budget costs but must rely almost entirely on outside donors for additions to its capital facilities. The U.K. has been the principal aid donor. The United States in December 1961 committed $10 million of development loans to assist the Plan pursuant to Section 202(b) of the Foreign Assistance Act of 1961. The West German Government also has made an $8.7 million commitment. Additional assistance is contemplated from the IBRD/International Development Association (IDA). Other external aid donors in Tanganyika are the Nordic Council, Israel, France, Yugoslavia and the Soviet bloc.

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U.S. Objectives and Strategy

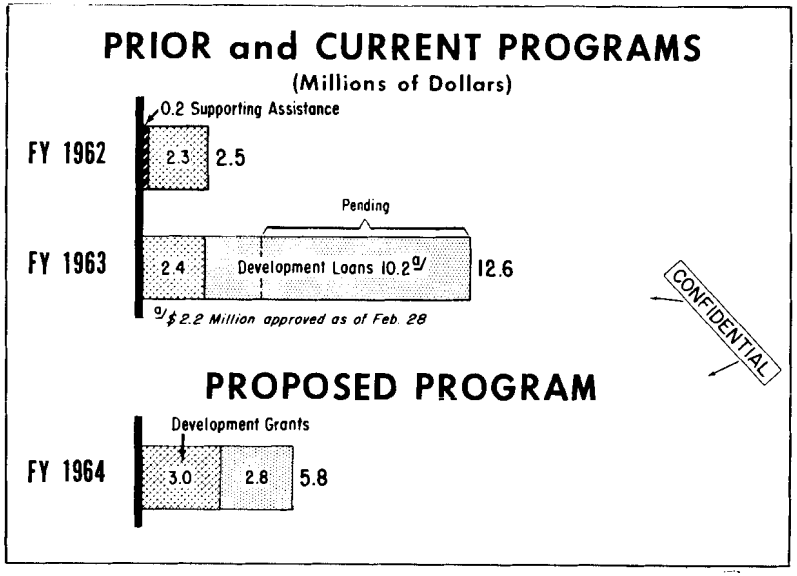
The main U.S. objective in Tanganyika is the continued success of responsible and stable government so that Tanganyika's leadership in African affairs will remain a moderating element. The achievement of this policy objective is, to a large extent, dependent on a satisfactory rate of economic and social development of Tanganyika in response to the demands of significant elements of the population.

Other U.S. interests related to Agency for International Development (A.I.D.) assistance are denial of sensitive areas of the government and economy to the bloc, continued reliance on Western sources for the major portion of economic and technical aid and continued support by Tanganyika of common East African economic ties and currency arrangements.

U.S. aid strategy in Tanganyika is to persuade the United Kingdom (U.K.) to maintain its higher level of assistance and remain the leading donor. The United States will also seek to maximize other Free World aid, primarily from the International Bank for Reconstruction and Development (IBRD) and West Germany. A.I.D. will utilize the U.K.-initiated Development Assistance Committee's coordinating group on East Africa to influence the composition of external resource allocations, indirectly stimulate increased assistance, and establish a mechanism whereby smaller countries can be encouraged to provide technical operating personnel. U.S. assistance will be in support of sound development projects in the present Development Plan and the ensuing Plan scheduled to begin on an expenditure basis in FY 1965. The United States will respond to the Government of Tanganyika's (GOT) request for a U.S. expert who, along with representatives from other countries, will provide advisory assistance in development planning. U.S. aid will include a continuation of a Section 202, P.L. 480 program for support of agricultural resettlement activities of the GOT.

Current Situation

The past year has brought a growing political awareness coupled with an intensification of desires for economic development. Tanganyika has approximately 120 tribes, but the breakdown of tribal loyalties and the development of a national consciousness have been proceeding rapidly--due largely to the success of the Tanganyika African National Union in becoming a truly national party, and to the successful leadership of Julius Nyerere. Disturbing elements in the political and social scene include the legalization of a single party system (counterbalanced somewhat



by making the single party open to all races) and the passage of a preventive detention act. However, the over-all policy tone of Nyerere government has been a moderate one and the prospects for political stability and the development of further political maturity are good provided a satisfactory rate of economic progress is achieved.

In attempting to bring about economic growth, Tanganyika is making a commendable effort to plan its development and concentrate its limited domestic and foreign assistance resources on high priority needs. President Nyerere's appeals for self-help as the keystone to development have been answered by tax increases, rural community projects and nationwide village improvements efforts. However, Tanganyika's efforts to move forward during the past two years have been sharply undercut by climatic disasters and an expected short-term decline in private investment. These events in combination with a 1.8% increase in population had as their effect a per capita income drop in 1961 and the diversion of scarce governmental funds from development projects to relief activities. Unfortunately, lingering effects of the natural disasters have continued, although a limited rise in 1962 per capita income largely restored the 1960 level and a more rapid rise is expected in 1963. Renewed vigor in private investments, recovery from climatic disasters, plus the strong emphasis of the

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Government on self-help should enable Tanganyika economy to meet recurrent operating needs from its own resources, although the country will continue to be dependent upon external aid to finance most of its development requirements.

A.I.D. Development Grants are providing assistance in establishing college-level programs for teacher training and agricultural education. A study of industrial development potential has been completed, a community development program is being given assistance, and both overseas training and U.S. personnel are being provided in key areas. Loans for capital projects have required extensive effort in preparation but are now being authorized in keeping with the $10 million commitment to the development plan.

FY 1964 Program

The proposed FY 1964 program will be designed mainly to assist in "Africanization" projects of the GOT. Aid will be concentrated on:

1. Assisting in the maintenance and improvement of the public service by: (a) constructing facilities and assisting in staffing an Institute of Public Administration; (b) providing overseas training programs for senior administrative and executive personnel; (c) providing experts to survey and streamline government operations; and (d) supplying a few U.S. operating personnel to fill posts critical to development.

2. Helping to develop Tanganyika's agriculture through (a) assistance to the Agriculture College; (b) improvement of the Agriculture Extension Service; and (c) guidance to agricultural and cooperative credit institutions.

3. Supporting the GOT's program of community development, primarily by helping to train Community Development workers.

4. Assisting in government plans to achieve a three-fold increase over 1961 in the annual number of secondary school certificate candidates by 1968 and four-fold increase in the annual number of higher school certificate candidates by 1968. A.I.D.'s planned activities in education include assistance to expand and improve teacher-training facilities and practices. In addition to possible loans for educational and training institutions, the Tanganyika Government is expected to seek loans for selected infrastructure projects.

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Country: TANGANYIKA

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	10.2	2.8
Industry and Mining	-	0.4	
Education	-	2.8	
Health and Sanitation	-	3.6	
Community Development	-	0.3	
Non-Project	-	3.1	
Development Grants - Total	2.2	2.4	3.0
Agriculture and Natural Resources	1.0	0.3	0.7
Education	0.6	0.2	0.9
Public Safety and Public Administration	*	0.5	0.5
Community Development and Social Welfare	0.2	0.4	0.3
Private Enterprise	*	0.2	0.2
General and Miscellaneous	0.4	0.8	0.4
Deobligations During FY 1962	*	xx	xx
Supporting Assistance - Total	0.2	-	-
Non-Project	0.2	-	-

* Less than $50,000.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	2.4	2.4	4.9
Technical Coop./Development Grants	0.2	2.2	2.5
Development Loans	1.9	*	1.9
Other A.I.D.	0.3	0.2	0.5
FOOD FOR PEACE (P.L. 480) - TOTAL	1.7	10.5	12.3
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	1.6	10.2	11.8
Title III	0.1	0.3	0.5
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	0.3	0.3
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)	0.1	0.2	0.9
IFC - Int'l. Finance Corp.	-	-	2.8
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-
LOAN $ REPAYMENTS & INTEREST	-	-	-

*Less than $50,000

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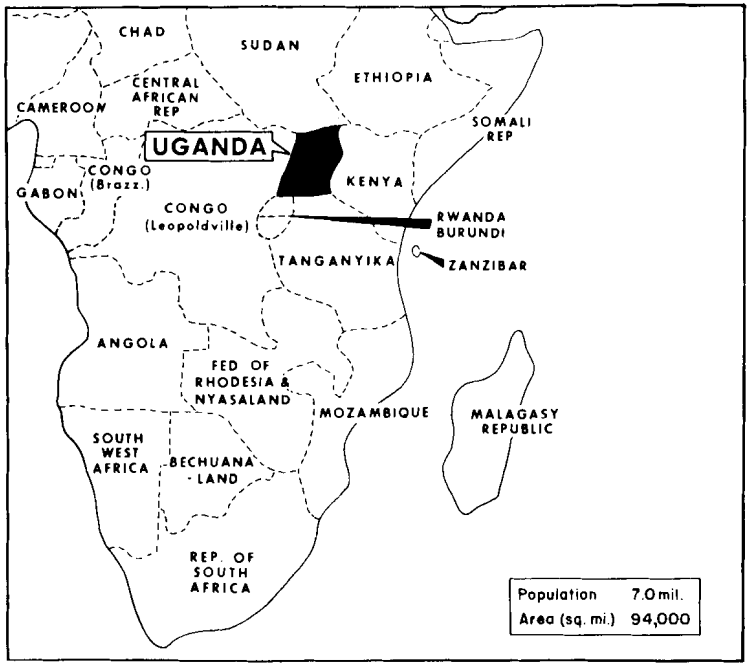
Uganda-BASIC ECONOMIC DATA



Annual Population Growth	2.5%
Gross National Product (1961)*	
Total ($ Million)	465
Per Capita GNP (Dollars)	68

Agricultural Land	
Percent of Area	12%
Acres per Capita	1
Literacy Rate	25%
Pupils - % of Pop. (Prim/Second.)	8%
Life Expectancy (years)	n.a.
People per Doctor	12,900

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	121	123	124	n.a.
Per Capita Index	104	103	102	n.a.
Plantains & Bananas (1000 MT) ..	5,240	5,360	5,800	n.a.
ELECTRIC POWER (KWH per capita)..... (Includes exports)	53	59	63	64
INTERNATIONAL TRADE ($ Million)a/				
Total Exports (f.o.b.)	136	139	135	125
Cotton	(43)	(42)	(47)	(30)
Total Imports (c.i.f.)	89	92	94	92
Trade Balance	+47	+47	+41	+33
COFFEE EXPORTS ($ Millions).....	52	48	39	44
COST OF LIVING INDEX (1958=100)..... (Kampala, for Africans)	101	95	110	96

* Converted at $2.80 per pound. a/- Includes trade with Kenya & Tanganyika.

Country Background

Uganda became an independent nation in 1962 after more than 60 years as a British Protectorate. It is the second of the territories of former British East Africa to attain full independence and it remains within the British Commonwealth.

Uganda's constitution provides for a basically parliamentary form of government, elected by universal suffrage. In elections, popular support has been spread among three major political parties, which have thus far demonstrated moderate and responsible leadership and an international orientation generally favorable to the West. Although there still exist some separatist tendencies among its traditional tribal kingdoms and some religious divisions associated with its political parties, Uganda's chances of maintaining unity through its quasi-federal system of government appear good.

Approximately the size of the State of Oregon, Uganda is situated on a verdant plateau 4,000 feet above sea level astride the equator in the heart of Africa some 500 miles from the Indian Ocean. Its chief natural resources are an abundance of fertile land and a generally pleasant climate suitable to productive agriculture. Less than 1% of the total land area of the country is owned by non-Africans, and while subsistence farming predominates, the country has a modest-sized African middle class of independent landowners who produce for the cash market. It has a large Christian African population and a relatively large number of literate people (25%).

Despite significant progress in this century, Uganda remains an underdeveloped country with a per capita Gross National Product (GNP) of $68, chiefly derived from an agriculture dependent on the export of cotton and coffee for cash income. A serious shortage exists of trained Africans to take over the management of the nation's affairs. Nevertheless, Uganda's potential for development is comparatively good. It has a relatively well-developed infrastructure and a high potential for agricultural development. Its government has recently introduced tax reforms and is directing its resources to the achievement of a five-year development program formulated with recommendations of a World Bank economic survey mission.

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Country: UGANDA

U.S. Objectives and Strategy

U.S. objectives in Uganda include the achievement of economic, social and political progress under stable government; its participation as an enlightened and effective member in African regional and international organizations; and its continued reliance on the Free World for most external assistance and guidance.

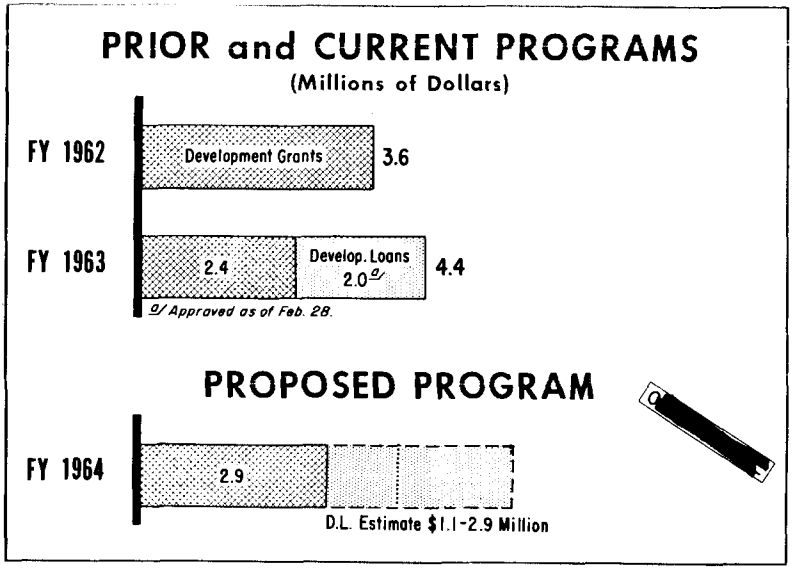
In pursuing these objectives, the United States will maintain a subsidiary role in providing development aid to Uganda, looking to the U.K. to continue to carry the main burden of external assistance. It will support U.K. leadership in the coordination of assistance, while seeking to maximize other Free World aid, primarily from the International Bank for Reconstruction and Development (IBRD) and West Germany. U.K. assistance to Uganda during the past five years has averaged approximately $19 million per year. The IBRD provided a development loan of $8.4 million in 1961 and it is expected that West Germany has under review a development loan of $3.7 million in 1963.

We are providing limited assistance in support of the following high priority goals of Uganda's current five-year development program: (a) increasing agricultural productivity by approximately 25%; (b) approximately doubling secondary school enrollment; (c) "Africanizing" the public service as rapidly as possible, consistent with the maintenance of administrative efficiency; and (d) increasing the contribution of industry to the total economy.

Current Situation

Uganda has inherited from the British a responsible self-help attitude toward its development problems. During the 1950's, it enjoyed a period of comparative prosperity. However, during the past five years its economy has shown very little growth due to the fall and continued depressed prices of cotton and coffee, uncertainty involved in Uganda's evolution toward independence, and production losses due to unusually heavy rains in the latter part of 1961. In 1960, when it became evident that something had to be done to revitalize the sagging economy, Uganda requested the IBRD to send a team to review the country's economic situation and potential and to recommend an appropriate course of action. The IBRD Mission's recommendations were followed closely by the government in its formulation of a five-year development program. The government seems willing to take all possible steps to successfully implement the program.

In addition to the five-year development program, the government, among other things, has recently instituted reforms in its tax



system, has encouraged the retention of expatriates in spite of political attractiveness of placing more Ugandans in the senior levels of the public service, and has pursued a policy of regional cooperation with its neighbors.

With the maintenance of political stability in its apparently successful transition to independence and with the expected external financial support for its development program, Uganda's development should begin to make satisfactory progress in the near future.

FY 1964 Program

Development Grant assistance of approximately $2.9 million is proposed for FY 1964, consisting of the following:

1. Agriculture. Assistance will be provided chiefly in education, extension services, cooperatives, production and marketing to help increase agriculture productivity, predominantly concerning livestock. We will continue to give training in the United States to a number of Ugandans for selected positions. Additional farmer training centers will be constructed or expanded to help accommodate the increasing numbers of farmers who seek short-term training in practical

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agricultural subjects. Technical guidance will continue to be provided to Uganda's three higher level agricultural schools in order to produce better qualified agriculture specialists and extension workers.

2. Education. Assistance in education is concentrated on the expansion of the secondary school system. A secondary school is now being constructed with our assistance which will introduce and demonstrate the advantages to Uganda of the American system of comprehensive secondary education, offering vocational as well as the traditional academic courses of study. Through a contract with an American university, assistance will be provided to administer and operate this school. Capital loan assistance is contemplated for additional expansion of schools to help alleviate the severe shortage of facilities for secondary education.

3. Public Administration. Assistance is planned to help train Africans to assume positions of greater responsibility in the public service. Higher level and specialized training in the United States will be offered to selected individuals in the key government positions. In addition, assistance will be provided to help develop facilities within the country for public administration training.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	2.0	1.1-2.9
Development Banks and Other Financial Institutions	-	2.0	-
Development Grants - Total	3.6	2.4	2.9
Agriculture and Natural Resources	0.4	1.5	1.9
Education	0.7	0.4	0.3
Public Safety and Public Administration	*	0.2	0.4
General and Miscellaneous	*	0.3	0.3
Non-Project	2.5	-	-

* Less than $50,000.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	*	3.6	4.3
Technical Coop./Development Grants	*	3.6	4.2
Development Loans	-	-	-
Other A.I.D.	-	-	0.1
FOOD FOR PEACE (P.L. 480) - TOTAL	0.1	0.6	0.8
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	-	0.4	0.4
Title III	0.1	0.2	0.4
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	8.4	-	8.4
UN Tech. Ass't. (CY ending in FY)	0.1	0.1	0.4
UN Special Fund	-	1.2	1.5
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-

*Less than $50,000

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Ethiopia

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Ethiopia- BASIC ECONOMIC DATA

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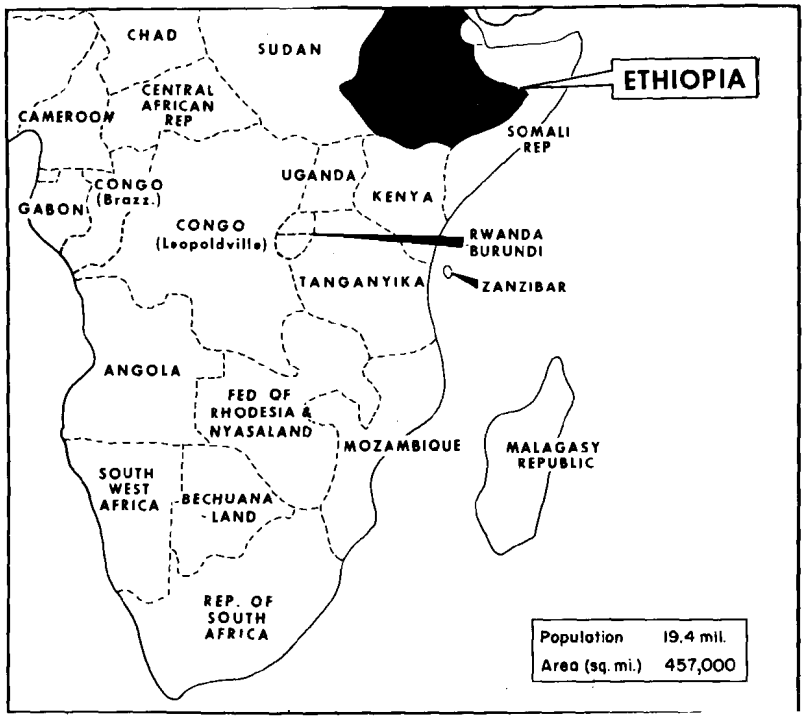

Annual Population Growth	1.4%
Gross National Product (1961)*	
Total ($ Million)	843
Per Capita GNP (Dollars)	44
Approx. 1957-61 Growth Rate	
Total GNP	4.8%
Per Capita	3.4%

Agricultural Land	
Percent of Area	60%
Acres per Capita	9
Literacy Rate	4%
Pupils - % of Pop. (Prim/Second.)	1%
Life Expectancy (years)	n.a.
People per Doctor	92,000

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	113	115	117	119
Per Capita Index	103	104	104	104
Teff - bread grain (1000 MT)...	1,425	1,500	1,445	1,490
ELECTRIC POWER OUTPUT (KWH per capita)	5	5	6	7
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	66	76	79	80
Coffee	(30)	(38)	(44)	(45)
Total Imports (c.i.f.)	84	84	93	100
Trade Balance	-18	-8	-14	-20
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil)[a]	51	55	57	66
COFFEE EXPORT PRICE INDEX (1958=100)..	78	83	84	76

* Converted at 2.484 Eth.$ per U.S. dollar. a - State Bank holdings.

Country Background

Ethiopia occupies a strategic area in the Horn of Africa. It is the site of an important U.S. military communications facility at Kagnew Station, and is located on the main sea and air lanes between the Mediterranean and the Indian Ocean.

Ethiopia has enjoyed virtually uninterrupted national independence. Once an outpost of early Christian civilization, it was almost totally isolated from the rest of the world from the 6th to the 19th centuries. Culturally, socially, economically, and politically, this rugged landlocked plateau saw little if any change during that period.

Ethiopia possesses considerable natural wealth, including forest resources, a rich soil and largely unexplored but promising mineral resources. Yet its per capita Gross National Product (GNP) is one of the lowest in Africa. The literacy rate and the supply of trained manpower are very low. Transportation facilities are utterly inadequate to the task of national unification and economic development in the rugged interior. Agricultural production is adequate to feed the population, but debilitating diseases, lack of investment capital, a feudal system of land tenure, and archaic farming methods make large areas unusable and pose immense obstacles to rural development.

The Emperor and the progressive-minded younger civilian and military leaders share a desire for modernization of the political, economic and social structure. **But the regime and the younger generation bitterly differ as to the pace of change.**

Ethiopian internal policies since the end of the brief Italian occupation in 1941 have been directed largely toward institutional modernization, economic development, and strengthening of the central government. Ethiopian foreign policy has varied from strong pro-Western positions to a western-oriented neutralism, with a continuous policy of active support for and participation in United Nations collective security actions, as in Korea and the Congo.

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Country: ETHIOPIA

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U.S. Objectives and Strategy

U.S. objectives in Ethiopia includes: (a) maintenance of access to the U.S. military communications facility at Kagnew Station; (b) prevention of civil disorder and violence while encouraging social, economic, and political reform in directions acceptable to the current regime, and urgently sought by the more progressive-minded younger generation; (c) maintenance of political stability in the Horn of Africa by encouraging moderation on the part of Ethiopia vis-a-vis her immediate neighbors (notably the Somali Republic) and moderation in her development of a military establishment; (d) denial of bloc entrance in such sensitive areas as military assistance, communications and police activities; and (e) adoption by the Ethiopian Government of positions favorable to U.S. interests in international issues of major concern to us, particularly with regard to support for United Nations collective security undertakings.

Given these objectives, the following strategy seems indicated:

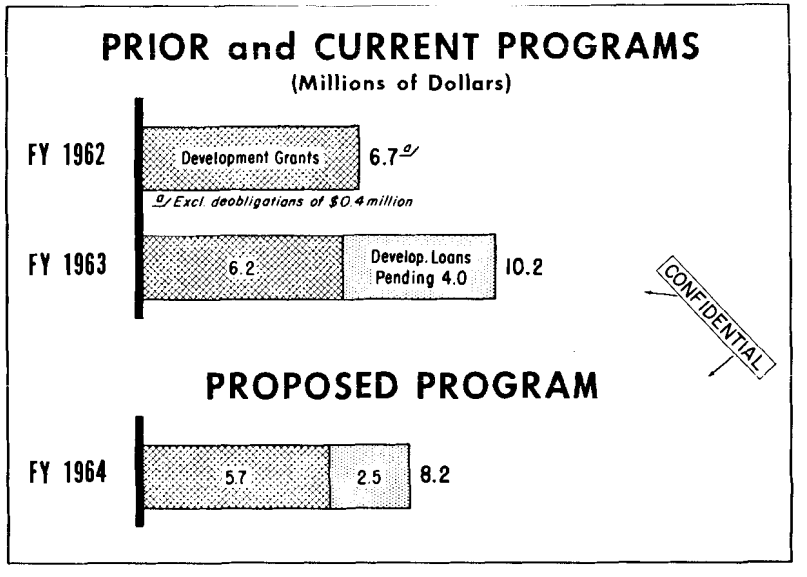
1. **The United States should continue to provide military assistance at a minimum level necessary to maintain access to Kagnew Station and preclude bloc military aid.**

2. U.S. assistance should continue to be concentrated in the fields of education, public health, public safety and transportation. Ethiopian development requires a firm base in these areas, and Ethiopian self-help efforts and interest on the part of both the regime and the probable successor groups make these sectors particularly susceptible to real progress.

3. The United States will seek to maintain cordial relations with the present regime, while simultaneously maintaining a favorable U.S. image in the eyes of the possible heirs to power. In order to pursue these objectives and to minimize the potential for political unrest now and at the time when the present Emperor leaves the scene, the United States should endeavor to persuade the regime to initiate or continue constructive action in the following areas: (a) land reform; (b) fiscal reform; (c) administrative and civil service modernization; (d) liberalization of police methods and modernization of police organization; and (e) civic action undertakings.

Current Situation

Over the past several years, Ethiopia has steadily advanced economically and socially but the pace of development has fallen far



short of that which is needed to overcome centuries of lethargy and to place this primitive society on a par with most of the contemporary world. Between 1957 and 1961 Gross National Product (GNP) increased by 20% and government revenue from domestic sources rose by 33%, but exports did not change significantly.

U.S. assistance has had some notable results. In the area of public health, slightly more than 200 health officers, nurses and sanitarians have been trained and 210 health stations have been placed in operation, but these are not sufficient to measurably improve an extremely poor over-all health situation. In the field of education, there are now about 163,000 pupils in elementary schools, about 26,000 in secondary schools and almost 3,000 in post-high school studies (almost 1,000 abroad). Still, these represent only 6% of the school-age population, and the over-all literacy rate remains less than 5%.

Although progress undoubtedly will continue to be painfully slow, a number of fairly recent trends indicate some acceleration. The Ethiopian Government has assumed an ever-increasing share of the financial responsibility for development projects. In the Malaria Eradication project, for example, the United States had been contributing a major share of the local costs prior to the "turn-around" in 1962. The Ethiopian Government has now agreed

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to assume all local operating costs, reducing the U.S. contribution to solely the amounts needed for local support of U.S. technicians. Emperor Haile Selassie made public Ethiopia's new five-year economic plan in November 1962, stressing the fact that three-fourths of the extensive investment proposed is to be defrayed from local resources. The Ethiopian Government has initiated positive steps toward a number of reforms which are essential to economic and social advancement but which the Government heretofore has ignored -- probably because of potential jeopardy to the monarchial regime. These include constitutional revisions; land, judicial, administrative and civil service reforms; and more provident legislation in the fields of banking and labor.

Ethiopia's political situation by and large has not improved. External relations vis-a-vis her immediate neighbors -- the Somali Republic in particular -- have deteriorated markedly. But Ethiopia remains a supporter of U.N. collective security and enjoys amicable relations with most of the world. Domestic politics reflect trends which are both good and bad: The Emperor still exercises absolute rule and still manages to suppress any overt attempts to overthrow his regime. However, considering his age, the regime could end at any time, and, whenever this does occur, it is not unlikely that a furious struggle will ensue between various contenders for power. Recent termination of Eritrea's "federation" status and the absorption of that area into three existing Ethiopian provinces will tend to break down a threatening power bloc there; but threats to internal tranquility will remain among the numerous tribal factions, and possibly within the civil service or military establishments. Among the more healthy political trends are the growing impatience among the younger educated elite for reforms and accelerated development, and the rising tendency of Ethiopia's legislative body to exert independent thinking rather than to perfunctorily process imperial edicts.

FY 1964 Program

Economic assistance to Ethiopia is programmed at a lower level for FY 1964 than in previous years. The major areas of concentration are education and public health, with some assistance envisaged for public safety, transportation, and for closing costs of projects in other sectors.

In education, the program is basically a continuation of the FY 1963 program. Faculty members and limited commodity and capital assistance are being furnished to Haile Selassis I University and to some of its component colleges, including the Agriculture College at Alemaya and the Public Health College at Gondar. Technical assistance is being rendered to the Ethiopian elementary and secondary school system in the form of curriculum development and textbook design. Agency for International Development (A.I.D.) program is supplemented by the Peace Corps, which is furnishing 300 secondary school teachers, and by technical and capital assistance from West Germany, Sweden and the U.N.

In public health, it is proposed to continue advisory services in organizing the national and provincial health services, in establishing research facilities, and in training personnel. Technical services and commodities are also proposed for the Malaria Eradication program, which is being carried out in conjunction with World Health Organization (WHO).

Transportation facilities have been a major object of U.S. and International Bank for Reconstruction and Development (IBRD) assistance in previous years. U.S. aid has been extended to civil aviation and highway construction in the form of Export-Import (Ex-Im) Bank and Development Loans, with supplemental grants for aviation training and highway feasibility studies. The funds requested for FY 1964 are proposed for feasibility studies in the field of civil aviation.

In public safety, it is proposed to provide instructor-advisors for the Police Academy. Projects in other sectors are being brought to a rapid but orderly termination. The major terminal project in FY 1964 is the Blue Nile River Basin Survey. This survey which has been carried out by the U.S. Bureau of Reclamation will provide the Ethiopian Government with a comprehensive assessment of the land and water resources of the largely unexploited Blue Nile Basin.

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FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	4.0	2.5
Transportation	-	4.0	
Development Grants - Total	6.3	6.2	5.7
Agriculture and Natural Resources	2.0	1.2	1.1
Industry and Mining	1.3	1.0	0.3
Transportation	0.2	0.2	0.1
Health and Sanitation	1.2	1.5	1.6
Education	1.0	1.2	1.6
Public Safety and Public Administration	0.1	0.2	0.2
General and Miscellaneous	0.7	0.9	0.8
Non-Project	0.2	-	-
Deobligations During FY 1962	-0.4	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	-	27.5	27.0
(Sales Agreements)	(-)	(30.5)	(30.0)
Military Assistance Program	11.7	11.3	8.8

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	38.3	6.3	53.2
Technical Coop./Development Grants	4.5	6.3	38.6
Development Loans	29.1	-	-
Other A.I.D.	4.7	-	14.6
FOOD FOR PEACE (P.L. 480) - TOTAL	3.0	2.0	10.9
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	2.8	1.5	9.7
Title III	0.2	0.5	1.2
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	10.0	-	22.5
OTHER U.S. ECONOMIC ASSISTANCE	-	0.5	1.4
MILITARY ASSISTANCE a/			
M.A.P. - Grant Aid	6.0	10.9	62.4
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	5.9	5.9
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	-	4.9	28.4
UN Tech. Ass't. (CY ending in FY)	0.7	0.7	4.9
UN Special Fund	0.4	-	1.4
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	113.6
LOAN $ REPAYMENTS & INTEREST			
A.I.D. and PL 480 Loans	-	-	-
Ex-Im. Bank (Long Term)	0.6	1.2	8.0
Other Government Loans	-	-	4.5

a/ Annual data are net deliveries.

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Ghana- BASIC ECONOMIC DATA

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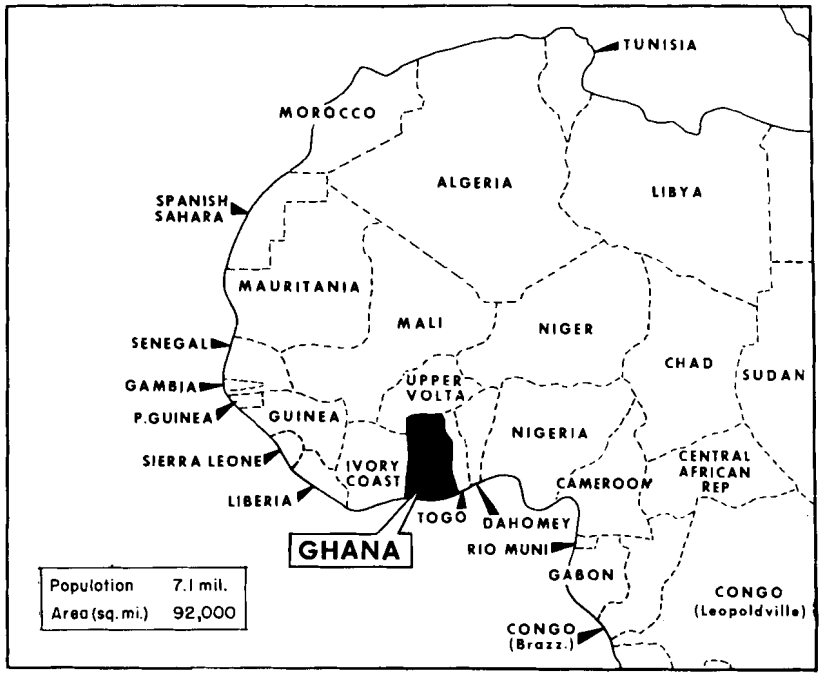

Annual Population Growth	2.5%
Gross National Product (1961)*	
Total ($ Million)	1,375
Per Capita GNP (Dollars)	199

Agricultural Land	
Percent of Area	22%
Acres per Capita	2
Literacy Rate	25%
Pupils - % of Pop. (Prim/Second.)	10%
Life Expectancy (years)	n.a.
People per Doctor	17,900

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	129	149	149	n.a.
Per Capita Index	111	125	122	n.a.
Sorghum & Millet (1000 MT).....	207	220	142	n.a.
ELECTRIC POWER OUTPUT (KWH per capita)	52	55	57	60
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	317	325	322	325
Cocoa	(193)	(186)	(187)	(190)
Total Imports (c.i.f.)	316	363	394	335
Trade Balance	+1	-38	-72	-10
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil)	480	449	211	224(Aug)
COST OF LIVING INDEX (1958=100).....	103	104	110	120

* Converted at $2.80 per Ghana pound.

Country Background

Ghana has been independent since 1957 within the British Commonwealth. Agriculture accounts for the activities of 70% of the population with one-third of the country's total agricultural area devoted to cocoa production

Upon achieving independence, Ghana was in a relatively sound economic condition with a favorable balance of payments, sizable sterling reserves and many of the prerequisites of development, e.g., good manpower base, well-established educational system, abundant resources, a long-established market and efficient production. Since then, large expenditures, including some for economically unsound or prestige projects, and the cost of maintaining large military and police organizations, coupled with a drop in the world price for cocoa, have weakened Ghana's economic structure. Ghana's reserves have been largely dissipated and there has been a growing deficit in the annual balance of payments.

Nevertheless, Ghana's development prospects are potentially favorable. In order to stem the financial losses, stringent fiscal measures, though generally unpopular, have been passed and apparently are being enforced. Much effort has gone into the preparation of the Seven-Year Plan, due for publication this year. This Plan will emphasize the agricultural and industrial sectors.

Ghana's tradition of democratic government with historic U.K. cultural and economic ties and responsible, Western-oriented, civil service, its drive for development and its economic potential, are among the factors which make it important in the eyes of the newly formed nations of Africa. It is against this position that its present political posture should be viewed.

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Country: GHANA

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U.S. Objectives and Strategy

It is in the interest of the United States that Ghana develop as an independent nation responsive to the needs of its people, that Ghana provide greater support to U.S. objectives in and outside of Africa, and that Ghana exert a positive and constructive force in Africa, avoiding actions that contribute to the instability of independent African countries.

The importance of these objectives may be appreciated by reviewing some of the negative aspects of Ghana's current situation:

1. Relations with the United States have been exacerbated by violent anti-American propaganda attacks in the press and on the radio of Ghana.

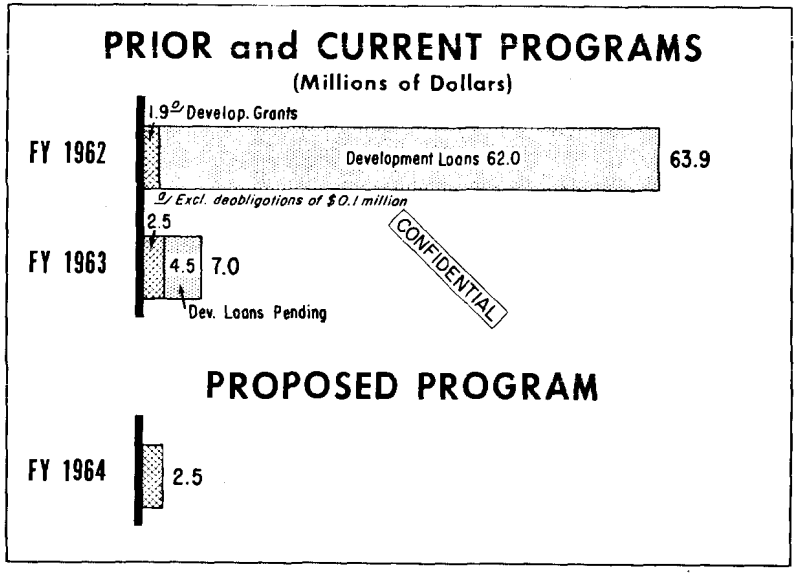
2. Ghana's tendency to interfere in the internal affairs of its independent neighbors has hampered broad cooperation among African states and has given support to the Soviet bloc in the UN.

3. Nkrumah has accepted large credits of aid from the bloc countries and Marxist views are strong in a number of influential officials and advisors surrounding him.

4. Political opposition has been effectively suppressed and civil liberties curtailed. Furthermore, Nkrumah and his Convention Peoples' Party have repeatedly and unequivocally stated that they are engaged in building a single-party state based on African socialism.

In the light of Ghana's strategic role in Africa, the guiding consideration of Agency for International Development (A.I.D.) program activities is to maintain flexibility to meet whatever changes may arise with respect to U.S.-Ghanaian relationships. The short-term strategy for U.S. assistance is to limit such aid to continuation of the Development Grant program generally at the current level and scope, while discharging loan commitments to Volta/VALCO projects. Given the magnitude of the latter loans, new development lending will be restricted for the present to the Ghana Medical School, an anticipated obligation this year.

If political conditions warrant it, A.I.D. will encourage the efforts of other Free World aid donors (i.e., the U.K. and West Germany) and the involvement of U.S. private enterprise to further Ghana's economic development.



Current Situation

Despite significant external aid, the economy of Ghana is showing signs of weakness. The 1962-1963 budget estimates show a deficit of $52 million before foreign loans. Ghana has drawn heavily on its foreign exchange reserves. These reserves have declined by over $280 million since 1958. A substantial decline in international cocoa prices and a heavy import demand for consumption are primarily responsible for a growing deficit in the annual balance of payments. Private foreign investments have been slowing down since 1960, because investors were uncertain of the treatment they would receive under the new socialization policy.

Faced with this increasing difficult financial position, the Government has instituted, despite some political risks, austere corrective measures. The 1961-1962 austerity budget included provisions for saving foreign exchange. Taxes on property and locally-produced beer and cigarettes were increased, and compulsory savings subscriptions for government bonds instituted. Exchange restrictions were placed on tourist travel and students, as well as on the repatriation of funds held outside of Ghana. The Government also established a commission to examine means of improving public administrative efficiencies and economies.

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Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

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Although the U.K. has sizable private investments in Ghana ($616 million by 1960), it has not continued its financial support after independence except for a minimal contribution of about $250,000 a year in technical assistance and a $14 million loan on the Volta Dam. The British also furnished some military assistance. This small amount of assistance results from both U.K. and Ghanaian attitudes. The U.K., of course, has not been responsive in providing significant capital assistance to any of their former colonies. Since independence, Nkrumah has pushed a policy of divorcement from any program which might involve him with the British.

West Germany, Israel and Yugoslavia have recently offered a total of $80 million in credits for ships, waterworks, tractors, etc.

Assistance from the Communist bloc, which began in 1960, has been concerned almost entirely with the establishment of industries, hydro-electric projects and 6000-acre state farms. Long-term credits amount to approximately $200 million.

FY 1964 Program

In view of existing U.S.-Ghanaian relationships, the U.S. assistance program is directed to areas of influence in which it is felt that positive effects can be realized. These are in the fields of agriculture, public health and the ancillary activities related to the Volta River Valley Development projects.

Through its agriculture activities in extension, education and land use and water conservation, the five-year old A.I.D. program has produced some significant results, and has been a convenient device for maintaining a favorable image of the United States by a large segment of the Ghanaian population, including government officials in positions of responsibility.

A.I.D. will continue to provide assistance in establishing and upgrading the national agriculture extension service while concentrating on such specific problems as soil conservation which confront the Ghanaian goal of diversified agriculture production. This will be in the form of demonstration, education and advisory services. In helping Ghana to meet its large-scale health problems, A.I.D. will continue to assist the Government to provide increased health services. Given the heavy U.S. investment and interest in the Volta projects, A.I.D. will continue to provide advisory services and surveys to the Volta River Authority in order that it may effectively discharge its responsibilities.

The total of Development Grant assistance requested for FY 1964 is $2.45 million, somewhat less than the projected FY 1963 program.

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Country: GHANA

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	62.0	4.5	-
Industry and Mining	55.0	-	
Power and Communication	7.0	-	
Education	-	4.5	
Development Grants - Total	1.8	2.5	2.4
Agriculture and Natural Resources	1.4	1.0	1.0
Industry and Mining	*	0.3	0.1
Health and Sanitation	0.1	0.7	0.8
Other	0.4	0.5	0.5
Deobligations During FY 1962	-0.1	xx	xx
Other U.S. Assistance			
Military Assistance Program	*	0.2	- a/

a/ Modest program anticipated. Magnitude unknown at this time. Program will be funded from the Special Africa M.A.P. program.

* Less than $50,000.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	21.4	63.9	87.9
Technical Coop./Development Grants	0.8	1.9	5.3
Development Loans	20.0	62.0	82.0
Other A.I.D.	0.6	-	0.6
FOOD FOR PEACE (P.L. 480) - TOTAL	1.0	0.7	2.9
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	-	-	0.6
Title III	1.0	0.7	2.3
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	65.0	65.0
OTHER U.S. ECONOMIC ASSISTANCE	-	0.5	0.5
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	*	*
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	-	47.0	47.0
UN Tech. Ass't. (CY ending in FY)	0.5	0.6	1.9
UN Special Fund	0.5	0.8	1.7
SINO-SOVIET BLOC ASSISTANCE (CY)	142.7	-	196.1
LOAN $ REPAYMENTS & INTEREST			
A.I.D. and P.L. 480 Loans	-	-	-
Ex-Im Bank (Long-Term)	-	0.1	0.1
Other Government Loans	-	-	-

*Less than $50,000

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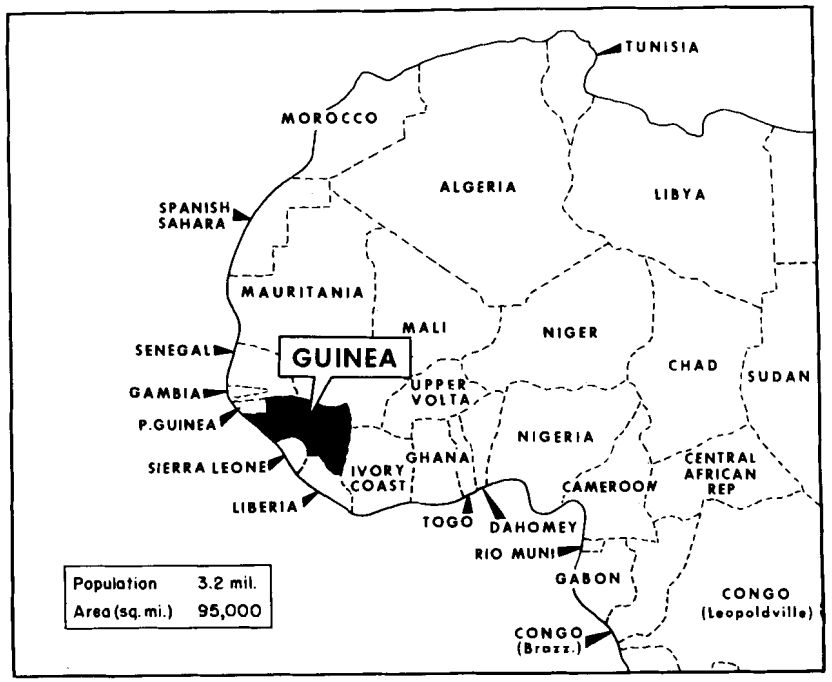
Guinea- BASIC ECONOMIC DATA



Annual Population Growth	3.0%
Gross National Product (1961)*	
Total ($ Million)	185
Per Capita GNP (Dollars)	60

Agricultural Land	
Percent of Area	n.a.
Acres per Capita	n.a.
Literacy Rate	10%
Pupils - % of Pop. (Prim/Second.)	3%
Life Expectancy (years)	30
People per Doctor	36,000

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	134	134	133	n.a.
Per Capita Index	112	108	105	n.a.
Rice, paddy (1000 MT)	287	288	288	n.a.
ELECTRIC POWER OUTPUT (KWH per capita)	7	7	8	8
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	29	55	61	n.a.
Alumina	(0)	(18)	(29)	(n.a.)
Total Imports (c.i.f.)	62	50	73	n.a.
Trade Balance	-33	+5	-12	n.a.
AGRICULTURAL EXPORTS ($ Million)	24	28	21	n.a.

* Converted at 247 Guinea francs per U.S. dollar.

Country Background

Prior to its independence, Guinea was under French colonial administration and its economy was closely oriented towards France. In 1958, Guinea severed all ties with its former metropole, the only French African territory to do so, and accepted large-scale assistance from the Soviet bloc. Guinea's political dynamism has since exerted a strong influence on nationalistic elements throughout Africa.

The Guinea economy, though little developed, has greater potential than many West African States. Despite the fact that the country is endowed with great mineral wealth (bauxite, iron ore and industrial diamonds), Guinea's economic life is still largely characterized by subsistence agriculture. However, Guinea is not self-sufficient and must import its basic food staples.

Historically, Guinea has suffered from a chronic balance-of-payments disequilibrium. While membership in the franc zone has previously satisfactorily resolved this problem, Guinea's rupture with France and its issuance of a national currency untied to any monetary bloc forced the country, unsuccessfully, to reorient its trade relations. The resultant inconvertible character of the Guinea franc constitutes a major problem.

The break in Guinea-French political relations also resulted in a mass evacuation of virtually all French entrepreneurs and administrators, a void which has never been adequately filled both in terms of technical as well as capital requirements. The serious "technical" gap alone constitutes a serious handicap to Guinea's economic growth.

Upon achieving independence, the Guinea Government turned to the Soviet bloc for immediate assistance. The latter was quick to seize the opportunity by increasing considerably its almost non-existent trade with Guinea and by proffering substantial aid credits. The bloc hoped to use Guinea as a Communist model for other underdeveloped countries of the world. In 1962, however, Guinea, concerned about the potential for bloc subversion, became dissatisfied with certain aspects of Soviet aid, and began seeking to re-establish closer ties with the West.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

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Country: GUINEA

U.S. Objectives and Strategy

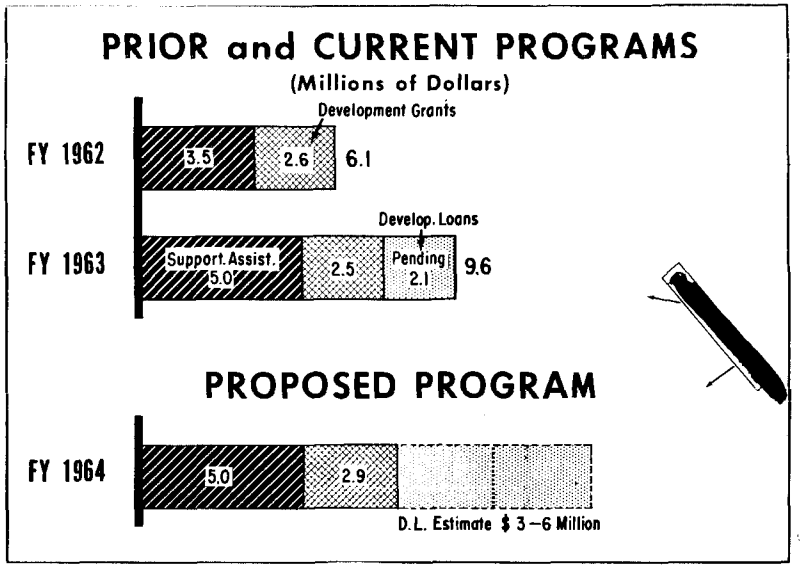
The fundamental U.S. objective in Guinea is that the country achieve and maintain economic and political independence from the bloc and increase its cooperation with the West. It is important to U.S. security interests that Guinea not be used as a Communist base to spread radical anti-Western doctrines and Soviet bloc influence in Africa; further, that Guinea's proven mineral wealth continue to be available to the West and not be controlled by the bloc.

The United States intends to continue the policy, successful to date, of making the Guineans aware through aid that there is an alternative to complete dependence on the bloc in an effort to accelerate the movement toward the West. The United States will encourage the reintegration of Guinea into the West African and Free World community, with Guinea hopefully assuming a more moderate and less anti-West doctrinaire role. Such reintegration should reduce Guinea's dependence on the bloc. The United States will, in particular, attempt to stimulate and encourage the resumption of normal economic relations between Guinea and France, in the expectation that the major and leadership role in connection with aid will be assumed by the former metropole, thereby reducing the aid burden on the United States.

The United States will continue to cooperate with the Government of Guinea in its attempt to improve the climate for private enterprise through industrial surveys and assistance in government organization. Also, Agency for International Development (A.I.D.) will continue to provide limited capital and technical assistance, as well as balance-of-payments support, but with a view toward a gradual diminution of commodity assistance (other than P.L. 480).

Current Situation

In 1962, the Guinea Government took a number of important steps toward liberalizing its largely Government-controlled economy. In addition, the inflow of Western private capital has been encouraged in practical ways: a new Guinean Investment Code was promulgated; Investment Guarantee agreements were signed with the Governments of Switzerland, Western Germany, and the United States; Guinea took steps to become a member of the International Monetary Fund (IMF) and the World Bank; and the Guinea Government requested U.S. assistance, in attracting foreign investment for its industrial sector. The latter is being provided under an A.I.D.-financed contract. On the African political scene, Guinea has increased its contacts with its more "moderate" neighbors and is seeking to associate itself with practical regional activities.



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In recent months Guinea has shown evidence of exerting serious efforts to effect a rapprochement with France, both on a political as well as on an economic plane. There have been clear indications of a favorable response on the part of the French Government. This may foreshadow some French economic assistance to Guinea and also an improvement in Guinea's trade position and possibly some backing of its currency. This development and other Western European aid would have favorable repercussions on the political as well as economic stability of Guinea and, consequently, contribute to the security of the Free World. On the other hand, unless the presently constituted moderate Government of Guinea succeeds in showing visible evidence of economic progress in the immediate future, there is danger of a resurgence of Communist influence.

FY 1964 Program

Political considerations continue to underlie the A.I.D. program to Guinea and to determine its character and scope. The program is believed to have influenced the Guinea Government to turn to the West. In pursuing the basic U.S. objective of weaning Guinea from dependence on bloc trade and aid, a major element of the FY 1964 program of U.S. assistance is designed to bring some balance-of-payments relief to Guinea. For this purpose both P.L. 480 products and non-agricultural commodities are being financed.

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Country: GUINEA

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Equally stressed is the promotion of domestic and foreign private investment opportunities as a means of introducing small-scale industries in Guinea.

FY 1964 A.I.D.-financed activities, all of which were initiated in previous years, have been selected essentially on the basis of their technical and economic merits, and their impact value. The basic intention is to permit the Guinean authorities to contrast the often ostentatious, politically-motivated bloc projects (such as the sports stadium and the radio station) with the productive and economically meaningful activities sponsored by the United States. The projected Development Grant program focuses on education activities, including vocational training, scholarships and training grants in American schools, and instruction in the field of public administration. The purposes are not only to increase the Guineans' technical and professional levels of competence and to improve government administration, but also to counter extensive Communist influence among the second generation leaders by familiarizing them with U.S. institutions and concepts and the American way of life. The A.I.D. program, in an effort to expand Guinea's agricultural base, is also providing U.S. technical and advisory services to promote corn and rice land cultivation.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimate	FY 1964 Proposed
Development Loans - Total	-	2.1	3.0-6.0
Power and Communication	-	2.1	
Development Grants - Total	2.6	2.5	2.9
Education	1.3	1.5	1.4
Public Safety and Public Administration	0.3	0.1	0.7
Private Enterprise	0.4	0.3	0.2
General and Miscellaneous	0.6	0.6	0.6
Supporting Assistance - Total	3.5	5.0	5.0
Project	0.1	-	-
Non-Project	3.4	5.0	5.0
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	3.3	11.4	11.4
(Sales Agreements)	(4.3)	(15.0)	(15.0)

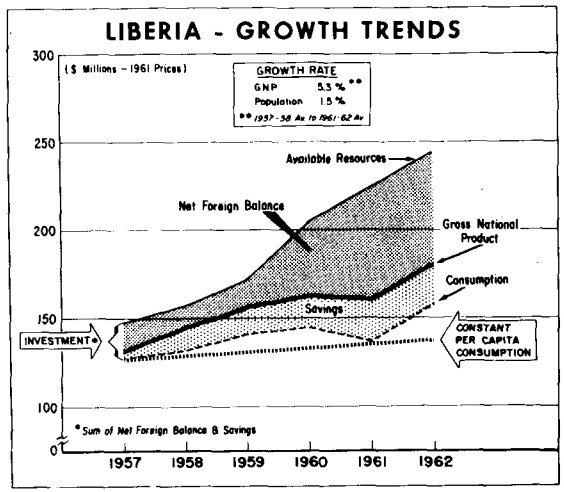
FINANCIAL DATA [redacted]

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	0.2	6.1	8.4
Technical Coop./Development Grants	0.2	2.6	2.8
Development Loans	-	-	-
Other A.I.D.	-	3.5	5.6
FOOD FOR PEACE (P.L. 480) - TOTAL	-	3.3	5.0
Title I, Country Uses	-	3.3	3.3
(Sales Agreements)	(-)	(4.3)	(4.3)
Title II	-	-	1.7
Title III	-	-	-
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)	0.1	0.1	0.3
UN Special Fund	-	-	0.4
SINO-SOVIET BLOC ASSISTANCE (CY)	1.0	15.0	124.6
LOAN $ REPAYMENTS & INTEREST	-	-	-

Liberia- GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	1.0	Life Expectancy (years)	n.a.
Annual Growth (percent)	1.5		
		People per Doctor	14,700
Area (1000 sq. mi.)	43		
Pop. Density per sq. mi.	22	Literacy Rate - %	5
Agricultural Land			
Percent of Total Area	20	Pupils as % of Pop. (Primary & Secondary)	8
Acres per Capita	6		



	Calendar Years			
	1959	1960	1961	1962 Est.
INTERNATIONAL TRADE ($ millions)				
Total Exports (f.o.b.)	69	77	66	70
Rubber	(31)	(36)	(27)	(27)
Total Imports (c.i.f.)	51	84	102	115
Trade Balance	+18	-7	-36	-45
GOLD & SHORT-TERM DOLLARS (end of year - $ millions)	20	17	22	n.a.
RUBBER EXPORT PRICE INDEX (1958=100)	129	136	107	100

GROWTH INDICATORS	Calendar Years 1959	1960	1961	1962 Est.
Total GNP (in 1961 prices; $ millions)*	156	162	160	180
Per Capita GNP (dollars)	160	164	159	177
Investment as percent of GNP	19	37	54	49
Domestic Savings as % of Investment	50	28	26	26
Net Foreign Balance as % of GNP	10	27	40	36
Central Gov't Domestic Revenues as % of GNP	17	20	21	18
Agricultural Prod. Index (1952-54=100)	115	109	109	n.a.
Index per Capita	104	98	96	n.a.
Rice, paddy (1,000 MT)	144	129	115	100
Iron Ore Production (1,000 MT)	2,689	3,051	3,251	5,500

CENTRAL GOVERNMENT FINANCES* (FY ending December 31)	– Million Dollar Equivalents – 1960	1961	1962 (Budget)
Total Expenditures	42	39	41
(Defense Expenditures)	Not	Available	
(Capital Outlays)	(16)	(13)	(10)
Total Domestic Revenues	32	33	33
Deficit or Surplus	-10	-6	-8

* Liberian currency is U.S. dollar.

Country Progress

Liberia's inadequacies and general lack of political reform and social improvement contrast with its increased wealth and potential for economic growth. The massive iron ore investment has raised national investment to an estimated one-third to one-half of Gross National Product (GNP) in 1960-1963. Liberia's GNP is expected to double between 1962 and 1970, the major contributor being the iron ore investment and subsequent production.

In spite of increased investment, GNP, and exports, Liberia is faced with short-term difficulties. The estimated increases in government revenue until 1966 will all be needed for retiring financial obligations, now about five times the size of government revenues in 1962. In spite of attempts at budget austerity, therefore, there will be little or no revenue left for critical development expansion. Liberia's trade deficit will continue while equipment is being imported for mining expansion.

Some additional progress was made in 1962 toward encouraging the private sector and diversifying industry including actions leading to new plants, and the establishment of a Liberian Development Bank, to be financed by the International Finance Corporation.

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Country: LIBERIA

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U.S. Objectives and Strategy

The United States has had a continuing interest in Liberia since its settlement in 1820 by former U.S. slaves supported by private philanthropy. American protective diplomacy in the nineteenth and early twentieth centuries assisted the struggling nation to remain independent. This and the agreements with Firestone Company dating back to 1926 have closely tied Liberia to the United States both financially and politically. President Tubman's 1944 pronouncement of an "open door" investment policy, the World War II military rights acquired by the United States at Robertsfield and the Monrovia Port, and an agreement for the Voice of America (VOA) relay station illustrate the unique receptivity of Liberia to U.S. requirements in Africa.

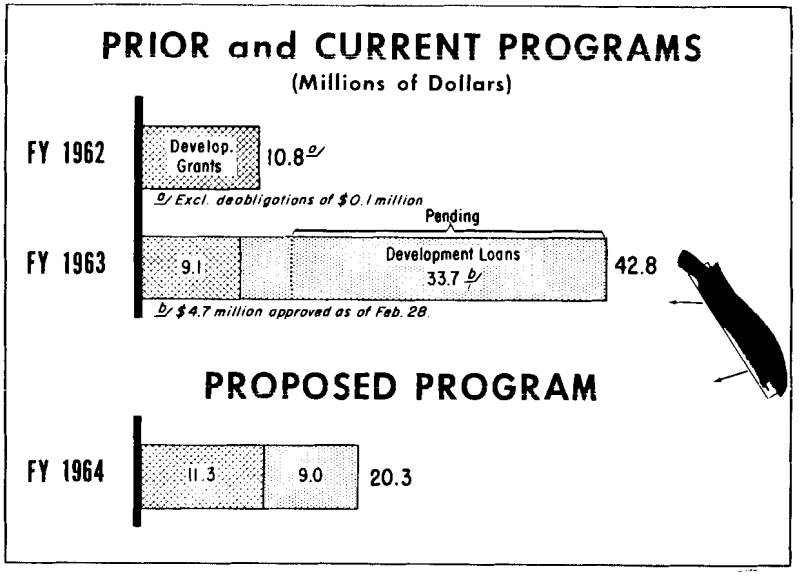
At present, Liberia is far behind its newly independent sister states, in social and economic development. This is a source of serious embarrassment and concern to the Liberian government, hampers her ability to take leadership in Africa, and creates unfavorable attitudes in Africa regarding the responsiveness of the United States to its responsibilities.

The principal U.S. objectives in Liberia are: (a) to bring about changes in the social and political institutions of that nation in stride with its economic expansion, so that over the next decade firmly established reforms can be instilled to assure sustained development when the iron ore revenues are stabilized; (b) to provide a demonstration, in a continent heavily influenced by various ideas of socialism and state controls, that a country devoted to private enterprise can be responsive to the needs of its people and can grow and develop economically and socially; (c) to assure maintenance of a stable government strongly oriented toward the United States and the West while providing a stabilizing, moderating and leadership role in Africa; and (d) to discharge the special responsibilities of the United States in supporting this country resulting from our unique historical relationships.

U.S. aid is designed to influence the direction and course of that development, to obtain a more effective and equitable distribution of its wealth, and to help establish the institutional means for effective government. We plan to:

(1) require a significant Liberian contribution to Agency for International Development (A.I.D.) - supported activities;

(2) provide significant technical assistance over an extended time to help Liberia improve its educational system and thus meet its middle and higher level manpower needs; and



(3) impart quality and direction to Liberian policy, planning and implementation.

Current Situation

Until very recently, the Government of Liberia (GOL) has done practically nothing to improve the conditions of life in the rural areas. With the increasing political pressure generated by African independence, President Tubman has now accepted the development of the rural areas as a primary objective of his government. However, the most critical inadequacies are not being sufficiently corrected. Shortages of competent middle level personnel--skilled clerical workers, statisticians, secretaries, accountants and economists--restrict the extent to which government can expand its services. Similar shortages exist with respect to the educational system, commerce and industry.

These deficiencies, and the general lack of political reform or social improvement, sharply contrast with Liberia's increased wealth and favorable economic growth potential. Massive private foreign investment in iron ore extraction will be an important factor in projected doubling of Gross National Product (GNP) between 1962 and 1970. Increases in revenues until 1966 will be offset by retirement of current financial obligations which are

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equal to five times the 1962 government revenues. Government expenditures for social and economic development cannot be expanded significantly during this period without incurring more debt or receiving outside grants. Yet substantial increases in expenditures will be necessary if even a moderate level of governmental services is extended to the tribal people.

While Liberian statistics are incomplete, available data suggest that the ratio of domestic savings to GNP is low and dropping somewhat. If this trend continues, when in the next few years the current extraordinary external capital inflow is greatly reduced, domestic savings will be insufficient to permit investment at levels necessary to sustain adequate growth.

The process of planning for economic development in Liberia began with a Five-Year Development Plan in 1951. Against it, the Liberian Government set aside 20% of its annual revenues for allocation to development projects which were integrated with U.S. technical assistance programs. The 1951 plan was later extended to a Nine-Year Development Plan (1951-1959) which expired in 1960 without any real planning achievements. The growth of the modern sector of the economy during the past decade has outstripped the country's development of its administrative, financial and manpower resources, resulting in serious bottlenecks. It has been recognized that a more systematic and efficient planning institution should replace the Joint Commission. Accordingly, the National Planning Agency was created by legislative act last May. It will first prepare an initial development plan for use in the Liberian 1964 budget.

FY 1964 Program

The proposed FY 1964 program will continue to demonstrate A.I.D.'s stress on long-range economic development and institutional changes in Liberia. The combined technical and capital A.I.D. assistance level, however, is estimated at less than half of the amount planned in 1963 with other U.S. programs forecast at slightly larger levels. Activities under P.L. 480 (Title IV), Peace Corps and the military assistance activity approved in earlier years attain peak levels next year.

To help achieve U.S. objectives in Liberia, the proposed A.I.D. program will emphasize: (a) improvement of public sector resource allocations; (b) inducement of other Liberian self-help and reform measures; (c) expanded educational accomplishments and (d) improvement of government administrative efficiency, and services in rural areas.

The largest segment of Development Grant assistance is education, in recognition of the very considerable limitation Liberia's unskilled, largely illiterate population poses to its development. American advisors to the Ministry of Education and the Monrovia school administration will help plan improvements in school facilities, curricula and teachers' qualifications. Other A.I.D. educational personnel are assisting in two teacher-training institutes, a National Medical Center, a Vocational School and the University of Liberia. Peace Corps volunteers are supplementing the Liberian primary and secondary teachers cadre. Technical training institutes are planned by the governments of Germany, Sweden and Switzerland. Nearly 200 students per year at these institutes would supplement the A.I.D.-assisted vocational school annual output of 125 high school graduates and 20 practical arts teachers for secondary schools.

The emphasis in public administration activities is on assistance to obtain more effective, efficient management of the national government. A.I.D. will help in implementing the recommendations of the 1961 study on government operations. American management advisors will assist in reorganizing and pursuing administrative improvements in public works, treasury, and labor affairs, as well as tax, audit and judicial matters. In addition, A.I.D. will provide additional assistance to the Liberian effort to prepare a comprehensive development plan covering a period of at least five years. The Peace Corps is helping by providing administrative assistance to key ministries which lack qualified staff.

Other U.S. assistance from private capital and the Export-Import (Ex-Im) Bank may range between $25-50 million; however, these estimates will be largely dependent upon GOL actions to provide adequate fiscal and debt management controls within the current year. A promising development in this connection is the GOL's announcement of an "austerity" budget for 1963 with provisions for increased taxes on luxury items. German and Yugoslav credits of $12.7 and $3.0 million, respectively are available for capital projects. Assistance from the International Bank for Reconstruction and Development (IBRD) may be forthcoming, following a survey of Liberia's roads requirements. United Nations experts and fellows will be active in statistics, manpower training, labor administration, educational planning, civil aviation and health controls.

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Country: LIBERIA

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	33.7	9.0
Power and Communication	-	27.0	
Health and Sanitation	-	4.7	
Education	-	2.0	
Development Grants - Total	10.8	9.1	11.3
Agriculture and Natural Resources	0.7	0.3	0.7
Health and Sanitation	0.7	0.6	0.6
Education	5.0	5.0	5.8
Public Safety and Public Administration	2.9	2.0	2.8
General and Miscellaneous	1.6	1.2	1.4
Deobligations During FY 1962	0.1	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	0.3	1.2	2.0
(Sales Agreements)	(0.3)	(1.2)	(2.0)
Military Assistance Program	1.8	2.0	2.0

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Liberia

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	6.8	12.7	1.7	1.1	16.6	1.7	1.6	2.3	13.9	7.1	47.4	11.7	124.7
GRANTS	-	2.1	1.7	1.1	1.6	1.7	1.6	2.3	3.4	5.8	6.6	11.4	39.4
LOANS	6.8	10.6	-	-	15.0	-	-	-	10.5	1.3	40.8	0.3	85.3
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	1.1	1.7	1.1	1.6	1.7	1.6	2.3	6.4	5.5	6.2	10.8	40.1
Grants	-	1.1	1.7	1.1	1.6	1.7	1.6	2.3	3.2	5.5	6.2	10.8	36.9
Loans	-	-	-	-	-	-	-	-	3.2	-	-	-	3.2
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	1.1	1.7	1.1	1.6	1.7	1.6	2.2	2.6	3.1	3.0	10.8	30.6
DEVELOPMENT LOANS	-	-	-	-	-	-	-	-	3.2	-	-	-	3.2
OTHER A.I.D.	-	-	-	-	-	-	-	0.1	0.6	2.4	3.2	-	6.3
FOOD FOR PEACE (PL 480) - TOTAL	-	0.1	-	-	*	*	*	*	0.2	0.3	0.4	0.4	1.4
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.1	-	-	*	*	*	*	0.2	0.3	0.4	0.1	1.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	0.3	0.3
EXPORT-IMPORT BANK LONG-TERM LOANS	-	10.4	-	-	15.0	-	-	-	7.3	1.3	40.8	-	74.8
OTHER U.S. ECONOMIC PROGRAMS	6.8	1.1	-	-	-	-	-	-	-	-	-	0.5	8.4
MILITARY - TOTAL	-	-	-	-	-	0.6	0.5	-*	*	0.3	0.3	0.4	3.8
GRANTS	-	-	-	-	-	-	0.1	-	*	-	0.3	0.4	2.6
LOANS	-	-	-	-	-	0.6	0.4	-*	-	0.3	*	-	1.2
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	-	-	-	-	0.6	0.5	-*	*	0.3	0.3	0.4	3.8
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(*)	(*)	(*)	(*)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	6.8	12.7	1.7	1.1	16.6	2.3	2.1	2.3	13.9	7.4	47.7	12.1	128.5
FOREIGN ASSISTANCE ACT PROGRAM	-	1.1	1.7	1.1	1.6	2.3	2.1	2.3	6.4	5.8	6.5	11.2	43.9
OTHER ASSISTANCE	6.8	11.6	-	-	15.0	*	*	*	7.5	1.6	41.2	0.9	84.6

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
UN Tech. Ass't. (CT) . . .	0.4	0.4	3.1
UN Special Fund	1.0	-	1.0

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	-
1962 (Calendar Year)	-
Cumulative thru 1962	-

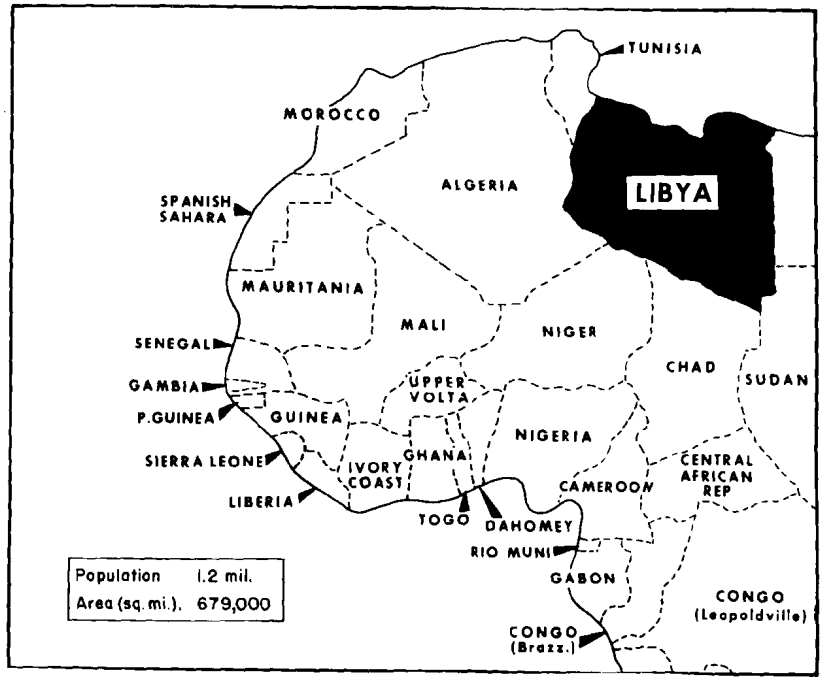
LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	*	*	0.1
Ex-Im. Bank (Long Term)	1.6	3.2	12.9
Other Government Loans	0.1	-	1.3

* Less than $50,000.

Libya

Libya - BASIC ECONOMIC DATA



Annual Population Growth	1.5%
Gross National Product (1961)*	
Total ($ Million)	248
Per Capita GNP (Dollars)	204

Agricultural Land	
Percent of Area	6%
Acres per Capita	22
Literacy Rate	35%
Pupils - % of Pop. (Prim/Second.)	12%
Life Expectancy (years)	n.a.
People per Doctor	4,800

	1959	1960	1961	1962 (Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	145	124	166	153
Per Capita Index	133	112	147	133
Olive oil (1000 MT)	6	3	16	12
ELECTRIC POWER OUTPUT (KWH per capita)	73	85	88	93
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	12	11	22	140
Petroleum	(0)	(0)	(12)	(130)
Total Imports (c.i.f.)	114	165	149	160
Trade Balance	-102	-154	-127	-20
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil)a/	76	85	96	101 (Sept)
COST OF LIVING INDEX (1958=100) ..... (Tripoli)	105	116	116	118

* Converted at $2.80 per Libyan pound. a/- National Bank holdings.

Country Background

The United Kingdom of Libya is a constitutional monarchy which achieved its independence under the auspices of the United Nations in December 1951. Large in area, Libya at the time of independence was poor in known resources and lacked economic viability, relying heavily on external aid for nearly half of the country's total revenues.

The economic base for self-support and development changed drastically when oil was discovered in commercial quantities in 1959. Oil company (mostly United States) expenditures, which were estimated in excess of $800 million by the end of 1962, broadened economic activity.

Libya's oil revenues, if used effectively, would guarantee its financial well-being. These revenues began to accrue to the Libyan Government in late 1961 and the total for the period 1962-1966 is estimated at $500 million; thereafter, the annual income may reach $150 million. To channel the bulk of the anticipated oil revenues into developing the economy of Libya, the Federal Government issued the National Development Law of 1960, which allocates 56% of oil revenues to development and established a central planning agency by creating the Development Council. The Council is responsible for preparing a Five-Year Development Plan which has not yet been completed.

The Development Council faces considerable difficulty in selecting those projects which would best utilize the anticipated heavy flow of oil revenues. Libya is primarily an agricultural country with few economic resources apart from oil. Three-quarters of the population are engaged in agriculture. Another 10% to 15% work in the processing and merchandising of derivative commodities. A population of 1.2 million presents a small internal market for domestic industries. It is unlikely that the oil industry will provide employment to more than 5% of the work force. Therefore, it is expected that much of the Five-Year Plan and future Libyan legislation will be directed primarily to encouraging further agricultural activity.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: LIBYA

[redacted]

U.S. Objectives and Strategy

Basic U.S. objectives in Libya are the retention of U.S. rights at Wheelus Air Base, the maintenance of political stability and a pro-Western orientation, and assuring continued Western access to Libyan oil resources. Economic assistance is directed primarily to furthering these purposes. As a corollary of the political objectives we have a concern with Libya's ability and willingness to manage its economic development well enough to avoid widespread discontent and vulnerability to outside pressures.

To achieve these objectives the United States plans to:

1. Fulfill the commitment for FY 1964 to the Government of Libya (GOL) for a $10 million payment ($9 million Supporting Assistance, $1 million Special Air Force monies) in accordance with the present agreement.

2. Continue through a reduced Development Grant program, generally limited to assistance in development planning and resources utilization, to use U.S. influence to prevent waste of Libya's oil revenues. Any Development Grant assistance provided after the next two years must be dependent on full GOL cooperation, its provision of qualified personnel and adequate facilities to train Libyan personnel.

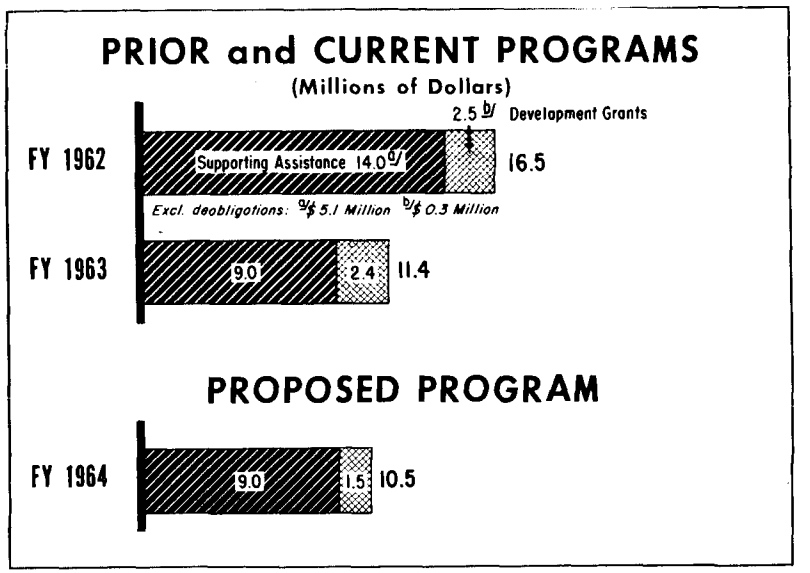
3. Encourage Libya to meet its external financial requirements from other Western aid donors. Insofar as additional assistance may be sought from the United States, emphasis should be given to Title IV of P.L. 480 (credit sales repayable in dollars) and conventional financing through the Export-Import (Ex-Im) Bank.

Current Situation

Since the constitutional amendments last December, Libya shows promise of becoming a unified state, replacing the previous loose federation of three provinces.

Development planning and implementation by the Government has been sporadic and largely unsuccessful in the past. However, the Development Council has adopted in principle but not in detail the recommendations made by the International Bank for Reconstruction and Development (IBRD) in 1957. The Council has been upgraded to cabinet rank. The Planning Council is now being strengthened by the addition of competent Libyans and foreign advisors.

Economic development faces numerous obstacles: hesitance of Libyan ruling classes to accept financial reforms, a strong resistance on the part of the Libyan people to new ideas and change, a great shortage of competent Libyans to administer the Government



and to implement projects. These problems are compounded by inadequate fiscal controls and a lack of an effective concept of administrative integrity. With new oil wealth and strengthened authority of the central government, the prospects for Libyan planning and direction of its development efforts, are somewhat brighter than heretofore, but will depend upon the effectiveness of the GOL in adapting the advice of its development experts to the local situation.

FY 1964 Program

The proposed program calls for $9 million in Supporting Assistance and $1.5 million in Development Grants. The $9 million is the last installment under the existing agreement for Wheelus Air Base, the largest USAF training base overseas. The base is strategically important in view of the termination of U.S. base rights in Morocco on December 31, 1963.

Libya is receiving substantial assistance from other donors. The United Kingdom has made cash grants annually of £325,000 ($9.1 million) since 1958. West Germany granted Libya $1.25 million in 1961 and provided a $7.5 million loan in 1962. Italy, Greece, Nationalist China and the United Nations contributed some technical assistance.

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Country: LIBYA

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FINANCIAL DATA [redacted]

The proposed aid program for Libya in 1964 involves a significant reduction in the level of assistance, and a drastic change in the character of the Agency for International Development (A.I.D.) program. The proposed Development Grant level for FY 1964 is $1.5 million in contrast to the annual level of $2.4 million in FY 1962 (gross obligations) and FY 1963. This will be phased down as rapidly as U.S. political interests permit. Projects have been reduced from 38 in 1962 to 11 proposed for FY 1964.

U.S. financing of operational field technicians has been sharply reduced and emphasis placed instead on limited number of advisors and trainers. Libya is now bearing increased local support costs of A.I.D. technicians.

The proposed Development Grant program in FY 1964 will be concentrated in the fields of agriculture, health and economic planning. A.I.D. is supporting a project which will develop the capacity to plan and administer improved agricultural research, extension, and soil and surface water conservation. A.I.D. proposes to assist in upgrading its Development Council since qualified Libyan staff is not available. Some seven advisors will be assigned to the Council and to train their eventual Libyan successors.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	2.2	2.4	1.5
Agriculture and Natural Resources	0.5	0.4	0.3
Industry and Mining	0.1	0.5	0.1
Health and Sanitation	0.1	0.2	0.2
Public Safety and Public Administration	0.2	0.6	0.3
General and Miscellaneous	1.6	0.7	0.6
Deobligations During FY 1962	-0.3	xx	xx
Supporting Assistance - Total	9.0	9.0	9.0
Non-Project	14.0	9.0	9.0
Deobligations During FY 1962	-5.0	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	-	2.0	4.0
(Sales Agreements)	(-)	(2.0)	(4.0)
Military Assistance Program	0.7	2.1	2.2

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	16.1	11.2	121.9
Technical Coop./Development Grants	2.4	2.2	23.3
Development Loans	-	-	5.0
Other A.I.D.	13.7	9.0	93.6
FOOD FOR PEACE (P.L. 480) - TOTAL	3.6	0.7	34.7
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	2.2	-	27.5
Title III	1.4	0.7	7.2
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	4.0	1.0	30.4
MILITARY ASSISTANCE a/			
M.A.P. - Grant Aid	0.3	1.3	5.1
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Assit. (CY ending in FY)	0.8	0.7	7.8
UN Special Fund	0.5	-	1.6
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-
LOAN $ REPAYMENTS & INTEREST	-	-	-

a/ Annual data are net deliveries.

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Mali

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Mali- BASIC ECONOMIC DATA

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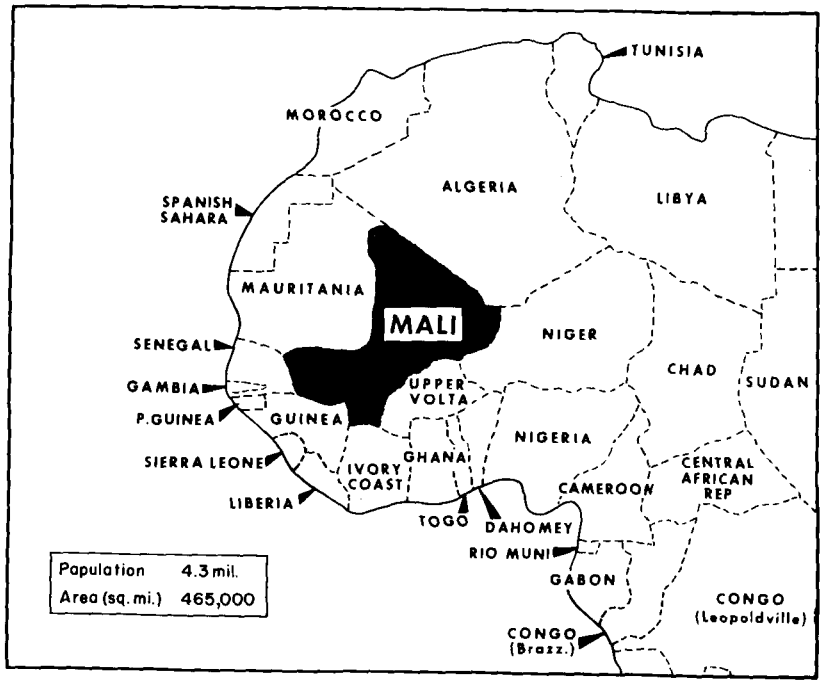

Annual Population Growth	2.0%
Gross National Product (1961)*	
Total ($ Million)	245
Per Capita GNP (Dollars)	58

Agricultural Land	
Percent of Area	n.a.
Acres per Capita	n.a.
Literacy Rate	2%
Pupils - % of Pop. (Prim/Second.)	2%
Life Expectancy (years)	26
People per Doctor	43,800

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	98	117	114	n.a.
Per Capita Index	87	102	97	n.a.
Millet & Sorghum (1000 MT).....	618	785	750	n.a.
ELECTRIC POWER OUTPUT (KWH per capita)	3	4	4	n.a.
INTERNATIONAL TRADE ($ Million)E				
Total Exports (f.o.b.)	40	n.a.	32	n.a.
Livestock	(12)	n.a.	(10)	n.a.
Total Imports (c.i.f.)	49	n.a.	48	n.a.
Trade Balance	-9	n.a.	-16	n.a.
PEANUT EXPORTS ($ Millions)E.....	9	n.a.	6	n.a.

* Converted at 247 CFA francs per U.S. dollar.
E - Estimated.

Country Background

Mali, one of the largest of France's former West African territories, became a republic in 1960, following the breakup of the short-lived Federation of Mali composed of Senegal and the former French Sudan. At that time, the Republic Soudanaise (as it was then known) declared itself free of all ties with France and the reconstituted French West African community and adopted the name Mali.

The country, which is three times the size of California, has common borders with seven African states, extending from the southwest border of Algeria to the northern border of Guinea. It is basically a poor agricultural country with most of the population engaged in peasant agriculture and large numbers of nomadic herdsmen, little influenced by the technology of modern civilization or Western ideas and techniques.

The nation's main resource is its livestock. Mali is also self-sufficient in basic food staples and exports livestock, peanuts, cotton and rice. There is no evidence of mineral wealth, and industry is practically nonexistent.

Chronically suffering from a balance-of-payments deficit, Mali aggravated its position last year by issuing its own currency, thereby disrupting its monetary and financial relations with France and African members of the franc zone. This action, resented by the French Government, was taken as evidence of Mali's intention to further disengage itself from France and to adopt a more "neutral" political posture. Soviet bloc assistance during the previous three years had assumed greater proportions while French influence correspondingly declined. In recent months, however, there have been encouraging signs of rapprochement with France and the moderate Union African and Malagasy (UAM) States.

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Country: MALI

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U.S. Objectives and Strategy

The basic U.S. objective with respect to Mali is that Mali become economically and politically independent of the bloc and politically oriented toward the West.

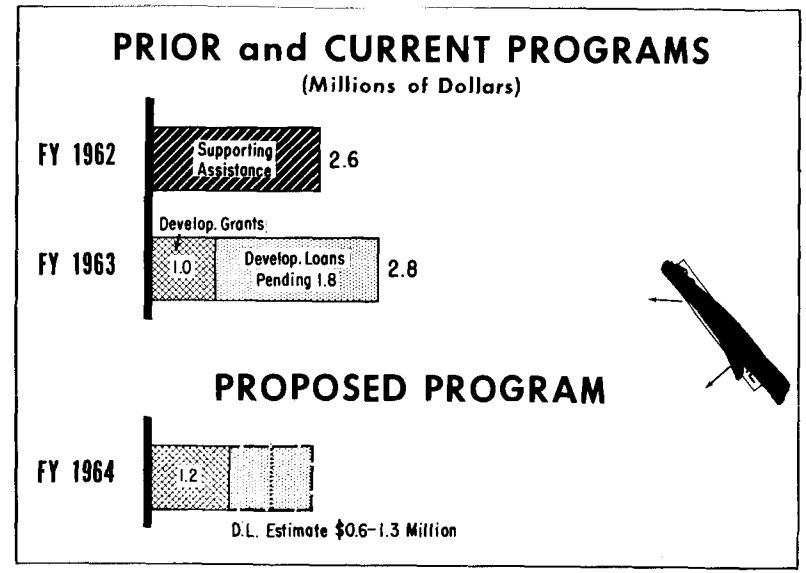
U.S. aid strategy is to seek to dissuade Mali from heavily drawing down bloc credits in order to avoid further major commitment of limited resources to the bloc. The method used to discourage such commitments -- which facilitate further penetration by the bloc and enhance its capacity to oppose Western interests -- is to offer an alternative coordinated Western aid source responsive to Malian development needs.

In implementing this strategy the United States will, while holding its aid to the minimum consistent with the prevailing situation, temporarily be willing to take more of a leadership role, and perhaps provide a relatively larger volume of assistance than that provided the African and Malagasy Union (UAM) States, until French and other Western aid assumes larger proportions or the reorientation of the Mali economy away from the bloc is more nearly accomplished. Assistance will be directed toward projects of importance to the Government of Mali (GOM) which can be carried out quickly and with impact. It may also be appropriate on occasion to finance particular imports to divert trade from the bloc.

Because U.S. aid is small in comparison with that provided by other sources, we cannot expect any important leverage as a quid pro quo. Therefore, it is of great importance that our aid effort be closely coordinated with other Western aid contributions to consolidate the Western position vis-a-vis the bloc. This is particularly true of aid from France which plays a critical role in Western aid strategy for Mali. In this connection, the French Government has been providing on the average of $22 million during the past few years. Since 1960, the European Economic Community (EEC) has approved grants amounting to $30 million. West Germany also has made available a significant amount.

Current Situation

Late in 1961, Mali formulated a Five-Year Plan for Economic and Social Development with heavy political overtones and cast in a highly centralized, government-administered and controlled system. The Mali Government's intervention in the economy has caused the local business community to retrench and has not encouraged new potential investments. Conversely, the Government has successfully marshaled the energies and forces of the local populace.



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Rural life is being reorganized by the creation of a system of superimposed cooperatives extending from a national controlling organization through the establishment of rural cooperatives in each of Mali's estimated 2,300 villages. The archaic life of the countryside and the traditional rural leadership and customs -- based on the ancient tribal system -- are being altered in response to a modern African dynamism. Today, a "human investment" program motivates the people to build schoolrooms, dispensaries and roads and undertake other improvements. New roles and opportunities have been opened to the illiterate masses through the innovation of such organizations as a rural civic service and a popular militia. The United States, at the request of the Mali Government, is providing technical assistance in a pilot village development program and in recent ground-breaking ceremonies President Modibo Keita publicly thanked the United States for furnishing this aid.

Mali seems intent on strengthening its financial and monetary base. It is seeking to associate itself with the franc zone and is taking steps to become a member of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD).

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Country: MALI

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FY 1964 Program

In light of the considerations underlying the program of U.S. assistance to Mali, A.I.D.-financed activities in that country have been selected not only because of their technical and economic merits but also because of their impact on the internal Malian scene. The basic character of the A.I.D. program, therefore, has been determined on the basis of priority elements within Mali's Development Plan and has been related to over-all Malian objectives. These specifically refer to raising the technical and professional proficiencies of key Malian groups and increasing the productive capacity of the country's economy.

The projected FY 1964 program continues to pursue the same basic objectives as in previous years: education and training activities constitute the first order of priority; improvement of animal resources (by establishing a diagnostic and vaccine veterinary laboratory); and rural development through projects in pilot village improvement and road maintenance are also basic to the A.I.D. program. In addition, a modest P.L. 480 program is planned.

In keeping with the priorities established in the Mali Development Plan, U.S. aid has already permitted the Mali Government to extend economic and social benefits to the people. U.S.-generated counterpart, for example, has financed the construction of major road links and of rural clinics and dispensaries.

[redacted]

Country: MALI

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimate	FY 1964 Proposed
Development Loans - Total	-	1.8	0.6-1.3
Education	-	1.8	
Development Grants - Total	-	1.0	1.2
Agriculture and Natural Resources	-	0.1	0.1
Transportation	-	*	0.1
Education	-	0.4	0.6
General and Miscellaneous	-	0.5	0.4
Deobligations During FY 1962	*	xx	xx
Supporting Assistance - Total	2.6	-	-
Project	2.6	-	-
Deobligations During FY 1962	*	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	-	-	0.4
(Sales Agreements)	(-)	(-)	(0.5)
Military Assistance Program	0.2	1.3	- a/

* Less than $50,000.

a/ Modest program anticipated. Magnitude unknown at this time. Program will be funded from the Special Africa M.A.P. program.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	2.5	2.6	5.0
Technical Coop./Development Grants	-	*	*
Development Loans	-	-	-
Other A.I.D.	2.5	2.6	5.0
FOOD FOR PEACE (P.L. 480) - TOTAL	-	-	-
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	-	-	-
Title III	-	-	-
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE a/			
M.A.P. - Grant Aid	0.1	0.7	1.0
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)	-	0.1	0.1
UN Special Fund	-	2.0	2.0
Eur. Econ. Community Devel. Fund	6.9	7.6	15.1
SINO-SOVIET BLOC ASSISTANCE (CY)	84.6	13.0	97.6
LOAN $ REPAYMENTS & INTEREST	-	-	-

a/ Annual data are net deliveries.

*Less than $50,000

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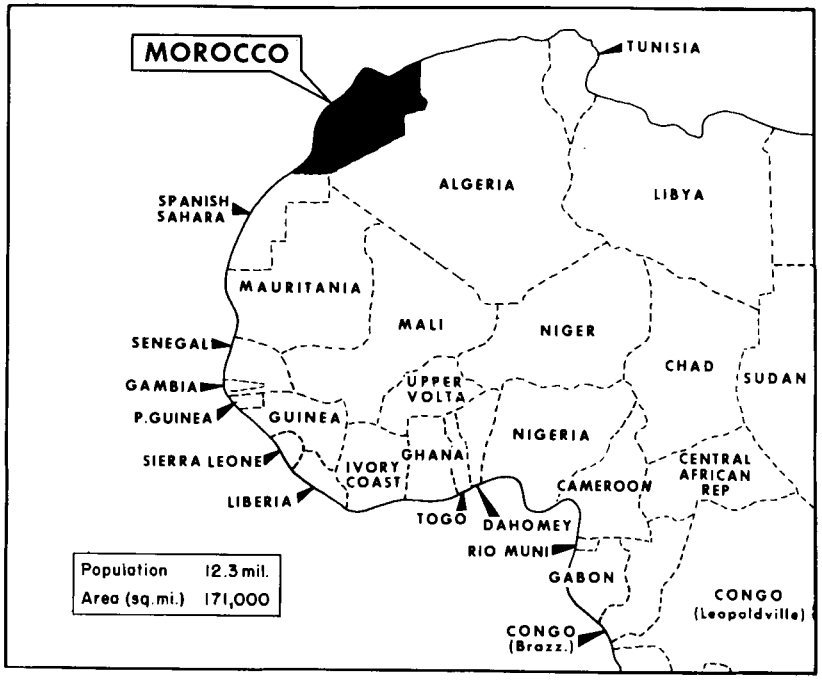
Morocco- BASIC ECONOMIC DATA



Annual Population Growth	3.0%
Gross National Product (1961)*	
Total ($ Million)	1,800
Per Capita GNP (Dollars)	150

Agricultural Land	
Percent of Area	40%
Acres per Capita	3
Literacy Rate	15%
Pupils - % of Pop. (Prim/Second.)	8%
Life Expectancy (years)	n.a.
People per Doctor	10,300

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	87	93	70	98
Per Capita Index	72	75	55	74
Wheat (1000 MT)	955	1,067	634	1,246
MINING PRODUCTION INDEX (1958=100) ...	107	112	115	115
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	332	382	363	365
Phosphate rock	(78)	(84)	(81)	(85)
Total Imports (c.i.f.)	335	413	452	425
Trade Balance	-3	-31	-89	-60
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil)	183	264	220	218(Nov)
COST OF LIVING INDEX (1958=100)	100	106	108	113

* Converted at 5.06 Dirhams per U.S. dollar.

Country Background

Morocco is comparatively abundant in mineral, soil and water resources, and has a modern infrastructure. Moroccan development, however, has been impeded by the small island of modern French-dominated agriculture and industry which benefits only a small percentage of Moroccans. The remainder of the economy, based on traditional agriculture provides only subsistence living for 85% of the population. The King is the focus of political, cultural and religious sentiment, especially in the eyes of the illiterate impoverished peasants who constitute the bulk of the population.

With independence in 1956 after 44 years as a French protectorate, Morocco resumed its status as an absolute monarchy under the rule of the revered King Mohammed V, who died in 1961. In November 1962, young King Hassan II fulfilled his father's pledge to transform Morocco into a constitutional monarchy and proclaimed a "de Gaulle-type" constitution, overwhelmingly accepted by the people in a referendum last December. This established a bicameral Parliament of limited powers and reserved to the King sweeping executive prerogatives which maintain his political supremacy. Promulgation of the Constitution increased the King's authority and the stability of his regime in the foreseeable future. As a step toward representative government, it placated some of the elements demanding greater political democracy but stimulated others to sharper criticism of its limitations.

Morocco professes an international policy of nonalignment. It has, therefore, accepted military aid from Russia and economic assistance from Czechoslovakia. Deeply rooted in Islam, it has little in common with the theory and practice of communism, however, and leans definitely toward the West. The Communist minority in the country is small. Political pressures derive chiefly from the Opposition of which the core is the labor movement (among the best organized in Africa), the influence of the new Algerian states, divisions within the Istiqlal party itself, the desire of a growing middle class for greater participation in the process of government, and resentment against foreign domination.

Country: MOROCCO

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U.S. Objectives and Strategy

Morocco is important to the security of the United States in view of U.S. bases located there, its strategic position at the mouth of the Mediterranean and the southern flank of the North Atlantic Treaty Organization (NATO) and its ethnic, cultural and political significance to the Arab world and a possible federation of Mahgreb states.

The primary U.S. objectives are to retain the use of such U.S. military and other facilities as may be deemed necessary to the security of the United States in the short run; to foster a pro-Western orientation among the Moroccan people and Government through limited U.S. assistance designed to provide tangible evidence of U.S. concern for the welfare of the Moroccan people and support for their efforts to improve their economic well-being; and to influence Morocco to resist all forms of penetration by the Soviet bloc.

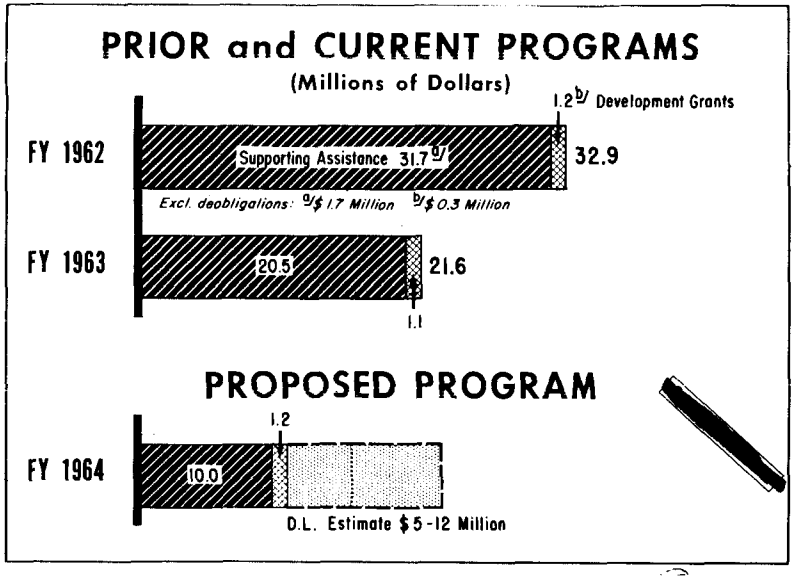
Agency for International Development (A.I.D.) assistance in support of these objectives has included the use of Supporting Assistance and Military Assistance funds in consideration of base rights; and Development Grants, P.L. 480 "Food for Work" grants and P.L. 480, Title I local currency loans for economic development and the creation of attitudes among the Moroccan people favorable to the United States.

Elements of the strategy for FY 1964 are:

1. A reduction in Supporting Assistance to $10 million in view of the anticipated altered status of base rights after December 31, 1963 and in line with the policy of gradual reduction in this type of aid to Morocco begun in FY 1962.

2. The encouragement of an increasing volume and proportion of French and other Free World aid to Morocco, and increasing reliance by Morocco on such non-U.S. aid sources for development financing, both capital and technical assistance.

3. Continuation of U.S. supplemental help at a modest level but with no implication of filling the gap in Morocco's requirements for external resources. This will include continuation of the Development Grant and Food for Peace programs at approximately their present levels and the possibility of development lending for economically sound projects at a modest level.



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Current Situation

After Moroccan independence in 1956, the modern sector suffered the dual setback of a heavy repatriation of French capital and businessmen. In this situation, the policy of the King, heavily influenced by criticism of the monarchy and the aspirations of the Opposition, has been directed at development of all sectors of the economy, the improvement of living conditions, and administrative reforms. This has been impaired by the shortage of capital and indigenous competence for a realistic development plan. However, new banking institutions have been created and modest tax reform has been accomplished, including a new national income tax.

Moroccans are becoming more aware of the importance of human resources development and institution building and have substantially increased funds and personnel for these purposes, supported by many French technicians and A.I.D. technical assistance. Our projects have sought to promote vocational training, agricultural extension, education and research, seed, poultry and livestock development, cooperative agricultural credit, and improved tanning methods. Other projects cover studies to improve methods in

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canning industries, light metal manufactures, and the development of Marrakech province. Moroccans have been trained in skills vital to agricultural and industrial advancement.

Under the Food for Peace program, projects in reforestation, irrigation, road and school construction dot the landscape while at the same time providing work to some 65,000 unemployed receiving half their wages in food. The local currency proceeds of Supporting Assistance and P.L. 480 loans have been applied to a wide array of development projects approved by A.I.D. Finally, Development Loan funds have been committed for the construction of the Mechra Klila dam as well as for financing most of the costs of a water distribution system in the Lower Moulouya River valley.

However, largely as a result of the slowness of progress in improving traditional agriculture, and of periodic disasters - droughts and most recently the January 1963 flood inundating 500,000 acres normally planted with wheat - Moroccan Gross National Product (GNP) has barely kept pace with the 3% annual increase in population.

Aid from other Free World donors last year included: (a) an International Bank for Reconstruction and Development (IBRD) loan of $15 million to the National Bank; (b) $60 million credits from France, indicating the resumption of aid from that country; plus (c) $20 million credits from West Germany.

FY 1964 Program

A.I.D. will continue a limited assistance program to Morocco with concentration of technical assistance in agriculture and industry, continuation of the P.L. 480 program, and a willingness to consider a limited amount of Development Loan financing for specific projects. Also, A.I.D. will continue the promotion of other Free World assistance, particularly from France.

U.S. development assistance will be directed to the following endeavors:

1. To help increase agricultural production, especially in the traditional sector, in order to increase earnings and reduce imports, through Development Grants, P.L. 480, Title I 104(g) loans and Title II "food for wages," projects, and possibly through development loans. Specific projects are envisaged in rural education, irrigation, reforestation, water conservation, road building, livestock and poultry development.

2. To help increase industrial production by means of feasibility studies on the improvement of going industries and the establishment of new ones; by A.I.D. development loans, P.L. 480, "Cooley" loans and by technical assistance in industrial planning, engineering training, vocational training and artisanal industries.

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Country: MOROCCO

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	-	5.0-12.0
Development Grants - Total	0.8	1.1	1.2
Agric. and Natural Resources	0.2	0.3	0.5
Industry and Mining	0.3	0.2	0.2
Education	0.1	0.1	-
General and Miscellaneous	0.5	0.5	0.5
Deobligations During FY 1962	-0.3	xx	xx
Supporting Assistance - Total	30.0	20.5	10.0
Non-Project	31.7	20.5	10.0
Deobligations During FY 1962	-1.7	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	10.6	8.0	8.0
(Sales Agreements)	(14.2)	(10.7)	(10.7)
Military Assistance Program	8.2	10.9	2.9

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	38.5	30.7	239.7
Technical Coop./Development Grants	0.9	0.8	3.5
Development Loans	-	-	23.0
Other A.I.D.	37.6	29.9	213.2
FOOD FOR PEACE (P.L. 480) - TOTAL	68.9	19.0	112.1
Title I, Country Uses	-	10.6	10.6
(Sales Agreements)	(-)	(14.2)	(14.2)
Title II	61.7	2.1	75.6
Title III	7.2	6.3	25.9
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	-
MILITARY ASSISTANCE a/			
M.A.P. - Grant Aid	2.1	1.5	14.4
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)	0.4	0.4	1.6
UN Special Fund	0.6	1.8	3.9
SINO-SOVIET BLOC ASSISTANCE (CY)	0.4	16.8	17.2
LOAN $ REPAYMENTS & INTEREST			
A.I.D. and PL 480 Loans	0.1	1.6	2.1
Ex-Im. Bank (Long Term)	-	-	-
Other Government Loans	-	-	-

a/ Annual data are net deliveries.

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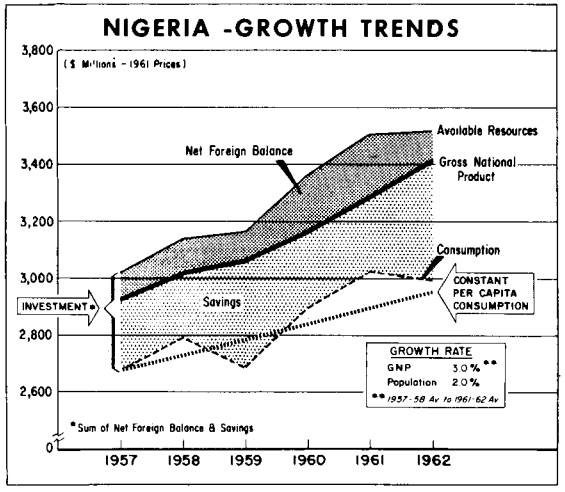
Nigeria

Nigeria - GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	41.0	Life Expectancy (years)	n.a.
Annual Growth (percent)	2.0		
		People per Doctor	38,600
Area (1000 sq. mi.)	357		
Pop. Density per sq. mi.	115	Literacy Rate - %	20
Agricultural Land			
Percent of Total Area	23	Pupils as % of Pop. (Primary & Secondary)	8
Acres per Capita	2		



	Calendar Years 1959	1960	1961	1962 Est.
INTERNATIONAL TRADE ($ millions)				
Total Exports (f.o.b.)	458	462	486	475
Palm Kernels & Oil	(112)	(107)	(93)	(80)
Total Imports (c.i.f.)	502	603	622	570
Trade Balance	-44	-141	-136	-95
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	606	483	422	404 (June)
COST OF LIVING INDEX (1958=100) (Lagos)	104	111	117	123

GROWTH INDICATORS	Calendar Years 1959	1960	1961	1962 Est.
Total GNP *(in 1961 prices; $ millions)**	3,055	3,157	3,280	3,410
Per Capita GNP (dollars)	79	80	82	83
Investment as percent of GNP	16	15	15	15
Domestic Savings as % of Investment	78	57	54	80
Net Foreign Balance as % of GNP	4	6	7	3
Central Gov't Domestic Revenues as % of GNP	10	11	12	11
Agricultural Prod. Index (1952-54=100)	116	128	123	n.a.
Index per Capita	103	111	105	n.a.
Sorghum & Millet (1,000 MT)	2,900	4,000	3,200	n.a.
Petroleum Exports (1,000 MT)	552	864	2,304	3,300

GOVERNMENT FINANCES (CENTRAL AND REGIONAL)* (FY ending March 31)	– Million Dollar Equivalents – 1961	1962	1963 (Rev. Bud.)
Total Expenditures	434	454	486
(Defense Expenditures)	(16)	(20)	(28)
(Capital Outlays)	(172)	(162)	(175)
Total Domestic Revenues	329	377	396
Deficit or Surplus	-105	-77	-90

* Converted at $2.80 per Nigerian pound.

Country Progress

The six-year Nigerian National Development Plan, 1962-1968, is the first of several successive national plans aimed at reaching self-sustained economic growth.

The Plan attempts, for the first time, a coordinated national development program. The first plan--a Ten-Year Plan begun in 1946--was merely a collection of projects unrelated to goals. Next, federal and regional plans, begun in 1955, were an improvement, but were mainly capital expenditure plans with insufficient attention to or coordination of priorities and resources.

The new Six-Year Plan's major targets are: (a) to raise the annual growth rate to 4% or higher; (b) to maintain an annual investment of 15% of the Gross National Product; and (c) to ensure an annual 1% increase in consumption per capita. Highest priorities are: (a) agriculture; (b) industry; (c) the training of high and intermediate level manpower; and (d) expansion of transportation and electricity generation.

The Plan appears realistic and possible, though difficult, to achieve. There will be problems of regional/federal coordination and implementation, but the Plan represents an unprecedented joint effort between the several governments of federal Nigeria, and should lead to greater refinements and coordination as the country acquires more experience with it. The Six-Year Plan also demonstrates the growth in planning ability. Building upon past efforts, the new Plan is better integrated and has better defined priorities.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

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Country: NIGERIA

U.S. Objectives and Strategy

The basic U.S. objective is to assist Nigeria to develop in an orderly fashion as a strong, united, and independent nation working toward democratic principles and providing leadership, sense of direction, and example to other countries in Africa. Nigeria is the most populous country in Africa. Its government is based on a democratic constitution with a bill of rights and provision for an independent judiciary. Although Nigeria espouses an "independent" policy which places its interests and Africa's interest above others, its historic and contemporary connections are with the West. During its two years of independence, Nigeria has demonstrated a substantial potential for leadership in African affairs - having played a prominent role in the formation of the Inter-African and Malagasy Organization (IAMO).

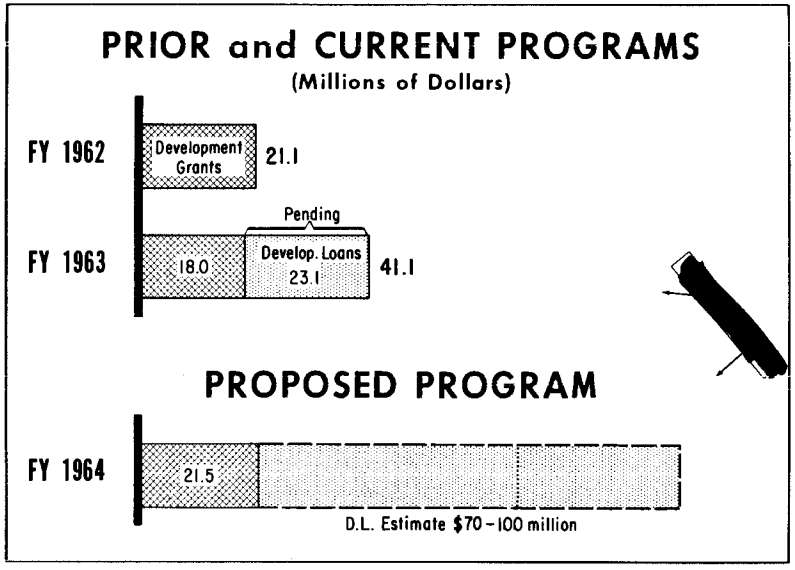
Nigeria's economy has the strength of relative freedom from goverment control, and government policy is directed to the encouragement of domestic and foreign private enterprise. Diversity in agriculture (cocoa, palm products, peanuts), important petroleum deposits, water power, and timber resources-- combined with the vitality of its people-- give Nigeria good potential for growth. Such growth for 1962-1968, involving a projected investment of $3 billion equivalent in public and private domestic and foreign funds, has been carefully assessed and then charted in a National Development Plan, described by the World Bank as "a major achievement-- an excellent beginning."

U.S. assistance strategy is to support the Nigeria Development Plan, calling for foreign public assistance of about $900 million of a total of some $1.8 billion and to play a leading role in obtaining similar support by other Free World countries. The major element in this strategy is the commitment by the United States to support the Plan in the amount of $225 million, composed principally of Agency for International Development (A.I.D.) loans and grants and Export-Import (Ex-Im) Bank development credits.

Specific lines of action in support of the basic U.S. assistance strategy are:

1. As a matter of priority, to address the crucial problem of the Government of Nigeria (GON) administrative weakness for implementation of the Plan, complementing International Bank for Reconstruction and Development (IBRD) efforts.

2. To make continuing efforts to maximize the participation of other Free World aid donors in support of the Plan. These



will be exercised primarily through the IBRD Consultative Group, but use will be made of other channels as appropriate.

3. To concentrate assistance on meeting Nigeria's massive needs for trained manpower including public administrators, and secondarily on increasing agricultural and industrial production.

4. To support Nigerian efforts to strengthen national cohesion and the central coordinating role of the Federal Government while devoting special attention to ensure adequate support to the most populous and least developed Northern Region.

5. To continue to require, either directly or through the IBRD, sound self-help performance by Nigeria and to encourage further improvement in such areas as adequate GON organization and staffing for Plan implementation, development of project priorities with sectors, minimizing recurrent budgetary expenditures, avoidance of low-priority or duplicate expenditures or expenditures outside the Plan, and efficient and equitable tax administration.

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Country: NIGERIA

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Current Situation

Nigeria's growth continued in 1962. Its population now is estimated at 41 million people, its Gross National Product (GNP) at $3.4 billion, its exports about $475 million, and its enrollment at domestic high schools and colleges expanded to six per thousand population. It has kept its economy relatively open and its relations with the West close and sympathetic.

Although economic progress has been impressive, Nigeria's development is still at a low level in terms of international standards. About 80% of the population is illiterate; the mortality rate among children under five is 50%; and per capita GNP is only some $85 annually. Despite these handicaps, Nigeria has achieved a domestic savings ratio of GNP averaging 10% in recent years.

There has been marked progress toward the goals of the National Development Plan, supported as the basic U.S. assistance strategy in Nigeria. Capital outlays by the Federal and regional governments of Nigeria in the first year of the Plan period are budgeted at $175 million compared with an annual average of $275 million assumed for the Plan period. It is probable, however, that an important part of any shortfall in public receipts will be compensated for by private investment beyond the Plan target. The discipline provided by A.I.D.'s insistence on financing projects which have been fully analyzed, engineered, and costed rather than on meeting general capital import needs is improving the quality of the Plan.

To contribute to the same end, the IBRD sent a resident representative to Lagos in February 1963 to assist Plan implementation. A.I.D. is seeking to improve, through a National Planning Association contract, the organization of development planning in Nigeria at the federal and regional level. Further in this field, despite the very considerable regional governments' autonomies, the implementation of the Plan has demonstrated Nigeria's serious attention to national cohesion. All foreign assistance and two-thirds of the domestic capital budget of the Development Plan are channeled through the Federal Government. As an example of sector level coordination, the Permanent Secretaries of the four Ministries of Education hold quarterly meetings, and the National Universities Commission was formed in October 1962 to help the five universities of Nigeria in their development schemes and in avoiding duplication of effort.

In other important local actions, Nigeria has continued to take the difficult steps of concentration and austerity to achieve its development goals. During 1962, Nigeria achieved a high savings rate, reduced salaries of legislators and highly paid officials as well as their housing and travel allowances, and determined to cover all recurrent costs of development projects out of domestic funds. It launched a major drive to mobilize small savings by issuing new low-cost securities to help finance development projects. It extended withholding taxes, raised taxes on automobile licenses and luxury imports, and introduced taxes on small traders, entertainment, and betting. It is hoped, moreover, that the tariffs on luxuries and the marketing boards' recently announced policy to earn a maximum surplus for investment will effectually restrain the growth of consumption imports.

The Nigerian Government is contributing at least 20% of the cost of all A.I.D. capital projects and is financing all recurrent costs, international travel of participants, and some supporting services for U.S. technicians.

Significant levels of external aid from other Free World sources are being pledged. During the FY 1960-1963 period, government commitments from Western countries (other than the United States) are expected to exceed $160 million. More than $90 million of this, including over $55 million from the U.K. and $25 million from West Germany is for Development Plan projects. Over and above the $160 million, Nigeria has also obtained at least an additional $40 million since FY 1961 for development in the form of export credit guarantees and private bank loans from France, Israel, Italy, Switzerland and the United Arab Republic (UAR). The British financing is for use during the first two years of the Plan; similar amounts may be made available over the rest of the Plan period. After some U.S. urging, the Nigerian Government requested the IBRD to form a Consultative Group to coordinate foreign assistance to Nigeria. The group met first on July 2, 1962. The IBRD itself made a loan of $13.5 million in December 1962 for Lagos port development. Technical assistance in Nigeria by other Free World countries bilaterally is at an annual level of about $5 million, with U.K. and Canada being the largest contributors. UN agencies and private foundations together more than match that amount of technical assistance.

FY 1964 Program

The proposed U.S. assistance program plan for FY 1964 includes $70-$100 million in Development Loans and $21.5 million in Development Grants, supplemented by Ex-Im Bank loans, Peace Corps activities and P.L. 480 sales.

The Development Grant Program, initiated in 1954, has been and will continue to be concentrated in the educational, agricultural,

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and industrial sectors. Its first priority is to contribute to the Nigerian Development Plan goal of the development by 1972 of 85,000 professionally and technically trained Nigerians as the minimum to meet essential manpower needs. Under A.I.D. financing, seven major American universities are at work to further the growth of educational institutions in Nigeria. They, for example, helped to start the University of Nigeria, Nsukka, in October 1960, Kano Teacher Training College in September 1961, Port Harcourt Comprehensive Secondary School in January 1962, Federal Teacher Training College in Lagos in November 1962, and Aiyetoro Comprehensive Secondary School in January 1963, thus successfully demonstrating the advantages of the American higher education approaches. Nine handicraft centers have been opened with 28 shop units serving 7,000 youngsters. In the Western Region about 100 schools are using televised lessons and 200 schools are using radio lessons, provided by the Ministry of Education with an A.I.D. advisor.

A second Nigerian goal is to increase production of agricultural commodities by 45% over ten years. The A.I.D. program is concentrated on developing new crops, introducing new methods, and opening up new lands. Attention is also directed at upgrading agricultural management (concomitantly preparing the rural economy to absorb capital) and strengthening rural institutions which support production. Among the accomplishments thus far, two high-yielding varieties of corn, which could produce a 400% increase over unimproved varieties, have been released for distribution to farmers. Under guidance of an A.I.D. advisor, over 100 Young Farmer Clubs have been organized in the Western Region with membership over 7,000. They are expected to develop competent agricultural leadership. Small but important beginnings have been made, as a consequence of A.I.D. advisors, in eradicating the tsetse fly along the Hadejia River and in developing local poultry industries.

The goal for the manufacturing sector is to assist Nigerian efforts to achieve maximum industrial growth through the development of Nigerian entrepreneurs and to encourage the largest possible contribution by external private enterprise and investment. Under an A.I.D. contract, Arthur D. Little, Inc. has established an investment and marketing service in the Federal Ministry of Commerce and Industry. Industrial Development Centers are being organized in each Region.

In the government sector, the A.I.D. program seeks in the next five years to upgrade the qualifications of 5,000 Nigerial public servants in senior and intermediate positions. This will be accomplished through the cooperative establishment of three advance public administration institutions, through in-service programs, and through participant training. In this field of public administration, 87 participants since 1959 have received short-term training in the United States, Puerto Rico, or Canada, and returned to Nigeria. Of these, 21 hold the rank of Permanent Secretary, the highest public service rank in Nigeria. The other 66 occupy middle management type positions. Nearly all these positions entail considerable responsibility.

Development loans, in conjunction with domestic resources and with other sources of finance, are directed to the Nigerian goal of achieving a gross investment rate exceeding 15% of GNP and a total gross investment for the Six-Year Plan of up to $3 billion. It is hoped to move ahead rapidly in FY 1963-1965 so as to allow equipment to be purchased and the project results utilized during the Plan period insofar as possible.

Development loans are being considered now for a municipal water supply system at Ibadan, railway track equipment, and a road from Calabar to Ikom.

Loans may be made in FY 1964 to support, in conjunction with the IBRD, construction of the Niger Dam and roads, the University of Ife Agricultural College, a steel mill, municipal water supply systems, and comprehensive secondary schools.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	23.1	70.0-100.0
Transportation	-	10.6	
Health and Sanitation	-	12.5	
Development Grants - Total	21.0	18.0	21.5
Agriculture and Natural Resources	7.5	5.8	8.0
Health and Sanitation	0.2	0.6	-
Education	6.2	6.0	7.2
Public Safety and Public Administration	0.6	1.3	1.0
Private Enterprise	3.5	0.5	1.7
General and Miscellaneous	3.0	3.8	3.6
Other U.S. Assistance			
Military Assistance Program	-	0.3	0.3

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Nigeria

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	-	-	0.2	0.7	0.3	0.4	0.5	0.1	1.6	2.3	13.1	25.2	44.5
GRANTS	-	-	-	0.7	0.3	0.4	0.5	0.1	0.8	2.3	10.1	23.2	38.5
LOANS	-	-	0.2	-	-	-	-	-	0.8	-	3.0	2.0	6.0
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	-	-	0.7	0.3	0.3	0.5	0.1	1.6	2.2	13.0	21.0	39.8
Grants	-	-	-	0.7	0.3	0.3	0.5	0.1	0.8	2.2	10.0	21.0	36.0
Loans	-	-	-	-	-	-	-	-	0.8	-	3.0	-	3.8
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	-	-	-	0.3	0.3	0.5	0.1	0.8	2.2	2.4	21.0	27.7
DEVELOPMENT LOANS	-	-	-	-	-	-	-	-	0.8	-	3.0	-	3.8
OTHER A.I.D.	-	-	-	0.7	-	-	-	-	-	-	7.6	-	8.3
FOOD FOR PEACE (PL 480) - TOTAL	-	-	-	-	*	0.1	*	*	*	0.1	0.1	0.2	0.5
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	-	-	*	0.1	*	*	*	0.1	0.1	0.2	0.5
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	-	-	-	-	2.0	2.0
OTHER U.S. ECONOMIC PROGRAMS	-	-	0.2	-	-	-	-	-	-	-	-	2.0	2.2

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
IBRD - World Bank	-	-	28.0
UN Tech. Ass't (CY)	0.2	0.6	1.5
UN Special Fund	4.2	2.9	7.8

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	-
1962 (Calendar Year)	-
Cumulative thru 1962	-

LOAN DOLLAR REPAYMENTS AND INTEREST

	FY 1961	FY 1962	FY 1946-62
A.I.D. and PL 480 Loans	*	*	0.1
Ex-Im. Bank (Long Term)	-	*	*
Other Government Loans	-	-	-

* Less than $50,000.

Rhodesia and
Nyasaland

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Rhodesia and Nyasaland - BASIC ECONOMIC DATA

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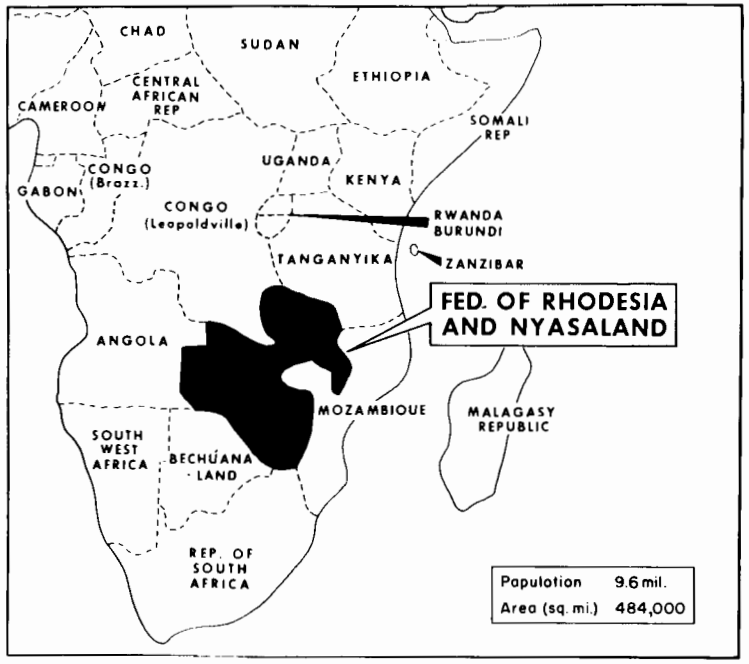

Annual Population Growth	2.8%
Gross National Product (1961)*	
Total ($ Million)	1,530
Per Capita GNP (Dollars)	163
Approx. 1956-61 Growth Rate	
Total GNP	+3.1%
Per Capita	+0.3%

Agricultural Land	
Percent of Area	32%
Acres per Capita	10
Literacy Rate	n.a.
Pupils - % of Pop. (Prim/Second.)	12%
Life Expectancy (years)	n.a.
People per Doctor	9,300

	1959	1960	1961	1962(Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	133	139	161	166
Per Capita Index	116	118	133	133
Corn (1000 MT)	1,397	1,397	2,038	2,038
INDUSTRIAL PRODUCTION INDEX (1958=100)	119	127	131	132
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.) a/	543	596	599	610
Refined Copper	(301)	(335)	(313)	(315)
Total Imports (c.i.f.)	474	495	489	455
Trade Balance	+69	+101	+110	+155
GOLD & FOREIGN EXCHANGE (End Yr.-$ Mil) E (official holdings)	221	195	226	240
COST OF LIVING INDEX (1958=100) No. Rhodesia	102	103	104	105
(June-Dec 1960=100) So. Rhodesia ...	n.a.	100	102	103

* Converted at $2.80 per pound. a/ Includes gold sales. E - Estimated.

Country Background

The Federation of Rhodesia and Nyasaland consists of the two British Protectorates of Northern Rhodesia and Nyasaland and the self-governing British Colony of Southern Rhodesia situated in the interior of south-central Africa. The largest percentage of population is in Southern Rhodesia with 3.9 million persons (of whom 221,000 are Europeans) although Nyasaland has the highest population density with 3.2 million persons living in less than one-tenth of the Federation area. The present Federation is in the process of drastic alteration.

Political difficulties are manifest in the Federation, particularly in terms of **African concern over the strongly right-wing orientation of the new Southern Rhodesia government and the tensions in its northern neighbor between contending African parties. There are believed to be dangers of the rise to power of extremist forces or widespread violence.**

Despite these political tensions, the economic position of the Federation as such appears generally strong, as presently demonstrated by high exports, increased manufacturing output and growing foreign exchange reserves. This favorable economic situation is concentrated in the Rhodesias, however. Northern Rhodesia, a relatively rich area, is the Free World's second largest copper producer and exporter and has other minerals, including strategically important lithium. The majority of the approximately $100 million in U.S. private investment in the Federations has been in the mining industry in this territory. Southern Rhodesia's economy is diversified with good prospects for economic growth. However, these indicators are essentially reflections of the wealth of the European segment of the economy. Nyasaland, whose secession from the Federation is anticipated in 1964, is greatly dependent on external assistance and faces an operating budget deficit exceeding $8 million next year.

Most of the African economy is subsistent in character, with per capita income no more than $50-$60. From 1960-1962, Gross National Product (GNP) failed to grow, while the population was increasing by 2.8% each year. Skilled African manpower is virtually nonexistent.

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Country: RHODESIA AND NYASALAND

U.S. Objectives and Strategy

It is in the Free World interest that there be an orderly transfer of political power in the Federation from the European colonial administration to the Africans under conditions that will foster the development of non-racial societies and responsible governments oriented toward the West. The U.S. role in helping achieve this change is subsidiary to that of the U.K. whose interest and responsibilities in the Federation are paramount.

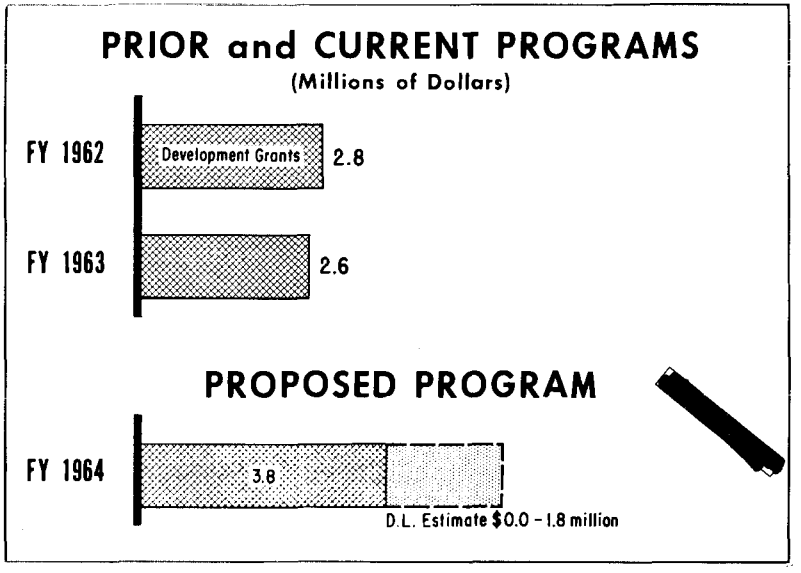
U.S. aid is designed neither to hasten nor to prevent the breakup of the Federation, but is undertaken primarily to indicate our interest in African advancement and to help bring about fuller African participation in the social, political, and economic life of the country.

The Agency for International Development (A.I.D.) effort is directed toward the individual territories and confined to fields directly beneficial to the Africans. The Federal Government is kept informed of projects and gives proforma assistance to project agreements. Our assistance, although limited, is designed to play an important role in assisting local and U.K. efforts to train and educate the African and to hasten his entrance into the cash economy - economic prerequisites to the building of a responsible non-racial society. However, in none of the territories are we carrying out major development programs, and we will continue to stress to the U.K. and the local governments our supplementary role. While assisting with selected surveys, we are being careful to avoid giving rise to expectation of sizable U.S. aid.

The major portion of our A.I.D. program is planned for Nyasaland where, in view of the rapid pace of African political advancement, our objectives cannot be met without a more substantial U.S. involvement than in the other two territories of the Federation. There is an urgent requirement in Northern Rhodesia for technical assistance to accelerate Africanization in educational, administrative, vocational, technical, agricultural and other fields, and a modest program is proposed. It is expected that the territory will be able to meet from its own resources most of its needs for capital development. Only a minimum program is planned for Southern Rhodesia.

Current Situation

The economy of the Federation may be divided into the money and subsistence sectors involving, respectively, the European and the African segments of the population. The Federation's money economy



is flourishing, with exports continuing at a steady rate. Foreign exchange reserves have recovered following a decline due to capital outflow in 1960. This favorable economic situation is concentrated in the Rhodesias. Nyasaland faces upon secession, an operating budget deficit of at least $8 million in FY 1964.

Nyasa leaders are determined to move toward independence with a hope to achieve economic progress, mainly through increased and diversified agricultural production. Such progress depends largely on external assistance which the Government of the Federation and the United Kingdom have been supplying at the rate of $10 to $12 million annually in grants and loans. It is anticipated that the operating deficit plus $5.6 to $9.2 million for capital expenditures will be met in FY 1964 by the U.K. through grants and loans.

The Nyasaland Development Plan covering $36.4 million in public investment over a three-year period from 1962-1965 is responsive to the urgent need for training of Africans in cash-crop agriculture, administration, and vocational skills. Northern Rhodesia's capital expenditure plan is geared to rural development, but may not be acceptable to African leaders who have just formed a plan of their own.

No U.K. grant assistance is provided to the Rhodesias or the Federal Government. The major portion of their investment capital

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has been obtained through loans from the U.K., the International Bank for Reconstruction and Development (IBRD) and foreign private sources.

FY 1964 Program

The A.I.D. program is designed to assist in meeting the most urgent needs for training Africans with a view to increasing the role they play in the cash economy. In Nyasaland the Development Grant program of $2.045 million will provide guidance and assistance in rural improvement and educational development is emphasized through a program of training Africans in agricultural extension, community development, and teacher education. Staffing of A.I.D.-constructed Nyasaland Polytechnic High School will be financed through a university contract. Selected feasibility studies will be conducted. The Northern Rhodesia program proposed at $1.13 million will also concentrate on technical assistance in the fields of agricultural extension, community development, and African teacher training. Curriculum at the A.I.D.-supported adult education college will be developed and courses taught by U.S. professors. Limited technical assistance in Southern Rhodesia proposed at $176,000 is planned to commence training in community development, and to introduce U.S. concepts of agricultural extension and teacher training.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	-	0-1.8
Development Grants - Total	2.8	2.6	3.8
Agriculture and Natural Resources	0.3	0.8	1.3
Transportation	0.1	-	0.2
Education	1.7	1.1	1.2
Public Safety and Public Administration	0.2	0.1	0.4
Community Development and Social Welfare	0.1	0.1	0.3
General and Miscellaneous	0.4	0.5	0.4

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	0.6	2.8	13.7
Technical Coop./Development Grants	0.2	2.8	3.4
Development Loans	-	-	-
Other A.I.D.	0.4	-	10.3
FOOD FOR PEACE (P.L. 480) - TOTAL	*	-	*
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	-	-	-
Title III	*	-	*
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	-	22.4
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
IBRD - World Bank	-	-	146.6
UN Tech. Ass't. (CY ending in FY)	0.1	0.2	0.5
UN Special Fund	0.8	0.6	1.4
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-
LOAN $ REPAYMENTS & INTEREST			
A.I.D. and P.L. 480 Loans	-	-	-
Ex-Im Bank (Long-Term)	-	-	-
Other Government Loans	4.4	4.2	27.2

*Less than $50,000

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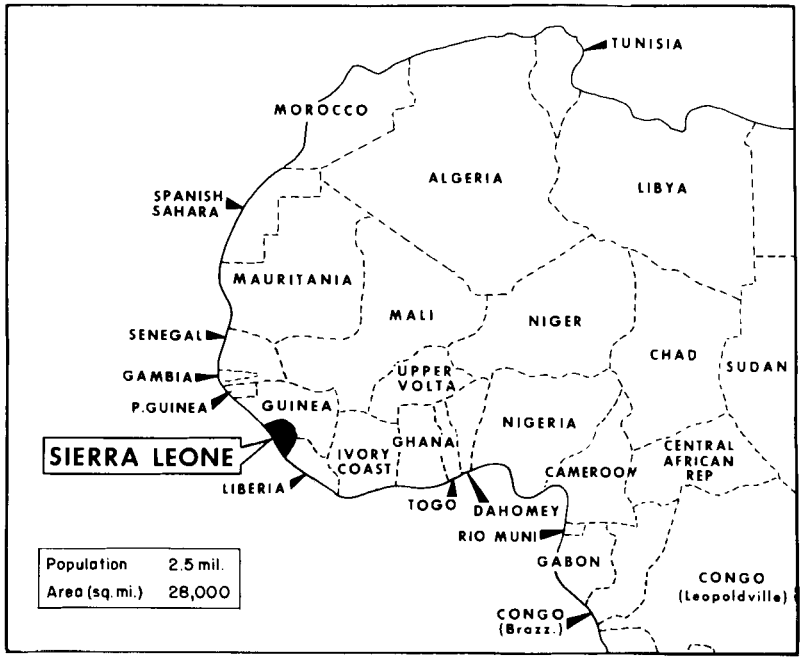
Sierra Leone

Sierra Leone-BASIC ECONOMIC DATA



Annual Population Growth	1.9%
Gross National Product (1961)*	
Total ($ Million)	175
Per Capita GNP (Dollars)	70

Agricultural Land	
Percent of Area	81%
Acres per Capita	6
Literacy Rate	10%
Pupils - % of Pop. (Prim/Second.)	4%
Life Expectancy (years)	n.a.
People per Doctor	22,600

	1959	1960	1961	1962 (Est)
AGRICULTURAL PROD. INDEX (1952-54=100)	96	103	103	n.a.
Per Capita Index	86	90	88	n.a.
Rice, paddy (1000 MT).....	261	286	299	n.a.
ELECTRIC POWER OUTPUT (KWH per capita)	18	20	21	23
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	55	83	82	57
Diamonds	(19)	(46)	(45)	n.a.
Total Imports (c.i.f.)	66	74	91	85
Trade Balance	-11	+9	-9	-28
IRON ORE PRODUCTION(1000 MT).....	1,450	1,470	1,695	2,300
COST OF LIVING INDEX (1958=100)..... (Freetown)	100	102	107	107

* Converted at $2.80 per pound.

Country Background

Sierra Leone attained independence in 1961. It was the oldest British possession in Africa, and its trade and commerce are still primarily with the United Kingdom (U.K.). Its historic role in British West Africa is greater than its comparative size. The capital, Freetown, originally settled by freed slaves, was an early seat of British West African colonial administration. Before World War II, Fourah Bay College was for many years the source of higher education for Africans from Nigeria and Ghana, as well as Sierra Leone. Sierra Leoneans served in the colonial services, in trade, and the professions in the other British West African areas. As a result, long-standing ties were formed among the educated coastal families in the three countries. In contemporary West Africa, Sierra Leone's moderate, free society, combined with its past ties, makes this country a source of favorable regional influence.

Most of the population live in rural areas and is gradually being integrated into the life of the country. The British left a sound system of public administration which has now been "Africanized" to a large extent. Village life is still run largely by tribal authorities.

The first suffrage election was held in May 1962. The opposition party is left-wing, but communism has made little penetration and poses no serious immediate threat.

The rural populace is beginning to demand increased education and medical services, and a higher standard of living. The majority party has produced a 10-year plan of social and economic development which is overambitious but a worthwhile first attempt at economic planning. The country's low level of agricultural productivity and dependence on cocoa, coffee, oil palm, and a slowly expanding mineral industry will make achievement of its aspirations a difficult task. On the other hand, Sierra Leone has the advantage of a small cadre of well-trained leaders, an excellent harbor, and a policy of encouraging foreign investment.

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Country: SIERRA LEONE

U.S. Objectives and Strategy

U.S. objectives are to encourage and support economic and social advancement in Sierra Leone, to strengthen its moderate and free society, and to extend its influence on other countries in West Africa.

In support of U.S. objectives the Agency for International Development (A.I.D.) proposes to take the following actions:

1. Press the British to retain primary responsibility for assistance to and influence upon Sierra Leone's development. Specifically, the U.K. is to be encouraged to provide capital and technical assistance at least equal to preindependence levels ($5.5 million annually), and liberalize its aid terms.

2. Cooperate with the British in a complementary capacity. Our aim is to select activities that will help directly the people of Sierra Leone in the attainment of their postindependence goals. We will consider supporting some infrastructure projects, e.g., schools and essential highway links with the hinterland, that meet Development Loan criteria. No budget support will be provided.

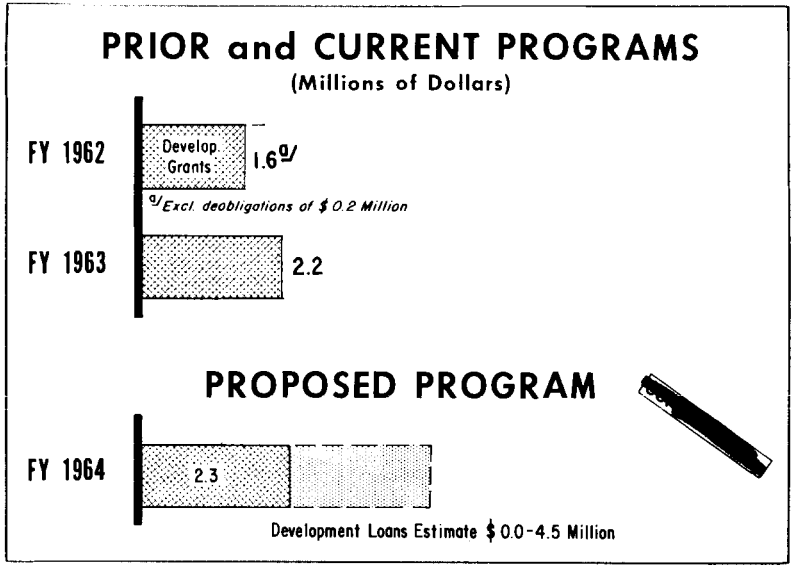
3. Encourage international agencies to assess Sierra Leone's economic potential and help devise a more realistic development plan.

Current Situation

Sierra Leone's economic progress has been limited. A drop in diamond exports and reduced prices for the country's principal agricultural products have contributed to lower recent export levels. The country lacks the skills, plans, and institutions needed for basic improvement. Its population is 90% illiterate, impoverished and primitive.

Sierra Leone lacks technical training and educational opportunities for its people. Subsistence agriculture is the major rural activity. Mineral products (diamonds and iron ore) make up about three-fourths of the country's exports, and tropical agricultural products most of the rest. Since the early 1950's people have been shifting from agriculture to diamond mining, with many moving into the urban centers; food output has not kept up with demand, and food imports have increased.

The government recently increased import and export duties on certain goods in order to increase revenue and encourage more local production of food crops for domestic consumption.



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Secondary education was expanded in 1961 and enrollment was increased at Fourah Bay College. However, the extension of primary education into rural areas creates a vastly expanded need for more and better qualified teachers. This need is not being met. An intensified program of agricultural extension and training is now provided by informal adult education programs.

One-fifth of proposed capital expenditure in the Ten-Year Plan is for medicine and health; however, the concept of preventive medicine is not yet fully accepted by the health authorities.

FY 1964 Program

The primary goal of A.I.D. activities in FY 1964 is to strengthen the rural institutional foundations in such fields as agriculture extension, teacher training, and health education. This is directed at development of the professional and voluntary leadership required to stimulate productive activity and economic growth. Approximately $2.2 million of Development Grant assistance is proposed for Development Grant activities in FY 1964.

One A.I.D. project provides assistance to a training institute at Kenema, organized to train unschooled boys and girls in the use of simple modern farm tools and techniques. Other activities

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in rural development are agricultural and teacher training at Njala, public health education, potable water supply investigations, and community action programs. The Peace Corps is planning additional volunteers to staff both the community action and teacher placement programs.

Since inadequate statistical data have hindered economic planning, A.I.D. will continue to assist in developing the new Central Statistics Office.

A.I.D. will provide a small number of participant grants to top and middle level personnel in and out of government. These grants will supplement the higher level training available to Sierra Leoneans at Fourah Bay College.

The U.K., West Germany, Israel and international lending agencies are expected to provide most of Sierra Leone's external capital assistance.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

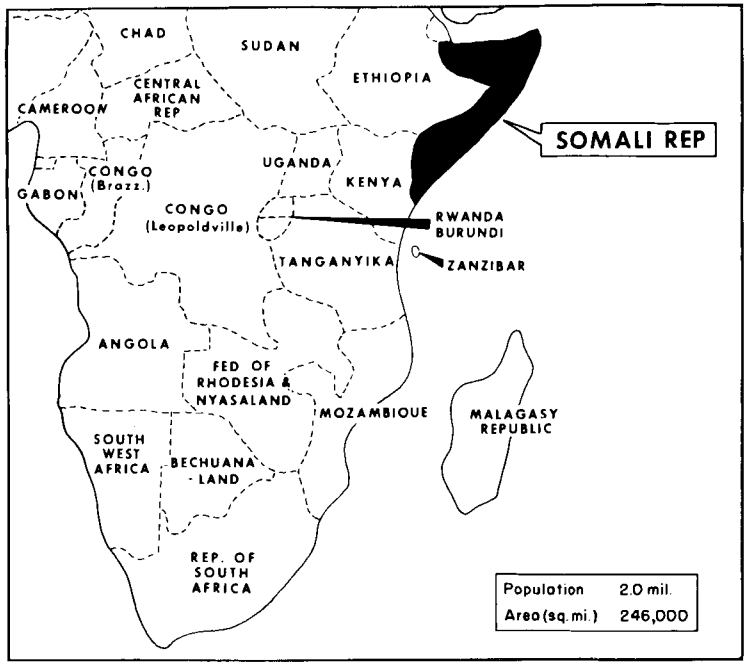
	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	-	0-4.5
Development Grants - Total	1.5	2.2	2.3
Agriculture and Natural Resources	0.3	0.6	0.7
Health and Sanitation	0.1	0.3	0.6
Education	0.7	0.7	0.6
General and Miscellaneous	0.6	0.6	0.4
Deobligations During FY 1962	-0.2	xx	xx

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	0.5	1.5	2.2
Technical Coop./Development Grants	0.1	1.5	1.8
Development Loans	-	-	-
Other A.I.D.	0.4	-	0.4
FOOD FOR PEACE (P.L. 480) - TOTAL	0.1	0.2	0.5
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	-	-	-
Title III	0.1	0.2	0.5
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	0.8	0.8
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)	*	0.2	0.5
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-

*Less than $50,000

Somali
Republic

Somali Republic- BASIC ECONOMIC DATA



Annual Population Growth	0.9%
Gross National Product (1961)*	
Total ($ Million)	56
Per Capita GNP (Dollars)	40

Agricultural Land	
Percent of Area	34%
Acres per Capita	26
Literacy Rate	5%
Pupils - % of Pop. (Prim/Second.)	1%
Life Expectancy (years)	n.a.
People per Doctor	27,800

	1959	1960	1961	1962(Est)
AGRICULTURAL PRODUCTION				
Bananas (1000 MT).....	85	91	85	87
Corn (1000 MT)	45	55	20	50
ELECTRIC POWER OUTPUT (KWH per capita)	4	4	5	5
INTERNATIONAL TRADE ($ Million)				
Total Exports (f.o.b.)	19	24	26	n.a.
Bananas	(8)	(10)	(13)	n.a.
Total Imports (c.i.f.)	31	30	32	n.a.
Trade Balance	-12	-6	-6	n.a.
GOLD & FOREIGN EXCHANGE(End Yr.-$ Mil)	8	10	n.a.	n.a.
COST OF LIVING INDEX (1958=100)..... (Mogadiscio)	109	112	123	116

* Converted at 7.14 Somalos per U.S. dollar; covers Southern Region only.

Country Background

The Somali Republic, independent since July 1960, is comprised of the former Trust Territory of Somaliland under Italian administration and the former British Protectorate of Somaliland. The Somalis have strong common ethnic and religious bonds, and the presence of approximately one million Somalis in neighboring Ethiopia, Kenya, and French Somaliland provides a powerful stimulus to expansionist dreams of uniting all of the Somali people into one nation. This primary objective of Somali foreign policy is supported by all leaders, and Somali-Ethiopian tension on the disputed border is chronic. Somalia's Government is essentially moderate, neutral and friendly towards the West, although it has been plagued by crises and has nearly fallen on several occasions to less friendly leadership. In attempting to unify the country, the Government faces discontent in the former British northern sector, and the difficulties of amalgamating two dissimilar administrative systems.

The slight rainfall, generally semiarid or arid and unproductive soil, lack of known mineral resources in commercial quantities, and a literacy rate of only 5% combine to make this one of the poorest countries in the world. Three quarters of the nearly two million population are nomads or semi-nomads relying on livestock for their livelihood and are outside the monetary sector of the economy. Agricultural activity is confined to small widely separated areas. Barring the possibility of the discovery of oil, the country's most hopeful development opportunity lies in the sizable inter-river area where a substantially increased level of agricultural production can be achieved. The major cash crop, bananas, accounts for almost half of total exports, the bulk of which are purchased by Italy at prices considerably higher than the world market level.

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Country: SOMALI REPUBLIC

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U.S. Objectives and Strategy

U.S. objectives in the Somali Republic are to: (a) minimize Soviet influence in the country; (b) assist in the maintenance of a stable, and basically pro-Western government able to effect some measurable improvement in the welfare of the Somali people; and (c) reduce the sources of possible conflict which might disrupt the stability of the Horn of Africa and adversely affect our larger interests in Ethiopia.

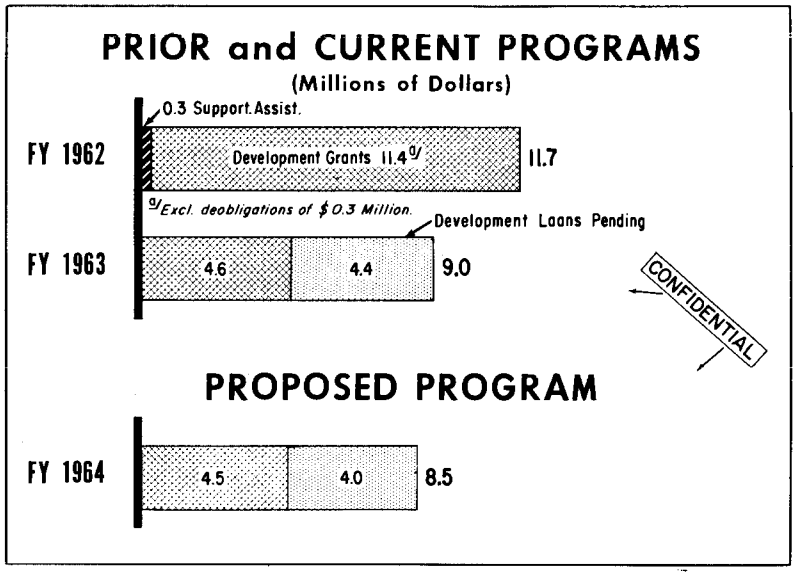
Efforts to attain U.S. objectives will be shared with other Western countries and institutions, in particular the former metropoles, Italy and the United Kingdom, as well as West Germany, the European Economic Community (EEC) and International Bank for Reconstruction and Development (IBRD)/International Development Association (IDA). The United States should attempt to focus primary responsibility on Italy, U.K., and the EEC for meeting Somalia's development needs and, to the extent consistent with other U.S. objectives, seek Italian leadership in obtaining other contributions and in coordinating aid to Somalia. To assure an adequate and coordinated approach toward attaining Western interests in the country, a tripartite working group (United States, United Kingdom, and Italy) has been established in Mogadiscio. Western cooperation also will be used to help expand and diversify Somali exports to the Free World as a means of preventing the growth of trade with the bloc.

In view of the political and strategic nature of U.S. interests in Somali Republic, the Agency for International Development (A.I.D.) program will provide assistance in support of activities which are considered of importance to the Somali government and compatible with U.S. objectives. The A.I.D. program also will be designed to expand U.S. influence among the Somali leadership and to strengthen the Government of Somali Republic's ability to administer the country and to resist Soviet penetration. The A.I.D. program should insofar as possible support the development of the limited resources of the country.

U.S. assistance plans must take into account the Somali Republic's general lack of the prerequisites for economic growth, including the shortage of trained manpower, infrastructure, institutions, and difficulties involved in the mobilization of local resources.

Current Situation

Somalia has achieved some progress since independence despite the major problems facing the country. A National Bank has been



established, instituting a new currency system and stimulating the collection of data on trade and the balance of payments. Steps are being taken to review and overhaul budgetary, accounting and procurement policies and practices. The first Development Budget was approved by the National Assembly in November 1962.

The government has undertaken limited economic planning with the assistance of U.N. advisors. A Development Planning Commission with the Prime Minister as President has been established, and increased efforts are being made to utilize more effectively the funds available from the EEC.

Slight improvement can be ascertained in economic activity, bank deposits are rising, and government revenues have been increasing steadily at a faster rate than expenditures. Domestic investment also has increased. The trade deficit has decreased over the last few years because of increases in marketing of bananas in the protected Italian market and some expansion in live animal exports.

A strong, effective central government has not yet been established and skilled personnel are lacking at all levels. No discernable progress has been made on land tenure or water utilization legislation and tax systems are in need of reform.

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A Port Authority has been established by the Somali Government to administer all ports, control funds and profits from their operations, and administer all normal maritime services. This represented fulfillment of a requirement of continued U.S. assistance in port construction and modernization.

Phase I of the Chisimaio Port project construction is under way, financed with FY 1962 funds. This plus the improvements made in the Mogadiscio port will greatly improve Somali opportunities to increase and diversify agricultural production exports.

FY 1964 Program

The FY 1964 program request includes $4.5 million in Development Grant activities. Water resource development is one major focal point designed to assist the Somali Government's efforts to provide water to its population and their livestock. This Development Grant program is related to a probable Title II P.L. 480 drought relief project and a possible development loan for a modern water supply system for the city of Mogadiscio.

Greater agricultural production is a key target. A.I.D. will continue its assistance in grain and poultry testing operations, including the establishment of an agricultural experiment station, and in a farmer-training center. Activities to develop the inter-river area, expand the fisheries industry and increase crop diversification will continue. A "Food-for-Work" pilot project for road improvement may also be extended.

Additional Development Grant activities address the need for greater numbers of Somali personnel trained for technical and administrative duties, as well as assistance to the national police. A.I.D. plans also to continue to furnish support for the Teacher Training Institute, which will prepare students for teaching at the primary and intermediate school levels, a comprehensive secondary school and participant training activities. The two institutions will become a focal point in the Somali government's effort to unify the British system in the north and the Italian system in the south into a national education system.

Any measurable progress in the country will for a long time be possible only through substantial foreign assistance. Italy provided $7 million in grant assistance in CY 1962 of which a total of $3.5 million was in support of the $26 million Somali budget. The U.K.'s grant assistance in FY 1962 amounted to $4.5 million, including $2.1 million in budgetary support. The EEC obligated in 1962 the remainder of the $5 million initial Development Fund allocation to Somalia, and West Germany concluded project commitments for use of the $6.3 million development loan agreement concluded in 1961. Continuation of assistance from these sources is expected at comparable levels in FY 1964, as well as the smaller programs of the U.N. and the United Arab Republic (UAR). The Soviet bloc extended approximately $63 million in credits and grants in 1961 in an attempt to increase its influence in trade and in key sectors of the economy. Implementation of this program is proceeding as trade agreements and project details are worked out.

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Country: SOMALI REPUBLIC

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FINANCIAL DATA [redacted]

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	-	4.4	4.0
Transportation	-	4.4	
Development Grants - Total	11.1	4.6	4.5
Agricultural and Natural Resources	1.0	1.7	1.5
Transportation	7.9	0.7	0.6
Education	0.7	0.4	0.9
Public Safety and Public Administration	0.7	0.8	0.5
Private Enterprise	0.3	-	0.3
General and Miscellaneous	0.8	1.0	0.7
Deobligations During FY 1962	-0.3	xx	xx
Supporting Assistance - Total	0.3	-	-
Non-Project	0.3	-	-

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1961	FY 1962	FY 1946-1962
AGENCY FOR INT'L. DEVELOPMENT - TOTAL	4.1	11.4	24.3
Technical Coop./Development Grants	1.2	11.1	15.0
Development Loans	-	-	2.0
Other A.I.D.	2.9	0.3	7.3
FOOD FOR PEACE (P.L. 480) - TOTAL	*	3.3	3.7
Title I, Country Uses	-	-	-
(Sales Agreements)	(-)	(-)	(-)
Title II	-	3.2	3.6
Title III	*	0.1	0.1
Title IV	-	-	-
EX-IM BANK LONG-TERM LOANS	-	-	-
OTHER U.S. ECONOMIC ASSISTANCE	-	0.4	0.4
MILITARY ASSISTANCE			
M.A.P. - Grant Aid	-	-	-
M.A.P. - Credit Assistance	-	-	-
Other Military Assistance	-	-	-
ASSISTANCE FROM INT'L. AGENCIES			
UN Tech. Ass't. (CY ending in FY)	0.3	0.7	1.5
UN Special Fund	0.9	0.6	1.5
Eur. Econ. Community Devel. Fund	-	2.6	4.8
SINO-SOVIET BLOC ASSISTANCE (CY)	62.8	-	62.8
LOAN $ REPAYMENTS & INTEREST	-	-	-

*Less than $50,000

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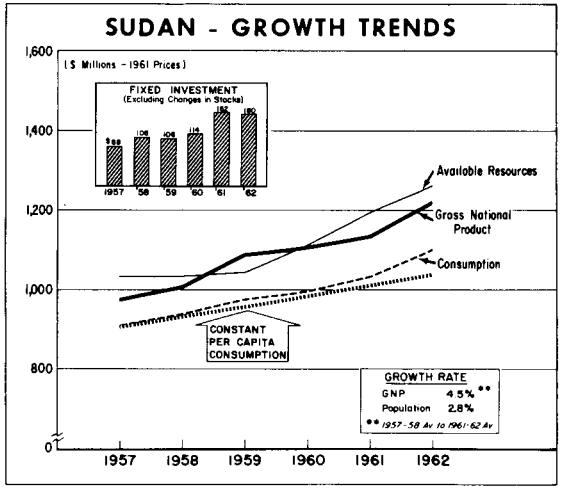
Sudan - GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	12.4	Life Expectancy (years)	33
Annual Growth (percent)	2.8		
		People per Doctor	32,000
Area (1000 sq. mi.)	967		
Pop. Density per sq. mi.	13	Literacy Rate - %	5-10
Agricultural Land			
Percent of Total Area	12	Pupils as % of Pop.	3
Acres per Capita	6	(Primary & Secondary)	



	Calendar Years 1959	1960	1961	1962 Est.
INTERNATIONAL TRADE ($ millions)				
Total Exports (f.o.b.)	192	182	179	215
Cotton	(116)	(95)	(90)	(120)
Total Imports (c.i.f.)	164	181	234	260
Trade Balance	+28	+1	-55	-45
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	163	193	179	180
COST OF LIVING INDEX (1958=100) (Khartoum)	100	100	109	111

GROWTH INDICATORS	Calendar Years 1959	1960	1961	1962 Est.
Total GNP (in 1961 prices; $ millions)*	1,083	1,109	1,132	1,220
Per Capita GNP (dollars)	94	94	94	98
Fixed Investment as percent of GNP	10	10	14	13
Domestic Savings as % of Fixed Investment	104	104	62	75
Net Foreign Balance as % of GNP	-4	-	+5	+3
Central Gov't Domestic Revenues as % of GNP	17	15	13	12
Agricultural Prod. Index (1952-54=100)	139	131	158	151
Index per Capita	117	107	126	117
Sorghum (1,000 MT)	1,312	1,105	1,300	1,280
Cement Output (1,000 MT)	100	121	106	120

CENTRAL GOVERNMENT FINANCES* (FY ending June 30)	– Million Dollar Equivalents – 1961	1962 a/	1963 a/
Total Expenditures	180	206	227
(Defense Expenditures)	(18)	(22)	(22)
(Capital Outlays)	(61)	(77)	(96)
Total Domestic Revenues	161	151	157
Deficit or Surplus	-19	-55	-70

* Converted at $2.872 per Sudanese pound.
a/ A.I.D. estimates.

Country Progress

Sudan's Ten-Year Plan for Economic and Social Development, announced last September is the country's first attempt at a comprehensive economic plan. It seeks a 23% increase in gross domestic product per capita over the Plan period; increased domestic production of goods to substitute for imported goods, lessening the import drain on the balance of payments; planned investment expenditure over the Plan period of LS 512,000,000 (of which over one-third is estimated to be by the private sector); and diversification of production for domestic consumption and exports. Government investment is to be concentrated in agriculture, education, transportation and communications, and industry and utilities. The Plan's concentration on large productive schemes limits investment in social services.

The Plan is considered to be realistic, as indicated by the early decision, announced publicly, to approach its objectives as 10-year rather than seven-year goals. It has resulted in a careful assessing of priorities and matching of desires with financial resources. Implementation is expected to be difficult, but the experience in preparing the Plan has given the ministries valuable experience relating their activities to the Plan.

Shaded areas are SECURITY CLASSIFIED and must not be divulged to unauthorized individuals. All other material is unclassified.

Country: SUDAN

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U.S. Objectives and Strategy

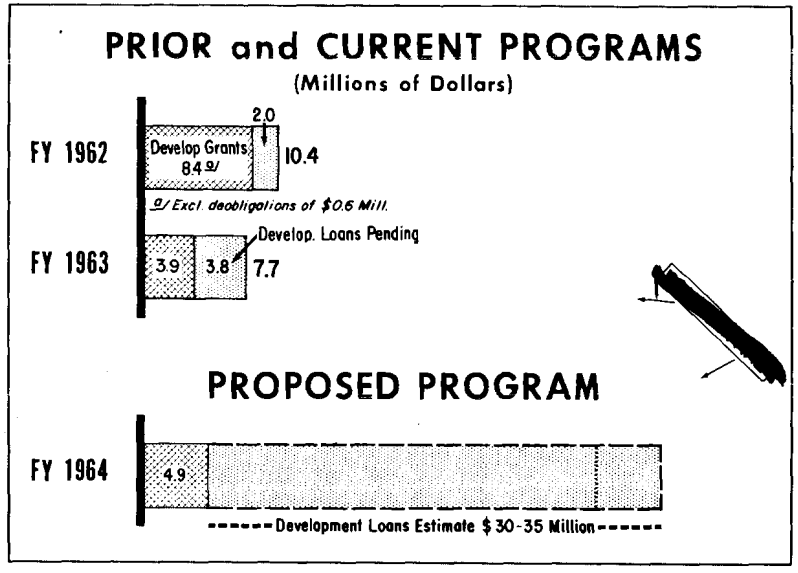
Sudan, the largest country in area in Africa, with a population of 12.4 million, is a geographic and cultural bridge between the Arab and African worlds. It obtained independence in 1956 and since late 1958 has been governed by a relatively efficient, benevolent military junta, that has been seriously promoting the country's economic development.

The two-thirds of the population in the north claim Arabic descent, are Moslem in religion and Arabicized in culture. The one-third residing in the south are largely African and pagan. The Sudan's present military leadership is anti-Communist in orientation. It has maintained internal security while moving gradually toward restoration of constitutional civil government. It is providing a sound base for economic development and is expanding social and educational facilities.

Sudan's geographic location has strategic importance to the United States. It has granted certain overflight and landing rights to U.S. military aircraft which it is in our interest to maintain. It was the main barrier to Soviet efforts to bring support to the Gizenga forces in the Congo. The country has tended to restrict Soviet aid activities to comparatively nonsensitive areas, utilizing Western aid in those activities which have a potentially significant cultural and social impact on the Sudanese people. Disappointment with Western support of their development efforts, however, could lead to an invitation to the bloc to expand its present restricted operations.

There is a good base for economic development in natural resources, power potential, telecommunications, potential foreign exchange earnings and a favorable government attitude with respect to private industry. However, the country is sparsely populated, largely illiterate and lacks skilled and professional manpower. Progress has been retarded by the lack of adequate roads and transportation facilities. It is largely a one-crop economy (cotton) although attempts are being made to broaden its base through development of processing industries and alternate cash crops.

It is in the U.S. interest that the Sudan continues as an independent and stable nation, able and determined to prevent significant influence by the bloc, friendly to Free World principles, and responsive to the Sudanese people's aspirations for economic, social and political progress. Moderate and pragmatic, the Sudan can, by demonstrating the effectiveness of Western-assisted economic development, further our long-range interests by serving as a useful example to favorably influence other African and Arab states.



Sudan has produced a Ten-Year Development Plan aimed at coordinated, orderly, and necessary social and economic growth. Significant progress has already been made. External assistance, both capital and technical, from Free World sources in support of Sudan's development efforts is essential to the achievement of the U.S. objective of an independent Sudan, free of significant bloc economic, political or military influence. Continued substantial U.S. assistance is proposed, therefore, while further efforts are being made to increase capital and technical assistance by other donor countries and international organizations. The International Bank for Reconstruction and Development (IBRD) will be encouraged to take the leadership in providing technical assistance for the Plan and to provide the mechanism to coordinate aid from external sources.

U.S. strategy must be considered interim at this time due to the uncertainty as to whether the IBRD will assume a leadership role in coordinating assistance to the Sudan and the extent to which additional assistance will be forthcoming both from other western countries and international agencies. The United States will not formally take the leadership role in coordination if the IBRD fails to do so nor will the United States indicate a willingness to make a long-term commitment or to fill the foreign resources gap. However, the United States contemplates a significant

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contribution in support of the Plan. This contribution will be in the form of Development Grant aid for the development of manpower resources, for greater diversification in agriculture, and for greater industrial development. Development loans will be provided principally for capital projects.

The United States will endeavor to encourage the Sudan to continue to take constructive action to increase private investment in industry, to diversify agriculture production, to move toward more representative government and increased governmental responsibility at the local level, and to improve institutional structures and processes.

Current Situation

At the close of 1962, the Sudan had, and it appears that it will continue to have, conditions favorable to sound economic and political development.

Politically, although the Sudan has been governed by a military regime since November 1958, that regime has always characterized itself as transitional. Provision was made in 1961 for re-establishment of the provincial councils and in 1962 they were given broadened administrative responsibilities and independent budgets. The Government, last year, also announced that a central council with legislative functions would be created after a reformation of the local councils, such reformation to be accomplished to a considerable extent through the electoral process.

Upon achieving independence, the Sudan embarked on a five-year development plan which, in reality, was a collection of projects. In 1962, the Sudan Government announced a Ten-Year Development Plan with a total investment target of about $1.5 billion of which about one-third is in the private sector. Though all the details of the Plan are not yet available, it appears to be soundly conceived and reflects the Government's seriousness in systematically arranging for its development. The IBRD provided limited advisory assistance in the formulation of the Plan.

Commitments to several large dam and irrigation projects made prior to the formulation of the Plan have created a degree of imbalance, particularly in the limited provisions for the social services sector. This situation is compounded by the limited number of capable administrators, vocational and agricultural technicians in the Sudan. In order to meet this problem, the Sudan Government has been expanding its system of technical schools, developing specialized training facilities in communications, agriculture, and other areas, as well as increasing enrollment in the professional schools at the University of Khartoum. Agency for International Development (A.I.D.) has assisted by providing advisory services in technical training, teacher training, and for specialized training facilities in electronics and farm machinery. Assistance has also been provided in the construction of technical schools, particularly a senior trade school in Khartoum which will serve as the focal point for trade training. It is anticipated that A.I.D. loans will be made for additional technical schools as well as for teacher training, secondary, and possibly higher education facilities.

It is believed that the Sudan will achieve orderly development under the Plan, provided there is no precipitate fall in world cotton prices or in cotton production in the Sudan and provided foreign aid is made available to meet the goals of the Plan. The current economic situation is considered to be generally favorable. There has been a steady growth in Gross National Product (GNP) and fixed investment as a percent of GNP has increased. While development expenditures have represented slightly less than half the value of recurrent expenditures, the government has gradually increased the amount going into development, from $49 million in 1957 to $63 million in 1961. Significantly, there has been a trend toward diversification, notably toward manufacturing, building and construction, and in transportation and distribution. Other indications of the Sudanese awareness of the need for diversity in agricultural production are experimental projects to develop rice, coffee, tea, castor seeds, and kenaf as well as to increase livestock and poultry production. The A.I.D. agricultural program has been directed toward assisting in this basic objective by supporting research and extension activities in new crops and also by the establishment of a demonstration livestock and poultry center including a milk pasteurization plant.

The Sudan Government's transportation development has centered on the expansion of the Sudan railways as the principal means for getting export crops to world markets. This rail system also has not been adequately meeting the import requirements of the development program nor is it providing for integration of the nation. A.I.D. assistance has been furnished in the areas of road planning, and both maintenance and construction demonstration. Under the construction demonstration project, more than 130 miles of hard surface roads are being constructed. In addition, A.I.D. conducted a feasibility survey for a road from the capital city of Khartoum to the only seaport, Port Sudan.

In public utilities, the Sudan has already made substantial efforts to increase electric power and the Ten-Year Plan calls for increased activity in this area. A.I.D. has completed a feasibility study for a sewerage system for the industrial area of Khartoum and it is anticipated that a loan will be authorized this year for the foreign exchange costs of its construction.

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The Sudan Government had indicated its understanding of financial institutions in its comparatively modern economic complex. Its recognition of the need for expanded credit facilities is shown by the establishment within the last three years of a Central Bank, and commercial, agricultural, and industrial development banks. Active support has also been given to the establishment of cooperatives. In this effort, A.I.D. assistance has gone to help provide a catalyst for small industry development.

IBRD has been the major donor to the Sudan having loaned, together with the International Development Association (IDA), a total of about $87 million through FY 1962. After the U.S. total of about $63 million, in the same period, West Germany is the third principal donor, having loaned about $39 million. Present indications are that West Germany will continue to be a principal donor. Other Free World donors of importance include the United Kingdom ($22 million), Kuwait ($20 million), and Italy ($11 million). The Sudan has also received loans from Russia ($23 million) and from Yugoslavia ($16 million). In the few instances where small amounts of this have been used, the Sudan has channeled the aid into non-sensitive areas such as for grain storage and canning factories.

FY 1964 Program

The FY 1964 Development Grant program is designed to strengthen the base for economic development. The principal goals of this program are:

1. Upgrading Sudanese technical and professional personnel as well as the acceleration of general education development. Advisory services by U.S. contract teams will be provided to the trade school system and to the elementary and general secondary teacher training institutes;

2. Improving the planning of transportation and public utilities through U.S. Bureau of Public Roads advisors and contracts with U.S. engineering firms for feasibility surveys;

3. Promoting agriculture development with particular emphasis on research and extension activities to permit greater agricultural diversification; and

4. Stimulating increased investment in industrial development, particularly from the private sector, largely by furnishing advisory services to the Industrial Development Bank (IDB) and employing U.S. contractors to conduct industrial feasibility surveys.

Development loans are planned to improve inadequate and inefficient transportation facilities by assistance in the construction of a portion of the Khartoum to Port Sudan road, and of international airports at Khartoum and Port Sudan; and to improve the base for human resources development by assisting in school construction, particularly technical and secondary schools. Loans for equipment may be considered as well.

The P.L. 480, Title I Program may be continued at the level of about $6 million by the sale of surplus wheat and flour, helping to alleviate foreign exchange difficulties.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	2.0	3.8	30.0-35.0
Development Banks and Other Financial Institutions	2.0	-	
Health and Sanitation	-	3.8	
Development Grants - Total	7.8	3.9	4.9
Agriculture and Natural Resources	0.9	0.8	1.1
Industry and Mining	0.3	0.3	0.3
Transportation	1.5	0.8	0.7
Education	4.4	1.0	1.6
Private Enterprise	0.2	0.3	0.3
General and Miscellaneous	1.0	0.7	0.9
Non-Project	0.1	-	-
Deobligations During FY 1962	-0.6	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	3.4	4.5	4.5
(Sales Agreements)	(4.6)	(6.0)	(6.0)

Sudan

U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL						*	-	0.4	30.9	12.8	7.0	13.3	64.6
GRANTS						*	-	0.4	20.9	12.8	7.0	9.0	50.3
LOANS						-	-	-	10.0	-	-	4.3	14.3
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL						-	-	0.4	30.9	12.8	7.0	9.8	61.0
Grants						-	-	0.4	20.9	12.8	7.0	7.8	49.0
Loans						-	-	-	10.0	-	-	2.0	12.0
TECHNICAL COOPERATION/DEVELOPMENT GRANTS						-	-	-	1.5	2.9	2.0	7.8	14.1
DEVELOPMENT LOANS						-	-	-	10.0	-	-	2.0	12.0
OTHER A.I.D.						-	-	0.4	19.4	9.9	5.0	-*	34.8
FOOD FOR PEACE (PL 480) - TOTAL						*	-	*	*	*	-	3.5	3.6
TITLE I - PLANNED FOR GRANTS AND LOANS						-	-	-	-	-	-	3.5	3.5
104c - Grants for Common Defense		*NO PROGRAMS PRIOR TO FY 1956*				-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions						-	-	-	-	-	-	-	-
104e - Grants for Economic Development						-	-	-	-	-	-	1.2	1.2
104e - Loans to Private Industry						-	-	-	-	-	-	0.7	0.7
104g - Loans to Governments						-	-	-	-	-	-	1.6	1.6
(Total Sales Agreements)						(-)	(-)	(-)	(-)	(-)	(-)	(4.6)	(4.6)
TITLE II - EMERGENCY RELIEF						-	-	-	*	-	-	-	*
TITLE III - VOLUNTARY RELIEF AGENCIES						*	-	*	*	*	-	*	0.1
TITLE IV - DOLLAR CREDIT SALES						-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS						-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS						-	-	-	-	-	-	-	-
MILITARY - TOTAL						-	-	-	-	*	*	*	0.1
GRANTS						-	-	-	-	*	*	*	0.1
LOANS						-	-	-	-	-	-	-	-
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)						-	-	-	-	*	*	*	0.1
(Additional Grants from Excess Stocks)						(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE						-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY						*	-	0.4	30.9	12.8	7.0	13.3	64.7
FOREIGN ASSISTANCE ACT PROGRAM						-	-	0.4	30.9	12.8	7.0	9.8	61.1
OTHER ASSISTANCE						*	-	*	*	*	-	3.5	3.6

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
IBRD - World Bank	19.5	-	74.0
UN Tech. Ass't. (CY)	0.7	0.7	3.2
UN Special Fund	3.6	1.7	5.3
Int'l. Dev. Association	13.0	-	13.0

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	23.0
1962 (Calendar Year)	-
Cumulative thru 1962	23.0

LOAN DOLLAR REPAYMENTS AND INTEREST

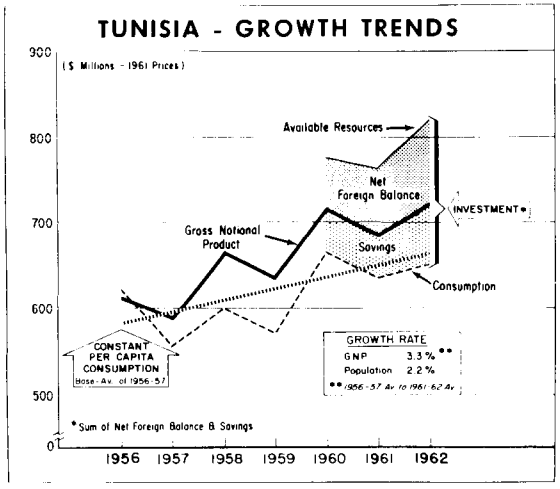
NONE

* Less than $50,000.

Tunisia - GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - 1962)	4.3	Life Expectancy (years)	n.a.
Annual Growth (percent)	2.2		
		People per Doctor	7,200
Area (1000 sq. mi.)	48		
Pop. Density per sq. mi.	89	Literacy Rate - %	25
Agricultural Land			
Percent of Total Area	40	Pupils as % of Pop. (Primary & Secondary)	12
Acres per Capita	3		



	Calendar Years			
	1959	1960	1961	1962 Est.
INTERNATIONAL TRADE ($ millions)				
Total Exports (f.o.b.)	142	120	111	110
Phosphates	(25)	(21)	(24)	(25)
Total Imports (c.i.f.)	153	191	211	205
Trade Balance	-11	-71	-100	-95
GOLD & FOREIGN EXCHANGE (end of year - $ millions)	97	97	77	76 (Oct.)
COST OF LIVING INDEX (1958=100) (Tunis)	97	95	98	95

	Calendar Years			
GROWTH INDICATORS	1959	1960	1961	1962 Est.
Total GNP (*in 1961 prices; $ millions*)*	635	713	684	720
Per Capita GNP (dollars)	155	171	161	167
Investment as percent of GNP	12	16	19	24
Domestic Savings as % of Investment	n.a.	45	39	42
Net Foreign Balance as % of GNP	n.a.	9	12	14
Central Gov't Domestic Revenues as % of GNP	20	19	22	23
Agricultural Prod. Index (1952-54=100)	109	131	79	97
Index per Capita	100	118	70	85
Olive oil (1,000 MT)	45	125	34	45
Mining Prod. Index (1958=100)	91	91	82	82

CENTRAL GOVERNMENT FINANCES* (FY ending December 31)	– Million Dollar Equivalents –		
	1960	1961	1962 (Budget)
Total Expenditures	189	224	243
(Defense Expenditures)	(12)	(14)	(11)
(Capital Outlays)	(68)	(84)	(100)
Total Domestic Revenues	133	151	165
Deficit or Surplus	-56	-73	-78

* Converted at .420 dinars per U.S.$.

Country Progress

In 1961 Tunisia completed a Ten-Year Perspective of Development, followed in 1962 by a detailed "Three-Year Development Plan." While ambitious, the Plan is generally sound. Major objectives to be achieved by 1971 include: a 6% average annual increase in Gross National Product (GNP) together with reduction in income disparities between population groups and between geographical regions; increasing domestic savings so that Tunisia can finance 50% of net investment from domestic resources over the ten-year period; increasing productivity and output while diversifying the economy; diversifying international economic and political ties.

The following illustrate specific goals for 1971 as compared with 1957:

Wheat	172%	Pharmaceutical Products	384%
Phosphates	165%	Plastic Products	133%
Iron	126%	Leather	314%
Cement	150%	Tires	187%
Electricity Production	307%	Number of Tourists	160%

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Country: TUNISIA

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U.S. Objectives and Strategy

U.S. interests in Tunisia are to maintain its stable, moderate, pro-Western government, and to continue Tunisia's moderating influence in the Arab and African worlds, especially through demonstrating social and economic progress in cooperation with the West.

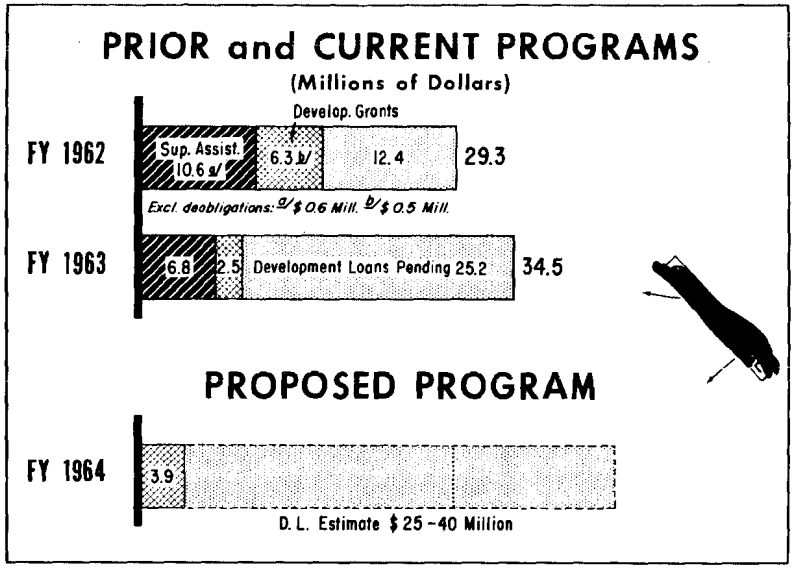
Tunisia does not possess an abundance of natural resources nor an outstanding growth potential. However, it has a popularly based government which has adopted moderate policies, has attained a workable balance between nationalism and pro-Western orientation, and has approached its development problems with realism and determination. Tunisia's approach to development sets a good example for other African nations. For these reasons, the United States has provided substantial aid for several years, culminating in July 1962, in U.S. agreement to support Tunisia's Three-Year Plan with up to half of its external requirements. Approximately $150 million is also in sight from private sources, international agencies, and European nations (incl. $45 million bloc credits).

Since Tunisia's relations with France were strained as a result of the Algerian war and the 1961 Bizerte clash, the Three-Year Plan estimate did not contemplate significant French aid. Recently relations have improved and substantial French help for Tunisian development seems probable. This prospect is particularly important since the complete Tunisia development plan covers a ten-year span with the heaviest costs coming in the later stages.

The U.S. assistance program will support the initial stages of Tunisia's long-range development plan in accordance with the existing $180 million commitment and the country's ability to absorb aid effectively, to encourage better use of available resources by Tunisia, and to obtain greater participation in this effort by Western Europe, especially France, and by the World Bank. After fulfilling our commitment, it is anticipated that France and other European countries will carry the major burden of external development aid to Tunisia, with U.S. aid continuing but supplementary.

In accordance with this basic strategy, the following lines of action will be pursued:

1. To provide over the next several years, as the major means of meeting the U.S. commitment, Development Lending, (Agency for International Development (A.I.D.) and Export-Import (Ex-Im) Bank) for financing projects and limited general imports in support of the Tunisia plan.



2. To continue to support the work project employment program through P.L. 480 food supplies, to cooperate in the Tunisian effort to reduce the budgetary drain of the program by integrating it fully into the development plan and adjusting its scope to fit the plan's priorities. Under this program, begun in 1958, over 200,000 otherwise unemployed workers are currently engaged in such useful economic activities as terracing, tree planting, and well-digging. The Tunisian Government pays 50 cents of their daily wage while the remainder, equivalent to 20 cents, is paid in wheat donated by the United States under P.L. 480, Title II.

3. To use the Development Grant program to supplement other external technical help, especially French, in strengthening the manpower base and management capacities needed to administer a developing economy and the development plan itself.

4. To determine ways in which the Government of Tunisia (GOT) and the private sector can and should improve the use of available resources and to use a variety of opportunities, including consultations on program loans, on planned progress as called for by the long-term commitment, on individual project proposals, and Development Assistance Committee (DAC) and International Bank for Reconstruction and Development (IBRD)

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consultations to encourage and influence Tunisia to undertake remedial measures. Those measures include actions to meet deficiencies in public and private savings, and in Tunisian government budgeting; static export levels; excessive state management and concentration on development of Tunisia's southern and central regions.

The United States will place maximum emphasis on assistance directed toward the following high priority goals in Tunisia's Three-Year Plan: Development of water resources; increasing numbers of trained manpower; increasing agricultural output; and expansion of transportation, communications, power and industrial facilities.

Current Situation

Like most underdeveloped countries, Tunisia is characterized by a sharp contrast between its traditional and modern sectors. The former, comprising almost three-fourths of population, is engaged in low-yielding agriculture and handicrafts. The rate of unemployment and underemployment is high, and the average annual per capita income in this sector is about $50. The modern sector, located primarily in the northern and coastal areas which include the principal cities, consists chiefly of the European community and those Tunisians engaged in large-scale farming, mining, industry, building construction, commerce and trade. Economic growth has been almost exclusively restricted to the modern sector.

The importance of foreign trade to the economy is apparent from the fact that imports comprise over 25% of total available resources and exports over 15% of Gross National Product (GNP). Over half of Tunisia's exports are agricultural products, while most of the remainder is raw materials such as phosphates and iron ore. Although its share of Tunisia's trade has declined, France still accounts for more than half of both Tunisia's exports and imports. The future of Tunisia's preferential position in the French market is presently in doubt because of the Common Market.

Tunisia is poor in unexploited natural resources including sources of energy. There is also a critical shortage of skilled manpower, aggravated by the exodus of Europeans following the Bizerte crisis in 1961. These contrast with Tunisia's assets, among them, its socially enlightened government, its well-developed infrastructure, an effective financial and banking system, and an ambitious but basically sound development program.

For the past two years, the full energies of the Tunisian Government have been devoted to preparing and launching its program for economic development. In 1961 the "Ten-Year Perspective of Development" was completed, followed early in 1962 by a detailed "Three-Year Development Plan." The broad goals of the Perspective are to: (a) achieve a 6% average annual increase in GNP, together with redistribution of income so that no one receives less than $100 a year; (b) encourage and facilitate movement among economic and social groups; (c) achieve universal primary school education; (d) raise the rate of savings from 8% to 26% of GNP, so that Tunisia can finance 50% of net investment from its own resources over the decade as a whole; (e) diversify Tunisia's international economic and political ties, particularly to reduce dependence on France; (f) decrease income disparities between the northern and southern regions; and (g) increase productivity and output in the major sectors of the economy, with an increasing share of GNP to be contributed by manufacturing as compared with agriculture and mining.

During 1961 and to a lesser extent in 1962, Tunisia was beset by droughts which drastically curtailed agricultural production, which normally accounts for about one-third of the GNP. Consequently exports in both 1961 and 1962 were below average, while imports, particularly of capital equipment needed for development, were above those of prior years. As a result, Tunisia's gold and foreign exchange reserves fell from $97 million at the close of 1960 to $76 million at the end of October 1962; at year end, these reserves are believed to have been equivalent to less than four-months' import requirements, a dangerously low level for a country heavily dependent on agricultural exports and subject to sharp climatic variations.

Developments during 1962, the first year of the Plan, indicate that Tunisia is making progress toward fulfilling the structural and other changes envisaged in the "Pre-Plan." Total GNP recovered to the 1960 level, since the decline in agricultural output was more than offset by increases in manufacturing, construction, commerce and other services, including tourism. This shift among sectors is a first step toward the greater diversification envisaged by the Ten-Year Perspective.

During 1962 Tunisia made significant progress in diversifying its political and economic relationships. Past and anticipated commitments to assist the Plan are expected to exceed $100 million including an estimated $30 million from the French government, $15-20 million from the West German Republic, $40-45 million from private Free World investors, and $20-25 million from multilateral organizations plus $45 million in bloc credits. Conclusion of a new financial and commercial agreement with France cleared the way for opening discussions on French economic assistance. While relations with Algeria are still unsettled, Tunisia early in 1963 sent a representative to Rabat to join Moroccan and Algerian leaders in discussing prospects for Maghrebian economic cooperation.

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U.S. assistance in the past has helped Tunisia lay the groundwork for some of the more ambitious changes envisaged by the Plan. Development Grants have financed both agricultural and industrial feasibility studies of specific projects incorporated in the Plan. Business managers, engineers and government officials have been given professional training. A school has been established for auto mechanics, and courses set up in maintenance of heavy motorized equipment, railroads and foundry operations. Demonstrations for improving livestock, increasing poultry production, and expanding fruit and vegetable output have been successfully accomplished. U.S. loans have been used to help provide capital for both industrial and agricultural development banks. A large dam, improved airport facilities and a cellulose pulp factory, partially financed by U.S. loans, are now under construction.

Supporting Assistance, which is being terminated in FY 1963, has been granted to finance imports of basic industrial and consumer items, such as petroleum, sulphur, and sugar, with the counterpart used to help meet local costs of economic infrastructure.

FY 1964 Program

In FY 1964, loans are expected to provide the most significant share of U.S. assistance. These loans, totaling $25-40 million, will support high-priority projects in Tunisia's Three-Year Plan, and assist in establishing agricultural cooperatives. The latter are considered by the Tunisian Government essential to provide the institutional framework with which agricultural productivity and output may be increased to meet the targets of the Ten-Year Perspective. In contrast to FY 1962 and FY 1963, when loans and Supporting Assistance for general commodity imports have been considered necessary to protect Tunisia's shrinking foreign exchange reserves, no such loans are proposed for FY 1964. A.I.D. believes that, while Tunisia's balance-of-payments position may still be precarious in FY 1964, the European countries from which Tunisia customarily procures such imports will have agreed to assist in financing them. Both the United States and Tunisia are encouraging the Western European nations to undertake this responsibility.

We believe that Europe is a more economical source of general imports than the United States, especially of bulk items for which freight represents a relatively high percentage of the delivered price.

Among the loans which A.I.D. expects to be ready for FY 1964 financing are the construction and equipment of a land-grant type college, several irrigation projects, upgrading of phosphate production with ancillary facilities, a cement plant, extension of rural electrification, and tractors for cooperative farming operations.

The Development Grant program in FY 1964 is expected to be somewhat higher than presently projected for FY 1963. The increase over last year reflects primarily the need to extend a few large contracts which in FY 1963 were carried on with prior years' funds. FY 1964 will show greater concentration on activities to promote high-priority goals in Tunisia's development plans, i.e., expansion of water resources, building up managerial manpower, increasing agricultural productivity and output.

Food for Peace in FY 1964 may be increased sharply. The United States and Tunisia are presently exploring means of integrating into the Development Plan and Budget the cost of over 200,000 otherwise unemployed workers now engaged in labor-intensive projects outside the Plan. These workers are now paid partly in cash provided by the Tunisian Government, and partly in wheat granted under P.L. 480, Title II. If it should be determined that a sales program under P.L. 480 would enable the Tunisian government to absorb some of these workers into activities under the Plan, and convert their wages to an all-cash basis, while gradually liquidating the activities of the remaining workers, we would temporarily increase Food for Peace for this purpose.

Early in 1962 the IBRD, in response to Tunisian initiative, set up an informal consultative group of potential donors to exchange information on aid to Tunisia. As an active member of this group the United States intends to encourage increased aid to Tunisia from other Western sources. In addition, the IBRD and International Development Association (IDA), are exploring certain project proposals.

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Country: TUNISIA

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	12.4	25.2	25.0-40.0
Health and Sanitation	1.4	-	
Power and Communication	-	2.0	
Education	-	2.7	
Agriculture	1.0	5.5	
Non-Project	10.0	15.0	
Development Grants - Total	5.8	2.5	3.9
Agriculture and Natural Resources	4.0	0.6	1.4
Industry and Mining	0.4	0.5	0.6
Labor	0.4	-	0.3
Education	0.4	0.5	0.7
General and Miscellaneous	1.0	0.9	0.9
Deobligations During FY 1962	-0.4	xx	xx
Supporting Assistance - Total	10.0	6.8	-
Project	0.4	-	-
Non-Project	10.2	6.8	-
Deobligations During FY 1962	-0.6	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	4.8	11.3	18.0
(Sales Agreements)	(5.7)	(12.6)	(20.0)
Military Assistance Program	8.4	0.3	0.5

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Tunisia

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U.S. FOREIGN ASSISTANCE - OBLIGATIONS AND LOAN AUTHORIZATIONS
(Millions of Dollars)

PROGRAM	U.S. FISCAL YEARS												TOTAL
	1946-48	1949-52	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	
ECONOMIC - TOTAL	-	0.2	-	0.1	0.1	0.1	17.3	27.2	33.1	57.1	109.3	48.2	292.6
GRANTS	-	0.2	-	0.1	0.1	0.1	14.8	21.9	28.7	33.7	92.9	30.4	222.8
LOANS	-	-	-	-	-	-	2.5	5.3	4.4	23.4	16.4	17.8	69.8
AGENCY FOR INTERNATIONAL DEVELOPMENT - TOTAL	-	-	-	-	-	-	8.5	20.6	25.9	45.6	36.8	28.2	165.6
Grants	-	-	-	-	-	-	6.0	15.3	21.5	22.2	26.8	15.8	107.6
Loans	-	-	-	-	-	-	2.5	5.3	4.4	23.4	10.0	12.4	58.0
TECHNICAL COOPERATION/DEVELOPMENT GRANTS	-	-	-	-	-	-	0.5	1.2	1.5	2.2	2.0	5.8	13.3
DEVELOPMENT LOANS	-	-	-	-	-	-	-	4.3	4.4	23.4	10.0	12.4	54.5
OTHER A.I.D.	-	-	-	-	-	-	8.0	15.0	20.1	20.0	24.8	10.0	97.9
FOOD FOR PEACE (PL 480) - TOTAL	-	0.2	-	0.1	0.1	0.1	8.8	6.6	7.2	11.5	70.7	19.1	124.3
TITLE I - PLANNED FOR GRANTS AND LOANS	-	-	-	-	-	-	-	-	-	-	12.2	4.8	17.0
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104d - Grants from Triangular Transactions	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	7.6	-	7.6
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	1.5	-	1.5
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	3.1	4.8	7.9
(Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(15.3)	(5.7)	(21.0)
TITLE II - EMERGENCY RELIEF	-	-	-	-	-	-	8.4	6.4	7.0	11.3	57.9	13.6	104.6
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.2	-	0.1	0.1	0.1	0.4	0.2	0.2	0.2	0.6	0.7	2.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	-	-	-	1.8	0.6	2.4
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-	-	-	-	-	-	-	0.3	0.3
MILITARY - TOTAL	-	-	-	-	-	-	-	-	1.3	1.5	2.7	2.3	19.0
GRANTS	-	-	-	-	-	-	-	-	-	-	2.7	2.3	15.7
LOANS	-	-	-	-	-	-	-	-	1.3	1.5	*	*	3.3
MILITARY ASSISTANCE PROGRAM - MAP - (Chg. to App.)	-	-	-	-	-	-	-	-	1.3	1.5	2.7	2.3	19.0
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.1)	(0.1)	(0.4)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC AND MILITARY	-	0.2	-	0.1	0.1	0.1	17.3	27.2	34.4	58.6	112.0	50.5	311.6
FOREIGN ASSISTANCE ACT PROGRAM	-	-	-	-	-	-	8.5	20.6	27.2	47.1	39.5	30.5	184.6
OTHER ASSISTANCE	-	0.2	-	0.1	0.1	0.1	8.8	6.6	7.2	11.5	72.5	20.0	127.0

OTHER ASSISTANCE AND REPAYMENTS

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1961	FY 1962	FY 1946-62
UN Tech. Ass't. (CY) . . .	0.4	0.4	1.9
UN Special Fund	0.6	2.0	3.5

SINO-SOVIET BLOC ASSISTANCE

1961 (Calendar Year)	37.8
1962 (Calendar Year)	-
Cumulative thru 1962	45.8

LOAN DOLLAR REPAYMENTS AND INTEREST

NONE

* Less than $50,000.

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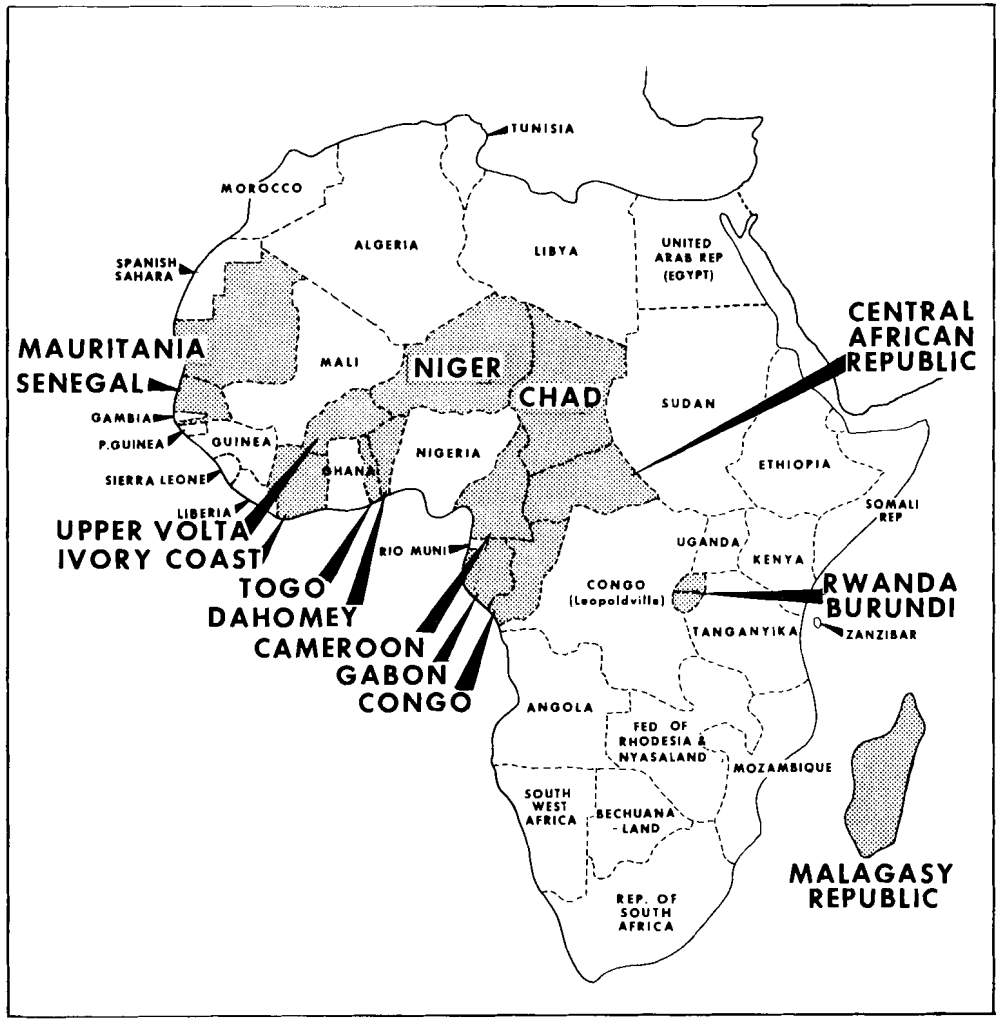
Union African and Malagasy (U.A.M.) States, Togo, Rwanda, and Burundi



Country (Capital City)	Population[a] (Millions)	Area (1,000 Sq. Mi.)	Export Data[b] Total ($Mill.)	Main Exports As % of Total
BURUNDI (Usumbura)	2.3	11	14	Coffee 75%
CAMEROON (Yaoundé)	4.2	183	123	Cocoa & Coffee 44%
CENTRAL AFRICAN REPUBLIC (Bangui)	1.3	238	14	Cotton & Coffee 71%
CHAD (Fort Lamy)	3.0	496	21	Cotton 81%
CONGO (Brazzaville)	0.9	132	20	Wood & Prod. 60%
DAHOMEY (Cotonou)	2.1	45	13	Palm Oil & kernels... 54%
GABON (Libreville)	0.4	103	55	Wood 71%
IVORY COAST (Abidjan)	3.4	125	177	Coffee & Cocoa 67%
MALAGASY REPUBLIC (Tananarive)	5.7	228	78	Coffee & Vanilla 38%
MAURITANIA (Nouakchott)	0.7	419	n.a.	Livestock & Fish ... n.a.
NIGER (Niamey)	3.2	459	16	Peanuts & Prod. 75%
RWANDA (Kigali)	2.8	10	14	Coffee & Minerals... 85%
SENEGAL (Dakar)	3.1	76	124	Peanuts & Prod. 83%
TOGO (Lomé)	1.5	22	19	Cocoa & Coffee 55%
UPPER VOLTA (Ouagadougou)	4.5	106	4	Livestock 60%

a - Estimate mid-1962.
b - 1961 data.

Country: AFRICAN AND MALAGASY UNION STATES (UAM) AND TOGO AND BURUNDI

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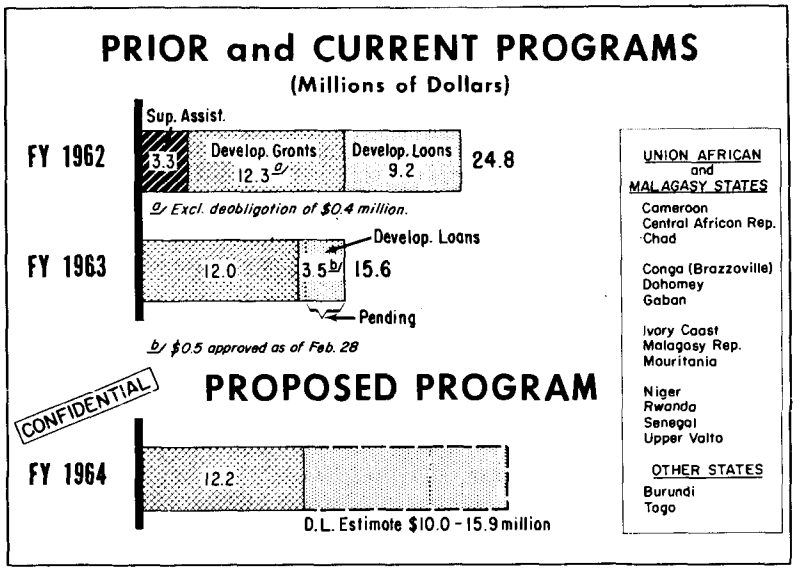
Background

The Union African and Malagasy (UAM) States (Cameroon, Central African Republic (CAR), Chad, Congo (Brazzaville), Dahomey, Gabon, Ivory Coast, Malagasy Republic, Mauritania, Niger, Rwanda, Senegal, Upper Volta), and Togo and Burundi cover an area of 2.7 million square miles or 23% of the entire continent of Africa and contain a population of almost 40 million or about 15% of that of Africa. The UAM States were former dependencies of France. (Togo, a former French trusteeship, did not elect to become a member of the UAM.) Rwanda and Burundi formerly were trusteeships of Belgium.

These 15 countries share many things in common. They are the majority of the 23 African states that achieved independence in 1960; they are heavily dependent upon the former metropoles for financial, technical and, in most instances, military assistance. They vary from areas of extreme high population density in Rwanda and Burundi to countries with very low population densities such as Niger and Chad. They also vary in natural resources, levels of economic development and potential for growth. Although a few of the countries have mineral resources which are now being exploited (Mauritania and Gabon), most of them are predominantly agricultural, centered about a limited range of products; large segments of their populations live at a subsistence level. Estimated per capita Gross National Product (GNP) ranges from $40 in seven of the 15 countries to $200 in Gabon. In several countries there is the appearance of modern construction and facilities, but such features generally exist in only a few small areas.

The political orientation of these countries is generally pro-Western; the majority have governments dominated by a single party or leader. While there is relative political stability, there is a continuing possibility of internal power struggles and upheaval. President Olympio of Togo was recently assassinated and his government overthrown; coups were averted in both the Ivory Coast and Senegal during the past years. Because of the low-level of economic activity and the poverty which exists in many countries, there are additional possibilities of unrest, especially in the rapidly expanding urban areas. On the international side, several of the countries maintain diplomatic relations and have made diplomatic, economic, technical assistance or cultural agreements with bloc countries. However, the extent of bloc influence is negligible, and bloc aid has consisted only of scholarships.

The former French dependencies have demonstrated a strong desire for regional cooperation. In 1961 12 countries founded the UAM, which provides for consultation, coordination, and the development



of common policies on political, economic, defense and cultural affairs. The organization tends to strengthen the bargaining power of the separate states not only with France but also with other countries and in other forums. The UAM States and Togo remain members of the franc zone and, with Rwanda and Burundi, are Associate Members of the European Economic Community (EEC) from which they receive extensive economic assistance and trade preferences. These countries are also members of the Commission for Technical Assistance in Africa (CCTA) and the UN Economic Commission for Africa (ECA) and will be members of the new Inter-African and Malagasy Organization ("Monrovia Group").

The magnitudes of economic assistance received from France, Belgium, the EEC, and other European donors are relatively high and have enabled the countries to achieve some progress in economic and social development. During FY 1962 they received $430 million of which France obligated 68%, the EEC 25%, and Belgium 4%. The ex-metropoles provided budgetary support, technicians, and other forms of assistance. EEC grants centered mainly on transportation and social overhead construction.

U.S. Objectives and Strategy

Fundamentally, the U.S. objective with respect to the UAM States, and Togo and Burundi is the existence of effective governments

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and the development of stable societies in order that these countries may remain free from external domination and provide their people with essential political rights and economic opportunities. Although the United States may from time to time, in particular countries, have interests which cannot be left entirely in the hands of others, this objective is not only one of the United States alone. It is rather an objective which the United States shares with other Western countries, particularly the ex-metropoles, France and Belgium, upon which the primary role falls. The U.S. role is complementary and supporting to that of the ex-metropoles which maintain significant cultural and economic ties with these countries.

The governments of these countries are subject to charges, both domestically and from more radical African countries, of submitting to a form of neo-colonial dependence. Therefore, they find it politically imperative to diversify their sources of external assistance. Apart from UN and other international programs, the alternatives to total reliance on European assistance are limited for practical purposes to the United States or the Soviet bloc. It is in the U.S. interest to satisfy this political need for the following reasons:

1. U.S. assistance makes continued major reliance on the former metropole a politically feasible policy for the African countries and helps to maintain moderate, pro-Western regimes in power.

2. U.S. assistance establishes an independent and favorable U.S. identification with the economic and social betterment of the African people. In return, this identification is useful in securing essential political cooperation with the United States. Although the ex-metropoles can be relied upon to maintain a generally pro-Western posture among such countries, there are issues concerning which either the degree or nature of U.S. interest varies from that of the ex-metropoles (e.g., support of the UN's Congo reconciliation plan, Cuba, admission of Communist China) and an independent U.S. leverage is needed.

Since U.S. economic aid to these countries is not provided primarily for the purpose of enabling them to attain a specified measure of economic growth, it is not appropriate for the Agency for International Development (A.I.D.) to take the lead in such matters as influencing over-all resource allocation, determining development priorities, or assuring program level self-help measures. Initiatives of this kind properly lie with the ex-metropole countries. Wherever possible the United States tries to work in harmony with the ex-metropole, and, where necessary, to point out significant problems and needs of the country concerned.

U.S. aid finds its most appropriate expression through one or more of the several forms of U.S. assistance - A.I.D. grants, a few A.I.D. loans for capital projects, encouragement or assistance for U.S. private investment, Export-Import (Ex-Im) Bank loans, P.L. 480 programs, or Peace Corps. The specific mix determined for each country depends on the country situation and the proposed project's impact and identification of U.S. aid. Maximum use is to be made of resources of other U.S. agencies in the mix. Where A.I.D. resources are required, activities have been developed in light of the following criteria:

1. Priority accorded by the host government and relationship to economic development or felt social needs. To the extent that alternatives exist, choices are made in terms of relevant economic criteria. However, it has been necessary from time to time to finance projects whose contributions to development is lower than would be the case if alternatives were available. It has also been necessary to refuse to provide financing because of the highly marginal contribution of the project to economic and social betterment.

2. Maximizing assistance from ex-metropole, European, and other acceptable sources. A.I.D. seeks to deploy its limited resources to have, where possible, a catalytic effect on other aid donors. Conversely, A.I.D. must avoid pre-emption of projects or precluding assistance from other acceptable sources, and must generally be willing to defer to other Free World donors.

3. Avoidance of budget support and, with rare exceptions, projects which by their nature tend to create unwarranted expectations on the part of the host government that major U.S. assistance or capital financing will follow. Such forms of assistance are more properly furnished by major aid donors (the ex-metropole of the EEC) or by impartial international agencies such as the UN Special Fund.

4. Recognition of the general limitations on U.S. ability to furnish assistance, including U.S. procurement restrictions, shortage of French-speaking technicians, A.I.D. problems in financing local costs, the need to avoid increasing host country recurrent budgetary costs which might ultimately be borne by the ex-metropole and similar factors and the desirability of limiting U.S. personnel and their attendant administrative apparatus to a minimum. As a consequence, A.I.D. last year established common administrative service arrangements with the U.S. Embassies and placed only very small staffs in over half of these countries.

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Regional projects or institutions, particularly those of the UAM and Afro-Malagasy Economic Cooperation Organization (OAMCE), are a valuable vehicle for expression of the "U.S. presence" concept, and are being supported as appropriate.

Treatment among countries in this category as reflected in the amount of A.I.D. assistance depends mainly on the mix of U.S. activities, the resources which exist in particular countries and the opportunities which arise. Fluctuations in assistance levels, country by country and year by year, are thus to be expected and no U.S. policy significance should be attributed to such variations.

FY 1964 Program

In the context of the strategy described above, A.I.D. has initiated in previous years, and proposes to undertake in FY 1964, Development Grant projects primarily in the fields of transportation, education, public health, and agriculture. Approximately the same level of Development Grant assistance is requested for FY 1964 as was provided in FY 1962 and is planned for this year, about $12 million. This illustrates the degree of assistance A.I.D. envisages for these countries.

Because of the late start of our programs in these countries, implementation to date has been limited to technical assistance, training, and deliveries of road, telecommunications and public safety equipment. However, it is expected that more significant progress will be achieved during FY 1963.

Assistance in transportation is sorely needed to provide access to natural resources and markets and to promote political cohesion and stability. Road building and maintenance equipment and training will be supplied in Malagasy Republic, Cameroon, Dahomey, Togo, Gabon, Central African Republic, Upper Volta, and Congo (Brazzaville) to help these countries build their own transportation systems.

A critical shortage in trained manpower will be met by providing training in the United States for students from Rwanda, Burundi, Niger, and Congo (Brazzaville). Construction and equipment for vocational teacher and English language training will be provided in Mauritania, Niger, Cameroon, Chad, and Gabon.

Severe public health problems which hinder economic development will be met by assistance for the construction of rural dispensaries in Mauritania and Ivory Coast, an extension of the pilot measles eradication project in Upper Volta and medical equipment and supplies for endemic disease control in Gabon.

Agricultural projects for the extension services, training, and rural water resources are proposed for Dahomey, Niger, Togo, Upper Volta, Senegal and Ivory Coast to help individual farmers by upgrading the present subsistence levels of agriculture. Assistance will also be continued for the Southwest Area Development survey in Ivory Coast which accounts for the relatively higher level of aid to that country.

Development loans will be considered for transportation projects in Cameroon, Ivory Coast, Niger, Congo (Brazzaville), and Upper Volta, for water supply and irrigation in Gabon, Niger, Dahomey, and Senegal. Loan approvals in FY 1964 are expected in the range of only $10-15 million. A development loan for $9.2 million for the Trans-Cameroon railway, a joint project with the EEC and France, was approved in FY 1962 and projects are under consideration for FY 1963 financing for about $8 million for development banks in Niger and Ivory Coast.

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Country: AFRICAN AND MALAGASY UNION STATES (UAM) AND TOGO AND BURUNDI

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Loans - Total	9.2	3.5	10.0-15.9
Development Banks and Other Financial Institutions	-	3.5	
Transportation	9.2	-	
Development Grants - Total	11.9	12.0	12.2
Agriculture and Natural Resources	1.4	2.2	3.1
Industry and Mining	0.9	0.1	0.4
Transportation	2.1	1.3	2.1
Labor	*	0.1	0.3
Health and Sanitation	1.4	2.3	1.6
Education	3.1	1.2	1.4
Public Safety and Public Administration	1.2	0.6	0.4
Private Enterprise	0.3	0.3	0.5
General and Miscellaneous	1.4	1.9	2.4
Non-Project	0.5	2.0	-
Deobligations During FY 1962	-0.4	xx	xx
Supporting Assistance - Total	3.3	0.1	-
Project	2.3	-	-
Non-Project	1.0	0.1	-
Other U.S. Assistance			
Food for Peace, Titles I & IV:			
Country Uses	-	-	1.1
(Sales Agreements)	(-)	(-)	(1.5)
Military Assistance Program	3.2	0.9	- a/

* Less than $50,000.

a/ Modest programs anticipated. Magnitude unknown at this time. Programs will be funded from the "Special Africa MAP Program."

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U.A.M. COUNTRIES IN AFRICA

U.S. Foreign Assistance - Obligations and Loan Authorizations
(Millions of Dollars)

U.A.M. Countries	FY 1962						Cumulative thru June 30, 1962					
	Total Economic and Military	Military	Total Economic	A.I.D.	Other Economic	Assistance from International Agencies	Total Economic and Military	Military	Total Economic	A.I.D.	Other Economic	Assistance from International Agencies
Total - 15 Countries	$37.1	$0.7	$36.3	$24.3	$12.0	$127.7	$58.8	$3.1	$55.7	$41.3	$14.4	$367.8
Burundi[a]	5.0	--	5.0	--	5.0	1.5	5.0	--	5.0	--	5.0	7.4
Cameroon	13.2	0.2	13.0	12.5	0.5	23.6	15.5	0.3	15.2	14.5	0.7	36.0
Central African Republic	0.3	--	0.2	0.2	--	6.5	0.3	--	0.3	0.3	--	10.8
Chad	0.3	--	0.3	0.3	*	8.7	0.4	--	0.4	0.4	*	18.6
Congo (Brazzaville)	1.2	--	1.2	1.2	--	10.5	1.2	--	1.2	1.2	--	16.5
Dahomey	2.6	0.1	2.5	0.7	1.8	5.0	5.6	0.1	5.5	2.6	2.9	10.6
Gabon	0.4	--	0.4	0.4	*	4.4	0.4	--	0.4	0.4	*	44.5
Ivory Coast	2.6	0.1	2.5	2.1	0.4	5.2	4.7	0.1	4.6	4.2	0.4	24.9
Malagasy Republic	0.6	--	0.6	0.6	*	13.8	1.2	--	1.2	1.1	0.1	36.9
Mauritania	0.1	--	0.1	--	0.1	5.8	1.7	--	1.7	1.5	0.2	76.1
Niger	1.3	0.1	1.2	1.2	*	6.0	3.3	0.1	3.2	3.2	*	13.3
Rwanda[a]	1.1	--	1.1	--	1.1	2.3	1.1	--	1.1	--	1.1	3.7
Senegal	3.5	0.1	3.4	3.0	0.4	17.6	9.5	2.4	7.1	6.7	0.4	31.7
Togo	3.8	--	3.8	1.2	2.6	3.7	5.9	--	5.9	2.4	3.5	12.5
Upper Volta	1.1	0.1	1.0	0.9	0.1	13.1	3.0	0.1	2.9	2.8	0.1	24.3

Note: Sino-Soviet aid to these countries was nil; there were no loan repayments to the United States.

* Less than $50,000.

a/ Burundi and Rwanda were one country - Ruanda-Urundi - until July 1, 1962. For comparability with FY 1963 and FY 1964 data, aid to the joint area has been shown separately for the two new countries, except for $1.6 million under Title III of PL 480. This entire amount is included in the Burundi data, as a split was not available.

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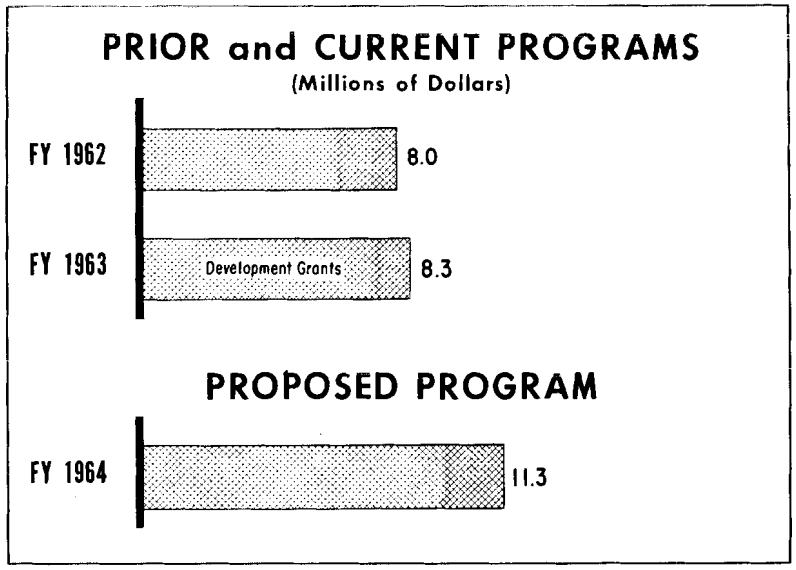
AFRICA REGIONAL PROGRAMS

U.S. Objectives and Strategy

A major U.S. economic objective is to encourage African nations to maximize the use of their scarce resources through joint or multi-country approaches to common economic and social development problems. The Regional Projects Program is designed to advance this objective.

Strong forces of nationalism and international differences in Africa in the immediate post-independence phase have tended to diminish the emotional Pan-Africanism which flourished in 1960 and early 1961, although it remains a potent force. In addition, domestic pressures for tangible progress toward economic and social development often cause African leaders to become preoccupied with internal solutions and to overlook opportunities for joint, coordinated approaches to common problems. Despite these factors, there is a general awareness in the African states of the desirability of pooling planning and financial efforts. Their support of a growing number of regional and subregional economic organizations attests to this. Moreover, contrary to the resentful attitude which would greet outside efforts to promote political unity, Africans are receptive to proposals encouraging regional and subregional economic cooperation.



The Agency for International Development (A.I.D.) Regional Projects Program seeks to build on this receptivity and to promote tendencies toward economic cooperation. In addition to benefiting Africa, this multilateral approach has advantages for the United States. It provides a focus for Free World collaboration in providing assistance, encouraging donors, and minimizing possibilities of duplication of such aid. The effectiveness of aid is increased by engaging the Africans in a concerted, more rational attack on their common economic problems and soliciting aid from various potential donors on that basis. Whereas former metropoles have, in some cases, withdrawn or reduced bilateral aid because of political differences, it has been possible to continue some aid from these sources through the multilateral approach. This has been important in weakening Soviet bloc initiatives which are designed to encourage divisive rather than cooperative forces, and has served to maintain stability in the face of concentrated bloc efforts to the contrary.

Current Situation

U.S. assistance on a regional basis is provided through existing African organizations and institutions which are purely functional (as opposed to political) in nature. In coordination with our Free World partners, the United States is supporting the activities of:

1. The Commission for Technical Cooperation in Africa (CCTA) of which 26 African Governments are full members and the U.K., France and Belgium are non-voting founding members.

2. The Organization for Cooperation and Coordination Control of Endemic Diseases (OCCGE) with an African membership of seven nations in addition to France.

3. The East African Desert Locust Control Organization (EADLCO) recently formed by six African nations with the advice and assistance of the U.K.

4. The East African Common Services Organization (EACSO) and the University of East Africa (UEA), both outstanding examples of joint approaches by several governments in maintaining public services on a cooperative basis.

Some of these organizations are more specialized in their fields of activities than others, but all of them have as their primary objective the development of Africa through interstate cooperation.

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The newly formed economic sub-organ Afro-Malagasy Economic Cooperation Organization (OAMCE) of the Union African and Malagasy States (UAM), made up of 13 independent states whose ties to France remain strong, also shows promise of being an important catalyst for economic and social development activities at regional and subregional levels.

FY 1964 Program

To date, A.I.D. support to the various organizations has for the most part been concentrated in regional projects in health, agriculture and education. Health and agricultural projects have focused on the control or eradication of diseases not confined to the borders of any single country. Under CCTA's auspices, nearly two million cattle in Nigeria, Niger, Chad and Cameroon have been inoculated against rinderpest in a campaign begun last year, which was supported by the European Economic Community (EEC), the African countries involved, and A.I.D. Further U.S. support is planned in FY 1964 to the second phase of the campaign, which will be conducted in Upper Volta, Dahomey, Ghana, Ivory Coast and Mali. It is planned to provide additional U.S. support in FY 1964 to another promising CCTA-sponsored activity, the research project in Kenya and Senegal to develop a vaccine for African bovine pleuro-pneumonia which significantly retards livestock development throughout Africa.

Modest U.S. assistance, together with support from private sources, the U.K. and German Governments, led to the opening this year of the CCTA Regional Wildlife Management Training Center in Tanganyika. The center will meet the need for trained Africans to manage game parks and preserves -- a valuable tourist asset and significant foreign exchange earner in many African countries.

U.S. assistance to African efforts to control their age-old locust problems is provided under the Regional Insect Control Project. Under this project, support is provided to African and Near Eastern countries where millions in crop losses are suffered without adequate control. The project concentrates on the main breeding grounds in East Africa, supplementing the efforts of the Governments of Ethiopia, Sudan, Somalia, Kenya, Uganda and Tanganyika. Its basic objective is to assist in the development of local organizations and their resources so that control operations can be managed without U.S. assistance within five or six years. In education, the East African Teachers Project (a combined effort of the United States, U.K. and the four Governments of East Africa) meets a critical need for secondary school teachers, and assists also in the development of local teacher-training programs. The United States plans to provide a total of 402 teachers through FY 1963. It is planned to continue in FY 1964 the successful African Scholarship Program of American Universities (ASPAU). Through FY 1963, undergraduate scholarships for some 800 African students have been provided by over 200 American colleges. A.I.D. furnishes the "cost-of-living" allowance and the student's government covers the costs of transportation to and from the United States. For FY 1964, an additional group of 300 undergraduate students is planned. A modest graduate program patterned after ASPAU which was initiated during FY 1963 will be expanded to include an additional 40-50 students in FY 1964. The Regional Education Grant Program is designed to make full use of existing African higher institutions of learning while encouraging interterritorial exchange of students through scholarship funding. Over 540 students have already entered five African Colleges under the program since FY 1961. In FY 1964, it is planned to provide scholarship grants to some eight or nine participating universities.

New projects proposed for FY 1964 include a joint program with the OCCGE for eradication of measles in up to ten West African countries where measles epidemics annually take a very high death toll of children. This builds upon a most successful measles eradication project in Upper Volta.

A second new start will expand and coordinate several African states' activities to control the tsetse fly. An area of approximately four million square miles in Africa is infested with these flies, denying vast areas of potentially rich land to habitation and agricultural development. A combined and more closely coordinated attack on this problem should serve to produce favorable results much sooner and more effectively and at cheaper cost than now appears feasible under the present separate approaches. Assistance to the various regional organizations is also proposed in connection with selected surveys, seminars and study tours under their sponsorship which are designed to help the African nations deal more effectively with common economic and social development problems.

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FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	8.0	8.3	11.3
Agriculture and Natural Resources	2.1	1.3	1.7
Education	5.2	5.5	7.1
Health and Sanitation	*	0.1	0.5
General and Miscellaneous	0.7	1.4	2.0
Deobligations During FY 1962	*	xx	xx
Other U.S. Assistance			
Military Assistance Program	-	-	6.8 a/

* Less than $50,000.

a/ MAP Special African Program. The potential recipients are Congo (Leopoldville), Ghana, and Mali. Individual country levels cannot now be estimated but will be small.

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SUMMARY OF PROGRAMS - EUROPE

By Country and Function

(In thousands of dollars)

Country	TOTAL			Development Loans			Development Grants			Supporting Assistance			Other Programs		
	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964
Berlin	4	-	-	-	-	-	-	-	-	4	-	-	-	-	
Poland	1,400	2,900	2,000	-	-	-	-	-	-	-	-	-	1,400	2,900	2,000
Spain	14,494	-	-	-	-	-	-94	-	-	14,588	-	-	-	-	-
Yugoslavia	515	139	-	-	-	-	516	139	-	-1	-	-	-	-	-
EUROPE - TOTAL	16,413	3,039	2,000	-	-	-	422	139	-	14,591	-	-	1,400	2,900	2,000

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No dollar economic assistance programs for Europe are proposed for FY 1964. In Spain, the financing of Agency for International Development (A.I.D.) economic assistance activities terminated in June 1962 and no further A.I.D. funding is anticipated. No funds are requested for Yugoslavia. For Poland, in keeping with U.S. interest in American schools and hospitals abroad, the zloty equivalent of $2.0 million is requested for support of the Children's Hospital in FY 1964.

POLAND

A.I.D. proposes to continue its financial support for the Children's Hospital in Krakow, Poland. Under special authorization for the purchase of U.S.-owned P.L. 480 local currencies, Congress appropriated $4.3 million in zlotys equivalent between FY 1961 and FY 1963, $1.5 million of which was used in the initial contracts for the construction of the research hospital for children. The hospital will provide tangible, forceful evidence of American friendship for the people of Poland.

On the basis of the most recent estimates, the hospital will cost $10.5 million to complete, including about $7.5 million in zlotys. An appropriation of an additional $2.0 million in zlotys is requested for FY 1964.

According to the original arrangement between A.I.D. and American Research Hospital in Poland, it was expected that all the necessary funds would be raised privately in the United States. Unfortunately, the private U.S. sponsors have experienced difficulties and are now unable to raise the dollars badly needed to purchase the required U.S. construction and medical equipment. $2.2 million in dollars for imported equipment needed to complete the hospital is included in the appropriation request for $20 million for American Schools and Hospitals abroad.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	1.4	2.9	2.0*
Health and Sanitation	1.4	2.8	2.0*
General and Miscellaneous	-	0.1	-
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	-	-	-
(Sales Agreements)	(60.4)	(51.6)	(-)

* In addition, $2.2 million in dollars is included in the appropriation request for American Schools and Hospitals Abroad.

SPAIN

The principal U.S. interest in Spain is the maintenance of U.S. rights to the complex of strategically located air and naval bases which form a vital link in the allied defense system for Western Europe. Other U.S. interests include the strengthening of internal stability, expansion of U.S. exports and continuing Spanish economic cooperation with Western Europe.

The Government of Spain (GOS) has indicated it will be prepared to negotiate the extension of the Defense Agreement later this year at which time we should have a clearer picture of possible GOS aspirations regarding future U.S. aid. In March 1962, Spain submitted a statement to the effect that GOS would seek A.I.D. development loans when the new Development Plan was formulated. The United States had previously advised GOS that as long as the Spanish financial situation remains sound, Spain, in our view, can borrow from conventional lending sources here and in Europe, including the Export-Import (Ex-Im) Bank, and the International Bank for Reconstruction and Development (IBRD).

In view of Spain's sound financial position, large holdings of gold and other foreign exchange reserves and excellent prospects for sustained economic growth, the funding of A.I.D. grant economic assistance was terminated at the end of FY 1962. Since then the GOS financial position has continued to improve with foreign exchange holdings at the end of December 1962 exceeding $1 billion, including $446 million in gold.

The GOS foreign exchange position is not likely to change significantly in the near future. Receipts from the expanding tourist industry and remittances from Spanish workers in Western Europe are expected to more than offset the Spanish trade deficit.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	-0.1	-	-
Deobligations During FY 1962	-0.1	xx	xx
Supporting Assistance - Total	14.6	-	-
Project	1.5	-	-
Non-Project	17.4	-	-
Deobligations During FY 1962	-4.3	xx	xx
Other U.S. Assistance			
Military Assistance Program	36.3	15.7	30.1

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YUGOSLAVIA

Since Yugoslavia's break with the Cominform, A.I.D. grant and loan programs, together with P.L. 480, Title I, sales, have been the principal U.S. instruments for building up the Yugoslav economy. Now, having recovered from a short slump in 1961, following introduction of the International Monetary Fund (IMF)-sponsored multilateral exchange rate unification program, and having sustained an average annual growth rate of 10% for a decade, Yugoslavia has access to conventional Free World lending sources for its investment credits and other external resource requirements. Under present circumstances, therefore, the limited but key role of U.S. assistance is to maintain the benefits of past accomplishments of U.S. policy by paving the way toward the establishment of normal commercial relationships on a permanent basis between the two countries.

In officially protesting the allegedly unilateral U.S. action last year in terminating the "most favored nation" tariff provisions in force for over 70 years, the Government of Yugoslavia (GOY) has emphasized that its principal concern is the establishment over the long-run of a firm basis for expanding trade relationships with the United States. In addition to P.L. 480 programs in FY 1963, only $139,000 has been allocated under authority of Section 617 of the Foreign Assistance Act, for "winding up" expenses of the prior year A.I.D. programs now being concluded.

Yugoslavia's dependence on developing increased trade with the West is highlighted by its recent economic recovery, largely attributable to the sharp rise of over 20% in the value of its exports which totaled almost $700 million in 1962. Although exports to Western Europe increased by over $40 million in 1962, those to the Eastern bloc actually decreased almost $20 million. The increase to the United States alone was a phenomenal 33% for a 1962 figure of $53 million, with the United States, as a customer for GOY goods, still remaining the leading supplier of GOY imports but now the third most important customer for GOY exports and ranking ahead of both U.K. and USSR.

In FY 1964, U.S. objectives in Yugoslavia will be served mainly through the continuation of P.L. 480 programs, particularly the increase in sales under Title IV dollar repayable credits which were over $15 million in both FY 1962 and FY 1963, and the provision of investment credits on a modest scale by the Ex-Im Bank.

FY 1964 A.I.D. PROPOSED PROGRAM

(In millions of dollars)

	FY 1962	FY 1963 Estimated	FY 1964 Proposed
Development Grants - Total	0.5	0.1	-
Industry and Mining	0.2	-	-
General and Miscellaneous	1.1	0.1	-
Deobligations During FY 1962	-0.8	xx	xx
Supporting Assistance - Total	-	-	-
Non-Project	0.7	-	-
Deobligations During FY 1962	-0.7	xx	xx
Other U.S. Assistance			
Food for Peace, Titles I and IV:			
Country Uses	101.1	99.1	93.3
(Sales Agreements)	(110.4)	(108.3)	(98.5)

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NON-REGIONAL

NON-REGIONAL
ACTIVITIES

SUMMARY OF PROGRAMS - NON-REGIONAL

By Function

(In thousands of dollars)

	TOTAL			Development Loans			Development Grants			Supporting Assistance			Other Programs		
	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964	Actual FY 1962	Estimate FY 1963	Proposed FY 1964
American Schools and Hospitals Abroad	5,989	3,490	20,000	-	-	-	-	-	-	-	-	-	5,989	3,490	20,000
Investment Surveys	2	498	1,000	-	-	-	-	-	-	-	-	-	2	498	1,000
International Organizations a/	64,157	65,500	70,750	-	-	-	1,729	-	-	-	-	-	62,428	65,500	70,750
Atoms for Peace and International Atomic Energy Agency Operational Programs	2,250	1,250	1,250	-	-	-	1,609	-	-	-	-	-	641	1,250	1,250
FAO World Food Program	-	500	2,000	-	-	-	-	-	-	-	-	-	-	500	2,000
NATO Science	1,387	1,250	-	-	-	-	-	-	-	-	-	-	1,387	1,250	-
U.N. Children's Fund	12,000	12,000	12,000	-	-	-	-	-	-	-	-	-	12,000	12,000	12,000
U.N. Technical Assistance and Special Fund	45,000	50,000	55,000	-	-	-	-	-	-	-	-	-	45,000	50,000	55,000
WHO Medical Research	500	500	500	-	-	-	-	-	-	-	-	-	500	500	500
World Health Organizations:															
Community Water Supply	443	-	-	-	-	-	43	-	-	-	-	-	400	-	-
Malaria Eradication	2,577	-	-	-	-	-	77	-	-	-	-	-	2,500	-	-
Other Programs	82,019	45,778	57,967	169	310	330	35,948	44,909	57,477	1,291	559	160	44,611	-	-
Disaster Relief	122	150	-	-	-	-	-	-	-	122	150	-	-	-	-
Internal Security	-	-	1,000	-	-	-	-	-	1,000	-	-	-	-	-	-
Inspector General	510	600	625	169	310	330	151	135	135	190	155	160	-	-	-
Interregional Expenses	24,049	34,274	37,242	-	-	-	24,049	34,020	37,242	-	254	-	-	-	-
Ocean Freight, Voluntary Relief Agencies ..	3,180	3,600	4,000	-	-	-	3,180	3,600	4,000	-	-	-	-	-	-
Project HOPE	979	1,040	-	-	-	-	-	1,040	-	979	-	-	-	-	-
Research	8,593	6,000	15,000	-	-	-	8,593	6,000	15,000	-	-	-	-	-	-
Refugees and Migration Programs b/	43,947	-	-	-	-	-	-	-	-	-	-	-	43,947	-	-
World-Wide School Facilities	58	114	100	-	-	-	58	114	100	-	-	-	-	-	-
Other	581	-	-	-	-	-	-83	-	-	-	-	-	664	-	-
NON-REGIONAL ACTIVITIES - TOTAL	152,167	115,266	149,717	169	310	330	37,677	44,909	57,477	1,291	559	160	113,030	69,488	91,750

a/ Total funds for International Organizations and Programs are not shown in this table. The balance of the funds are distributed through area and country programs. Totals for International Organizations and Programs for fiscal years 1962, 1963, and 1964 are respectively $180,599, $113,079, and $136,050 thousands. (For details see Pages 157 to 163 of this Volume.)

b/ P.L. 87-872 appropriated funds for FY 1963 for Assistance to Refugees in the United States to the Dept. of Health, Education and Welfare, and for Migration and Refugee Assistance to the Dept. of State.

Private
Enterprise

Private
Enterprise

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PART I - IMPROVING THE INVESTMENT CLIMATE

A. Introduction

Most less-developed countries have not developed a favorable climate for private venture capital whether domestic or foreign. Frequently local capital tends to be invested either in land or sent outside of the country. Some countries have not awakened to the need to attract private capital from abroad to assist in the development process. Attitudes, social customs, and chauvinism may combine to inhibit the development of a dynamic free enterprise economy.

The encouragement of the private sector in underdeveloped countries is an aim of both the Congress and the Agency for International Development (A.I.D.). A.I.D. has organized itself to fulfill these objectives. In appropriate Missions, an Industry Officer has been appointed to work with the local business community and host government to encourage the growth of a vigorous and viable private sector. Advice and technical assistance as well as identification of opportunities for action are provided directly on the local level. In Washington each of the regional bureaus has a private enterprise unit. As the central focus, the Agency has established the Office of Development Finance and Private Enterprise -- headed by an Assistant Administrator. This office develops programs designed to accelerate and intensify our efforts both to attract U.S. firms to invest in the developing countries and to improve the investment climate within these countries. The tools with which the Agency can work are described in the following paragraphs.

B. Development Banks

Fundamental to the stimulation of private enterprise in less-developed countries is the availability of credit (foreign exchange and local currency) on reasonable terms. One effective instrument to providing credit is a development bank. A.I.D. fosters and encourages the establishment of development banks where there is a demonstrated need. The purpose is primarily to build capital, initiative and experience into a developing economy.

These banks not only may make medium and long-term loans on their own but may guarantee repayment by credit-worthy borrowers of loans from other investment sources. They also may serve to promote a capital market and broaden the base of individual ownership by making (and later selling) equity investments, by underwriting individual issues and by issuing their own securities.

One important feature of development banks is that they provide facilities with knowledge of local conditions to make relatively small amounts of capital available to individual entrepreneurs. This is a practical solution to the difficulties of providing foreign exchange and local currency financing in moderate amounts, something a world-wide organization has great difficulty in doing. Loans are made to credit-worthy small and medium-sized enterprises at reasonable rates of interest.

When competently staffed, a development bank may provide management, engineering, accounting and legal assistance to borrowers. Finally, a development bank may sponsor economic studies and surveys, stimulate and promote promising new investment opportunities and bring them to the attention of potential investors, both foreign and local.

As of January 1, 1963, A.I.D. had authorized 51 loans in dollars to 45 separate intermediate credit institutions located in 30 countries as follows:

	January 1, 1963 (In millions of dollars)
Development Banks	232
Agricultural Credit	57
Housing Credit	63
Total	352

In addition, A.I.D. had provided in 1962 local currency loans to four institutions in four countries. The following tables illustrate the distribution of the loans to intermediate credit institutions by area and by category on an annual basis through FY 1962.

Authorizations by Areas
Intermediate Credit Institutions

(In thousands of dollars)

	Total	Latin America	Far East	Near East & S. Asia	Africa-Europe
Total Authorizations	330,986	155,000	23,186	136,800	16,000
FY 1958	14,886	-	686	14,200	-
1959	39,700	5,000	12,500	20,200	2,000
1960	53,000	1,000	10,000	42,000	-
1961	108,900	74,000	-	22,900	12,000
1962	114,500	75,000	-	37,500	2,000

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Authorizations by Categories
Intermediate Credit Institutions

(In thousands of dollars)

	Total	Development Banks	Housing	Agric. Credit
Total Authorizations	330,986	225,986	48,000	57,000
FY 1958	14,886	14,886	-	-
1959	39,700	39,700	-	-
1960	53,000	52,000	1,000	-
1961	108,900	34,900	47,000	27,000
1962	114,500	84,500	-	30,000

The results of the recent rapid increase in the use of this excellent tool are not yet completely apparent, but the availability of credit will assist in the development of these countries for many years to come. Recently, there has been a concentration of this type of assistance in Latin America where such credit is badly needed.

The contribution of private industrial development banks to the economic growth of China, Israel, Lebanon, Turkey, Pakistan and India has been conspicuously successful. As of June 30, 1962, these institutions had concluded a total of 391 subloans amounting to $35 million to local businessmen, an average of $90 thousand. Representative industries included among the subborrowers are food products, and food processing, wood and wood pulp products, leather and leather products, chemicals and ceramics, metal working and miscellaneous industrial activities.

C. Development Centers

The establishment of a strong and dynamic private system within a developing economy is aided also through investment and development centers. These institutions have the major function of training and advising local businessmen in effective business management; identifying investment opportunities; conducting feasibility surveys; bringing together local and foreign investors, and recommending legislation to improve the local investment climate.

An example is the China Development Corporation in Taiwan, established with the assistance of the United States, which has been instrumental in the economic progress of the country. In Venezuela, A.I.D. is providing management and operation consultant services on a demonstration basis to a number of selected industrial firms in cooperation with the Venezuelan Development Corporation.

D. Participant Training

Another way in which A.I.D. encourages private enterprise is through training. During 1962, 1,300 persons in the fields of industry and mining were brought to the United States for instruction and participation, as part of a continuing program. These individuals not only received training in fields which will be valuable in terms of their nations' economies, but many will have had an opportunity to see American private enterprise at first hand. In addition, 338 persons were sent to third countries for additional training under A.I.D. financing. Total cost for the 1962 program was $3 million.

E. Consulting Contracts

A.I.D. has contracted with outside consulting firms to participate in the development of private industry and assist in creating sound industrial programs. For example, in Nigeria, the A. D. Little Company, under an A.I.D. contract, has a team of experts working with Federal and Regional Ministries of Industry at the invitation of the Nigerian Government. Consulting firms have been retained in a number of other countries to assist in establishing development centers and banks, to study specific investment opportunities or to formulate small industry programs.

F. Efforts in Latin America

In Latin America, the principal emphasis has been placed upon increasing the productivity of industry and of industrial management capacity through training courses. Under this program, productivity centers have been set up in 14 countries and some 2,500 Latin Americans have been brought to the United States for training in industry since 1950.

More recently, attention has been given to investment opportunities in Latin America. Broad studies of opportunities were made in ten countries and steps are being taken to bring these opportunities to the attention of the U.S. business community. In addition, detailed economic feasibility studies of specific opportunities are now being undertaken in Venezuela and are planned for Peru at an early date.

Programs are being reshaped to place heavy emphasis upon the creation and stimulation of effective institutions to promote industrial development within each of the Latin American countries. Many of the existing productivity centers are being reorganized to emphasize industrial promotion and industrial development.

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In building industrial development institutions, full advantage will be taken of the lessons learned from the successful experience of the Fomento movement in Puerto Rico. Efforts are being made to secure the individuals best qualified for such promotional type activity from within Latin America and the United States.

PART II - ENCOURAGING U.S. PRIVATE FOREIGN INVESTMENT

A. Introduction

It is the clearly established policy of the United States Government to foster, encourage and promote participation by private U.S. enterprise in foreign economic development.

Over the years, Congress has provided a number of specific programs to assist and encourage U.S. business to undertake investments in less-developed friendly countries and to assist local businesses in these nations to prosper. For 15 years there has been an investment guaranty program covering political risks. For five years a local currency Cooley loan program has been in operation. For five years our government has made direct dollar development loans to private firms.

All of these aids to investment, along with several new programs, are now administered by A.I.D., and described in a new publication "AIDS TO BUSINESS (Overseas Investment)." Major emphasis is on the following: (a) sharing the cost of conducting investment surveys undertaken by U.S.-owned business firms; (b) authorizing dollar development loans to private borrowers; (c) administering the P.L. 480 local currency (Cooley) loan program formerly handled by the Export-Import (Ex-Im) Bank; and (d) administering the broadened investment guaranty program.

The newly created Office of Development Finance and Private Enterprise is the initial point of contact within A.I.D. for private businessmen interested in overseas investment. It aims to encourage private enterprise to play an even larger development role than it does at present, while insuring adherence to sound standards for development financing.

Among the chief functions of the Office of Development Finance and Private Enterprise are: (a) to meet with business groups and individual businessmen to explain the A.I.D. private enterprise program; and (b) to work with the regional administrators for Latin America, Near East and South Asia, Far East, and Africa to promote those private enterprise projects which will particularly further the A.I.D. program. The regional administrators implement the specific proposals pertaining to their geographical areas, and have ultimate operational responsibility for all these activities except specific-risk investment guaranties.

B. Investment Surveys

The purpose of the investment survey program is to encourage potential investors to identify specific investment opportunities in less-developed friendly countries which they might not otherwise investigate.

A.I.D. has authority, under Section 231 of the Foreign Assistance Act of 1961, to participate in up to 50% of the cost of approved surveys which explore the feasibility of contemplated private investments in developing countries which will contribute to the achievement of A.I.D. objectives.

If the prospective investor then proceeds with the investment (following the survey) he will repay A.I.D. any funds which may have been advanced to him. The investor will retain exclusive rights to the survey.

But if the prospective investor does not undertake the investment studied, the survey will then become the property of the United States Government. In this case, the investor is entitled to A.I.D. participation, providing he has complied with the terms and conditions of the participation agreement. He is then under no obligation to repay any such advances to A.I.D.

Surveys of extraction opportunities are not eligible for A.I.D. participation.

The Investment Survey Program did not begin to operate effectively until FY 1963. It has recently taken major strides as evidenced by the 11 survey grants issued up to March 8, 1963. (See table on next page.)

In addition to the 11 survey agreements approved by March 8, 1963 there were 16 applications in process. Total cost of the surveys would be $500,000. Estimating A.I.D.'s share at the 50% maximum, the total survey liability for FY 1963, including present commitments of $181,000, is placed at about $400,000. However, to the extent that surveys result in actual investments there is, of course, no cost to A.I.D. An expected increase in the volume of applications and approvals in FY 1964 may bring A.I.D.'s share up to $750,000. Hence, no additional funds are being requested for FY 1964. Reappropriation of the unobligated funds previously appropriated for Investment Surveys for FY 1963 is vital, however.

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SURVEY APPLICATIONS APPROVED AND GRANTED

		Country	Maximum A.I.D. Share of Costs (%)	Maximum A.I.D. Participation (in $000)	Date Approved
AFRICA-EUROPE - None approved.					
FAR EAST					
1. D. C. Transit	Transportation System	Philippines	50	40.0	10/13/62
2. Dole Corporation	Fruit Processing	North Borneo	50	13.1	1/13/63
3. Parsons & Whittemore, Inc.	Kraft Paper Mill	Thailand	50	37.5	2/14/63
4. Crawford Furniture Mfg.Corp.	Furniture Mfg.	Thailand	50	2.65	2/28/63
5. Minn Associates	Harbor, Docks and Warehouse	Korea	50	25.0	2/28/63
				118.25	
LATIN AMERICA					
1. Bresler Ice Cream	Milk Factory	Colombia	50	3.0	11/9/62
2. Jewel Tea Company	Food Distributors	LA (to select site)	50	7.5	12/9/62
				10.5	
NEAR EAST - SOUTH ASIA					
1. Archer-Daniels Midland	Paint Resin Mfg.	Pakistan	50	1.75	6/30/62
2. Jefferson Lake Sulphur	Plastic Mfg.	Turkey	50	16.5	9/12/62
3. Von Kohorn Universal Corp.	Machine Tool Mfg.	India	50	16.4	2/28/63
4. Van Camp Sea Food Co.	Seafood	India	50	17.5	3/11/63
				52.15	
			Total	$180.9	

The business community has, since July 1, 1963, evidenced a growing interest in the investment survey program. This interest should result in the future in a willingness on the part of many firms to undertake surveys of investment opportunities which they would not otherwise undertake. In fact, the Office of Development Finance and Private Enterprise, in collaboration with the Office of International Investment in the U.S. Department of Commerce, has brought many specific investment opportunities to the attention of U.S. firms.

C. Dollar Loans to Private Borrowers

A.I.D. has authority, under Section 201 of the Foreign Assistance Act of 1961, to make dollar loans to private (as well as public) enterprise, both United States and foreign. It is A.I.D. policy to encourage those investments which contribute to the economic development of a less-developed friendly country in which the investment is to be made, with emphasis on assisting long-range development plans.

Dollar development loans may be made only where there are reasonable prospects of repayment. U.S. dollar loans are to be used to cover the U.S. procurement component of the project, with few exceptions permitted.

It is A.I.D. policy (as required by statute) to make dollar loans only for those projects for which adequate financing from other Free World sources is not available on reasonable terms. Loans may be made to existing enterprises seeking to expand and to firms or individuals planning to establish new enterprises. Applicants need not be residents of the country where the enterprise is located. The projected new investment, expansion, or diversification must be acceptable to the government of the country in which it will be made, and it must clearly contribute to the economic development of the country.

Furthermore, a request for a dollar loan for a project must be supported by any and all information necessary to determine the equity participation, economic justification, technical

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feasibility, and cost; by a description of how the engineering, purchasing, construction, and management of the project will be carried out, and by appropriate financial projections.

During the period November 4, 1961, when A.I.D. began operations, to March 1, 1963, A.I.D. authorized 15 dollar loans (seven in India) amounting to $167 million to private borrowers in seven countries for a variety of activities. They included synthetic rubber and carbon black in Brazil; viscose and cellophane in Egypt; trucks, tires and machine tools, paper and pulp in India; electricity in Pakistan and India; cement in Korea; and airline equipment in Afghanistan. The largest was a loan of $55 million to a private consortium for aluminum development in Ghana. This loan is to be administered by the Ex-Im Bank which also made $55 million available.

A.I.D. is the bank of last resort in that borrowers are obliged to seek financing from private and other public financial institutions first. Thus, loans to private borrowers are somewhat restricted. The private ventures which do come to A.I.D. for financing tend to be the larger development type investments requiring substantial technical and financial documentation and a longer time period of preparation and implementation.

The following table sets forth loans to private borrowers by A.I.D.:

PRIVATE DOLLAR LOANS AUTHORIZED

11/4/61 - 3/15/63

Country	Borrower	U.S. Affiliate	Amount ($ millions)	% Int. Rate	Repayment Terms Years	Repayment Terms Grace	Purpose
Afghanistan	Ariana - Afghan Airlines	Pan-American World Airways	2.6	3-1/2	10	3	Purchase of aircraft
Brazil	COPERBO		3.4	5-3/4	10	3	Synthetic rubber
	Companhia de Carbonos Coloidos		2.0	5-3/4	8	3-1/2	Carbon black
Egypt	Societe Mizr pour la Rayonne		3.0	5-3/4	12	3	Viscose & cellophane
India	Premier Automobiles		3.0	5-3/4	15	2	Truck components Plant expansion
	Delhi Cloth & Gen. Mills		9.8	5-3/4	12	2	Rayon tire cord & pulp
	TELCO		13.7	5-3/4	10	2	Truck plant expansion
	Hindustan Motors, Ltd.		15.8	5-3/4	10	2	Plant expansion
	NAPCO Bevel Gear	Detroit Bevel Gear Co.	2.3	5-3/4	9	2	Machine tools
	West Coast Paper Mills, Ltd.	Rayonier	6.3	5-3/4	13-1/2	3-1/2	Paper, pulp, plant expansion
	Tata Power, Tata Hydroelectric Andhra Valley Power		17.9	3-1/2	18	2	Electricity generation
Pakistan	Karachi Electricity Supply Corp., Ltd.		26.0	3-1/2	25	4	Electricity generation
Turkey	Seflon Sanayi ve Ticaret	Universal American Von Kohorn	1.8	5-3/4	10	3	Nylon filament yarn
Korea	Hyun Dai Construction		4.2	5-3/4	12	2	Cement plant
Ghana	VALCO (EXIMBANK is administering this loan, and has also lent VALCO $55 million)		55.0	5-3/4	25	10	Aluminum development
			$166.8				

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D. Local Currency (Cooley) Loans

Under Section 104(e), Title I of P.L. 480, the Agricultural Trade Development and Assistance Act of 1954, up to 25% of the foreign currencies received by the U.S. Government in payment for surplus agricultural commodities may be loaned to qualified borrowers to develop business and expand trade. These local currency loans, usually referred to as "Cooley loans," are named after Congressman Harold D. Cooley, who sponsored the amendment to P.L. 480 setting aside some of the proceeds of certain surplus sales for relending to U.S. private businesses. This program, formerly administered by the Ex-Im Bank of Washington, was transferred to A.I.D. on January 1, 1962.

Local currencies may be loaned to: (a) U.S. firms or their branches, subsidiaries, or affiliates for business development and trade expansion in the foreign country, or (b) either U.S. firms or firms of the local country for expanding markets for, and consumption of U.S. agricultural products abroad.

The currencies may be used by the borrower to develop his business and to expand trade by financing such local costs as expansion of plant and equipment, land acquisition, working capital (in most of the countries), industrial training, and other normal costs of operations.

Cooley loans to foreign firms (non-U.S.-affiliated borrowers) may be made only if they will be used to expand markets for U.S. agricultural products.

A.I.D. Cooley loans usually bear interest at rates comparable to those charged by local development banks. Maturities are related to the purposes of financing. Loans are repayable in the currency borrowed, without maintenance of value.

In countries where there are not sufficient Cooley funds to meet the demand, A.I.D. may impose priorities. Data on the availability of Cooley funds are periodically published in A.I.D. press releases.

In calendar year 1962 and the first two months of 1963, A.I.D. has made a number of Cooley loans, principally to U.S. affiliated firms in Colombia, Greece, India, Pakistan and Taiwan. The table on the following page sets forth the 30 loans totaling the equivalent of about $22 million in ten countries.

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COOLEY FUNDS AUTHORIZED

1/1/62 - 3/8/63

Country	Borrower	U.S. Affiliate	Amount Loc.Cur. (in millions)	Amount $ Equity (in millions)	% int. rate	Repayment Terms (Years)	Repayment Grace (Years)	Purpose
Colombia	Hogares Colombianos SA	World Homes	P5.0	0.57	4	15	1	Housing
	Productora de Papeles SA	W.R.Grace	P6.0	0.54	9	5	1-1/2	Pulp, paper
	Goodyear de Colombia SA	Goodyear Rubber	P2.0	0.18	9	5	1-1/2	Tires, tubes
	Gillette de Colombia SA	Gillette Razor Co.	P4.0	0.36	9	5	1-1/2	Razors & blades
	Owens-Illinois In'l SA	Owens-Illinois	P4.5	0.41	9	5	1-1/2	Glass mfg.
	General Elec. de Colombia SA	General Electric	P5.0	0.45	9	5	1-1/2	Elec. prod.
Greece	Mobil Hellas	Socony Mobil	D17.5	0.58	6	9	2	Service sta.& marine
	Dow Hellenic Industry Ltd.	Dow Chemical	D20.0	0.67	6	8-1/2	3	Plastics
	Wood Industry Xelopan AE	Pappas & Skouras	D18.0	0.60	6	6-1/2	1-1/2	Fibreboard
	Voktas Feeds	None	D10.0	0.33	6	6-1/2	1-1/2	Chicken farm
India	McNally-Bird Engr. Co.	McNally-Bird	R5.0	1.06	6-1/2	11-1/2	5	Coal washeries
	Victor Gasket India Pvt.Ltd.	Victor Gasket	R0.75	0.16	6-1/2	7	1	Gaskets
	Synthetics & Chemicals Ltd.	Firestone	R15.0	3.17	6-1/2	3-1/2	1	Synthetic rubber
	Harig-Malik	Harig Mfg.	R0.3	0.06	6-1/2	10	1	Machine tools
	Madras Rubber	Mansfield Tire	R2.5	0.53	6.5	7	2	Tires
	Wyman Gordon India Ltd.	Wyman Gordon Co.	R2.5	0.53	6.5	9-1/2	3	Steel forgings
Iran	Int'l Dairy Eng. Co.	Foremost Dairies	R7.5	0.1	8	5	1-1/2	Dairy products
Pakistan	Pakistan Services Ltd.	Pan.Am.Airline Inter-Cont.Hotels	R2.8	0.6	6	17-1/2	3	Hotel
	Pakistan Fabric Co. Ltd.	None	R1.0	0.2	6	5-1/2	1	Whse.bagging mill
	Singer Sewing Machine Co.	Singer	R5.0	1.1	6	9-1/2	4	Sewing machines
	General Tire & Rubber Co. of Pakistan Ltd.	General Tire & Rubber Co.	R7.0	1.5	6	15	1-1/2	Tires and tubes
Turkey	Wyeth Laboratuvalari AS	American Home Products	L10.6	1.1	7	9-1/2	2	Pharm.chem.,baby food
	US Royal Lastik Turk AS	US Rubber Co.	L20.25	2.2	7	4-1/2	1	Tires and tubes
	US Royal Lastik Turk AS	US Rubber Co.	L28.1	3.1	7	9-1/2	1	Tires and tubes
Egypt	Pfizer Egypt SAA	Pfizer	EL0.11	0.24	5	10-1/2	1	Pharm.
China	Atlas Taiwan Corp.	Atlas Chemical	T$24.0	0.6	12	9	2	Explosives
	China Artificial Fibre Corp.	None	T$5.9	0.15	12	4	1	Cellophane
	Procter & Gamble Taiwan	Procter & Gamble	T$3.4	0.085	12	5	1	Detergents
Korea	Shinhan Flour Mills	None	W20.0	0.15	8	6	1	Foodstuffs
Philippines	White Rose Packing Corp.	Francis H.Leggett	P5.5	1.40	7-1/2	10	1-1/2	Fish canning

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As of February 1, 1963, the equivalent of $167 million was still available for Cooley loans in local currencies in 26 countries, as indicated by the table below:

Country	Currency	Local Currency Available (In $000)	U.S. Equivalent (In $000)
EUROPE			
Finland	New Finnish Markkas	2,410	$ 751
AFRICA			
Guinea	Francs	17,438	71
Morocco	Dirhams	9,760	1,947
Sudan	Pounds	91	264
Tunisia	Dinars	585	1,404
Total - Africa-Europe			4,437
NEAR EAST			
Egypt (UAR)	Pounds	11,450	26,389
Greece	Drachmae	49,444	1,648
Iran	Rials	131,307	1,728
Israel	Pounds	22,604	7,535
Syria (SAR)	Pounds	13,487	3,549
Turkey	Lire	138,333	15,370
SOUTH ASIA			
Ceylon	Rupees	5,385	1,136
India	Rupees	312,020	65,855
Pakistan	Rupees	79,977	16,909
Total - Near East and South Asia			140,119
FAR EAST			
China	New Taiwan Dollars	250,051	6,251
Indonesia	Rupiah	235,103	5,225
Korea	Won	241,850	1,868
* Philippines	Pesos	11,943	3,062
Vietnam	Piastres	106,736	1,467
Total - Far East			17,873
LATIN AMERICA			
Bolivia	Pesos	5,652	471
* Chile	Escudos	70	30
* Colombia	Pesos	12,171	1,101
* Ecuador	Sucres	14,254	636
Paraguay	Guaranies	36,889	293
* Peru	Soles	49,465	1,846
* Uruguay	Pesos	1,801	164
Total - Latin America			4,541
GRAND TOTAL			$166,970

* Applications are not being accepted for most Latin American countries or the Philippines, as applications already on hand exceed available funds.

E. Four-Country Joint Venture Pilot Project

In the summer of 1962, A.I.D. established an action program to get joint ventures between U.S. and local nationals established in selected industries in four key countries: Colombia, Nigeria, Pakistan, and Thailand.

After the selection of five key industries in each of the pilot countries, A.I.D., in collaboration with the Office of International Investment, Department of Commerce, began locating U.S. businessmen willing to explore the possibility of investing in specific joint ventures within the industries chosen. A.I.D. is assisting these businessmen in putting together joint venture investments in which the U.S. company invests capital and technological skills and the host country's partner furnishes capital, manpower, and knowledge of local business practices. A.I.D. Mission and other appropriate officials in the Embassy are seeking out local businessmen who qualify as potential joint venture partners with the U.S. investor. While A.I.D. does not select the local partner, it can help find partners, and assist in innumerable ways, those U.S. investors willing to explore opportunities on the ground when they arrive in the country.

The specific programs which A.I.D. will employ in the pilot countries to induce U.S. firms to invest in these developing economies are those mentioned above, that is: Investment Surveys; Investment Guaranties; Direct Dollar Loans; Subloans through development banks; and local currency Cooley loans. A.I.D. is bringing into play all of the resources and techniques possible. Each investment proposal must, of course, stand on its own merits.

PART III - INVESTMENT GUARANTIES

A. General Review

Investment guaranties are designed to assist in carrying out the Congressional directive: "to facilitate and increase the participation of private enterprise in furthering the development of the economic resources and productive capacities of less-developed friendly countries and areas." There are three statutory types: (1) The specific risk guaranties which insure a U.S. investor against loss from: (a) inconvertibility of local currency; (b) expropriation/confiscation; or (c) from war, revolution and insurrection; (2) General extended risk guaranties, through which a particularly desirable and beneficial investment may be insured normally up to 75%; and (3) Extended risk housing guaranties for selected self-liquidating pilot housing projects in Latin America only.

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(1) Specific Risk Guaranties

The new flexibility, authorized in 1961, for the basic agreement which institutes the Guaranty Program in a country, has allowed negotiations to be opened and renewed with many countries and during calendar 1962 ten additional countries signed agreements to institute the program. As of April 10, 1963, there were 52 less-developed countries participating in the Investment Guaranty Program.

The legislation of 1961 and 1962 broadened the program and it has become increasingly attractive to the U.S. investors. The 1961 amendments made it plain on the face of the statute that expropriation coverage can protect against breach of a concession agreement between the foreign government and a U.S. investor. The 1962 amendments made it clear that guaranties are backed by the full faith and credit of the United States.

The effect of the Guaranty Program on the balance of payments has caused some concern. However, A.I.D. has polled the insured investors to determine where they had spent their invested funds. The results disclose that about 88% of the insured investments were in the form of U.S. exports--of equipment, materials, engineering, etc., leaving an initial dollar outflow of 12%. Against even this low outflow was the continued expectancy, not only of return on the investment, but of expanded exports of components, equipment, etc., to supply these new factories.

In FY 1962 and so far in FY 1963 the issuance of investment guaranties reached record highs. In FY 1962, there were 91 contracts written for a total value of $306,658,200 and to date (3/7/63) in FY 1963 98 contracts have been written for a total value of $196,942,880. In the first half of FY 1963 there were 246 applications received, compared to 203 for the same period the previous year. On March 15, 1963 there were in process about 1,000 applications for guaranties for countries already in the program, totaling over $3 billion and approximately 100 applications for countries not yet signed up, totaling about $700 million.

Recently issued guaranties covered investments going to Thailand to establish a plant to manufacture and distribute tires, tubes and related products; to about 20 American subscribers for a large $72 million petrochemical complex in Argentina; to Vietnam for facilities for the production of sweetened condensed milk; to Argentina for plants to produce carbon black and to construct truck axles; to Bolivia for housing and tungsten mining; to Honduras for the manufacture of cotton and burlap bags; to Peru for a plant to make fish flour and other fish products; to Pakistan and Tunisia for continuing investments of construction contractors on developmental projects.

(2) General Extended Risk Guaranties

General extended risk guaranties are available for use anywhere in the world for economic development projects with emphasis on those investments which further social progress and the development of small independent business enterprises, including housing projects.

General extended risk guaranties for equity investments will not, as a rule, be written to cover more than 50% of the investment. By statute, the coverage cannot exceed 75% of a loan investment (except for housing guaranties). This program will be administered on a pilot basis. These guaranties will be used only where the private investment meets normal A.I.D. criteria, occupies a priority position in the host country's development planning, and where it can be demonstrated that the private investment would not be made unless the extended risk guaranty were granted. They will not be used for routine private sector investments normally covered by the specific-risk guaranty program.

(3) Extended Risk Housing Guaranties for Latin America

The authorization in last year's legislation of $60 million for Latin American housing guaranties was accompanied by the creation of an office in the Latin American Bureau to administer this experimental demonstration program for self-liquidating private housing projects in Latin America. The program is directed toward assisting in alleviating the obstacles to home ownership of middle and lower middle income families through the stimulation of private investment.

Guaranties are available for the construction of new housing projects that would not have been undertaken without a United States Government guaranty. The guaranty would attach to the long-term mortgage-type financing required to carry out a privately financed housing project. The extended risk guaranty for this program covers the same risks as the extended risk coverage under Section 221(b)(2). While A.I.D. may not fully guaranty an investment, and, in fact, is now guarantying a maximum of 90% of an investment, the investor may obtain from other sources security for that part of the investment not guarantied by A.I.D. The fee charged for this guaranty is the same as that fee charged under Section 221(b)(2).

The interest of both U.S. and Latin American builders caused numerous inquiries including many proposals in some advanced stages

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of development. The more developed projects were examined initially, and to date such negotiations are being undertaken on an intensive basis for $60 million of projects, with additional preliminary review of $30 million of projects.

The early months of operations of the Housing Guaranty Office concentrated on thoroughly reviewing the technical aspects of the projects, and the second stage of negotiating agreements for the projects is now under way. Several guaranties have already been issued. This year's program has now been scheduled so that projects will be approved on a continuing basis to the end of this fiscal year.

The great demand by private investors to participate in the Housing Guaranty Program and the many good projects that have been proposed have created a demand far exceeding the amount of funds presently available.

B. New Legislation Requested

(1) No Further Appropriation

Last year in acting upon the request for a $180 million increase in A.I.D.'s reserves behind all investment guaranties, Congress suggested a new approach be taken to reserves. The new approach would have the reserves available to meet liabilities on a first-come, first-served basis, with the understanding that if reserves became seriously depleted Congress would add to them. The most important of this year's legislative proposals, discussed more in Part (3) below, deals with this question. Essentially we are not seeking further reserves because we believe two things: one, that present reserves are adequate, if made available, to meet claims likely to mature before an additional appropriation could be obtained; and, two, that the full faith and credit of the United States are behind each and every investment guaranty so that Congress would appropriate any further necessary sums.

(2) Increased Issuing Authority

A.I.D. is seeking enlargement of issuing authority as follows: (a) specific risks of inconvertibility, expropriation, and war, revolution and insurrection, an increase of $1.2 billion to a total for outstanding guaranties of $2.5 billion; (b) extended risk for priority projects throughout the world, including housing, an increase of $120 million to a total of $300 million; and (c) extended risk for Latin American housing projects, an increase of $90 million to a total of $150 million.

The explanation for each of these requests follows:

(a) Specific Risk. The amount of guaranty coverage issued in calendar year 1962 was almost as great as the total issued in the preceding 14 years of the program's operation. $440 million worth of specific-risk coverage was issued in 1962. A.I.D.'s present issuing authority under the specific-risk program is limited to $1.3 billion outstanding at any one time. In mid-March of 1963, the total amount of such coverage outstanding was nearly $900 million, leaving specific-risk issuing authority of some $400 million. The requested increase in issuing authority of $1.2 billion is designed to be adequate for several years. This degree of continuity in the availability of the program is important because of the time normally required by the private investors to reach an investment decision. Generally at least two years pass between the filing of a preliminary application for an investment guaranty and the final decision to invest.

At present, 875 applications are on hand seeking coverage totaling over $3 billion. Past experience indicates roughly one-third of these relate to investments which should receive guaranties. Thus, if not one single additional application were accepted after today, dealing fairly with those who have already applied would require an increase in specific-risk issuing authority of approximately $1 billion, or approximately the increase being sought.

(b) All Risk - General. An increase in issuing authority for general all risk guaranties has also been sought even though no such guaranty has yet been issued. Several reasons exist for this. Applications have been received by A.I.D. in an amount sufficient to use up existing authority. Internal measures are being taken within the Agency to increase Agency concentration on these applications. As is the case with the specific-risk guaranties, continuity of availability is important to the business community.

(c) All Risk - Latin American Housing. With the expectation that the $60 million authorized for this year's guaranties will have been committed by the end of this fiscal year, accompanied by the great demand by private investors to participate in the Housing Guaranty Program, it is believed that the increase in the statutory ceiling is required to continue the program. Preliminary review of many new applications being received indicates that the increase in the statutory ceiling can be committed in full during the next fiscal year.

(3) Significance of Proposed Changes in the Law

Most of the amendments being proposed are responsive to the suggestions of the 87th Congress concerning reserves behind investment

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guaranties. As indicated above, the most significant of the changes is designed to make the present reserves of nearly $300 million available to serve claims arising on a first-come, first-served basis from the nearly $3 billion of guaranty coverage to be authorized. Any sudden influx of substantial claims would necessitate a request to Congress for a further appropriation.

Since investment guaranties are obligations of the United States, there is no basis for doubting that Congress would provide the necessary monies to discharge proper claims promptly as they fell due. The history of claims to date in the past 15 years of the program's operation indicates that the present reserves are probably more than adequate to take care of claims that could be anticipated as maturing in any given fiscal year. A significant result of the technical change making the reserves freely available for all guaranties would be to state explicitly in the statute that guaranties are contingent obligations backed by the full faith and credit of the United States. That conclusion is correct in the opinion of the General Counsel of A.I.D. which we expect to be confirmed by an opinion of the Attorney General.

A further proposed change would permit guaranties to be issued to foreign subsidiaries of U.S. corporations, where the only shares not owned by the U.S. parent were shares required by law to be held by others and where the U.S. parent owned 95% of the shares.

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VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

SUMMARY OF PROPOSED FY 1964 CONTRIBUTIONS

(In thousands of dollars)

1.	UNTA and Special Fund	$ 55,000
2.	UN Economic Assistance to the Congo	5,000
3.	UN Relief and Works Agency for Palestine Refugees	17,200
4.	UN Children's Fund	12,000
5.	FAO World Food Program	2,000
6.	IAEA Operational Program	1,250
7.	WHO Special Programs	500
8.	Indus Waters	43,100
	Total	$136,050

GENERAL

In achieving the broad objectives of the Foreign Assistance Program there are some activities which it is desirable for the United States to channel through multilateral organizations. The United Nations family of agencies and a number of regional organizations allow flexibility in the execution of programs for maintaining peace and security and for directing economic and technical assistance, and thus provide a desirable supplement to direct assistance from the United States.

The use of these agencies, supported by many nations, permits greater use of the financial resources of other developed countries and, of increasing importance, technical skills which are in short supply. Certain elements of development assistance, such as those designed to lead to administrative or financial reforms are often more readily accepted by the less-developed countries, and hence tend to be more effective if given by multilateral organizations of which they are members. Similarly, in certain acute circumstances, such as the Congo, there may be important U.S. political and security interests in avoiding the risk of rivalry inherent in a direct confrontation of bilateral programs. Finally, mature development of international agencies is in itself a vital national objective to which we are deeply committed. Multilateral organizations endowed with the capacity to act in the interest of security and development have a fundamental role in that open world society of independent and self-sufficient nations which is the ultimate goal of our foreign policy.

For FY 1964, $136,050,000 is requested to cover voluntary contributions of the United States to eight international programs which further the objectives noted above. This represents a decrease in the number and amounts for programs funded under this title of some 10% under last year's level. In some instances, the programs have achieved their objective or other arrangements have been made for their financing. The costs of U.N. peace-keeping operations are currently being financed from the proceeds of the U.N. bond issue and it is hoped a new basis for financing this type of activity will be worked out by the U.N. in a way which will avoid the need for voluntary contributions such as have been made in the past by the United States. The World Health Organization (WHO) special programs are being absorbed into the regular assessed budget of WHO and the North Atlantic Treaty Organization (NATO) Science Program has already made this transition. Projects of regional organizations, such as the Asian Productivity Organization and the Commission for Technical Cooperation South of the Sahara are being funded under Regional Development Grants.

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1. UNITED NATIONS EXPANDED TECHNICAL ASSISTANCE PROGRAM AND SPECIAL FUND

(In thousands of dollars)

FY 1962 Contribution	$45,000
FY 1963 Estimate	50,000
FY 1964 Request	55,000

The United Nations Expanded Technical Assistance (UNTA) Program was established by the United Nations General Assembly in 1950 to provide technical assistance in stimulating the economic and social progress of the developing countries. The program provides experts, fellowships and demonstration supplies and equipment to countries at their request, using the specialized agencies and International Atomic Energy Agency (IAEA) to execute the projects in their particular field of competence.

The U.N. Special Fund, which was established by the United Nations General Assembly as a result of U.S. initiative, began operations in January 1959. It acts through these same agencies but also directly to raise production and productivity through essential preinvestment activities, such as surveys and feasibility studies -- to reveal wealth-producing potentialities; applied research -- to find new uses for local materials and products; and manpower training and technical education -- to develop vocational and technical skills to permit the fuller exploitation of national resources. These projects generally cost over a quarter of a million dollars each and have a life of four or five years. To date, some 288 projects have been approved at a cost to the fund of $253,928,400 with an additional $399,751,616 being provided by the recipient countries in local support.

Our contribution request for these two programs in FY 1964 is $55 million. Several years ago the United States actively supported the establishment of a target of $150 million as the annual program level for the UN Technical Assistance Program and Special Fund. The success of these programs may be measured by the mounting support they have received from other governments. The level of contributions has increased from $20 million in 1951 to about $112 million in 1962, while the U.S. share has declined from 60 to 40%. We plan to repeat our pledge to match 40% of total contributions up to $150 million at the pledging conference this fall since this goal and the U.S. pledge of up to $60 million have become associated with our promotion of the 1960s as the Decade of Development. However, on the basis of our estimate that actual pledges will run on the order of $135-140 million in 1964, we are limiting our appropriation request to $55 million at this time.

In order to make the U.S. contribution more effective in stimulating other governments to increase their participation, the United States has, during the last year, established a cut-off date of two years beyond which it will not continue to match other government contributions. As a further measure of improved financial administration of our contributions, the United States is arranging to deposit its payments into a special "escrow" account in the U.S. Treasury, where these funds will remain until actually needed to meet project costs incurred by the Special Fund.

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2. UNITED NATIONS ECONOMIC ASSISTANCE TO THE CONGO

(In thousands of dollars)

FY 1962 Contribution	$43,000
FY 1963 Estimate	39,495
FY 1964 Request	5,000

The picture in the Congo has changed sharply since last year's Presentation. In view of the dramatic progress made recently in unifying the administration, it appears that there will be less of a call for U.S. support for peace-keeping activities of the U.N. and some of these resources may be shifted to the nation-building enterprise which the U.N. now plans to accelerate.

The principal objectives of the United States in the Congo are the maintenance of a unified Republic of the Congo and a Central Government not unfriendly to the West. Economic stability is a necessary factor in assuring the attainment of these objectives and that the U.N. is the most appropriate instrument for the coordination and direction of external assistance provided by friendly nations in support of this goal. The promotion of internal security through training and equipping a loyal gendarmerie as the U.N. forces are withdrawn, and the development of a party structure enabling the Central Government to extend its influence into the provinces and obtain a broad base of support are further aspects of the same problem.

The success of the U.N. military operation in preventing the fragmentation of the country has enabled the U.N. and the Government of the Congo to turn realistically to the serious problem of continued economic stability. In spite of growing production and rising imports, the Congo suffers from a severe inflation which can be checked only if a soundly financed and directed stabilization program is created. This will require the imposition of effective budgetary procedures and methods of tax collection, close controls over government expenditures, the establishment of sound exchange rates, and external support sufficient to maintain a minimum level of imports and technical services.

To avoid the risk of rivalry inherent in the direct confrontation of bilateral programs, the United States is seeking to form a "Congo Club" of friendly governments who would share this task by contributing bilateral assistance under the coordinating authority of a high level executive staff of U.N. management and public finance experts, assisted by a corps of experienced U.N. technicians in the various ministries. Emphasis will be laid on securing expertise in the areas of greatest national importance -- internal security, foreign exchange control, coordination of internal aid, and the administration of public finances.

At the same time, the United States will propose that the voluntary U.N. Fund for the Congo, which is presently the principal source of funding for U.N. technical assistance activities in the Congo, be phased out over the next few years. Technical work done by the Specialized Agencies with Congo Fund resources should in 1964 begin to be financed to a limited extent from the regular assessed budget of the Specialized Agencies and from the UNTA and Special Fund as appropriate.

It is estimated that 1964 requirements for contributions to the stabilization of the Congolese economy with some measure of development would cost in the nature of $150 million. This would include the commodity import program including agricultural imports, foreign exchange assistance, the Congo Fund, and other technical assistance. It would specifically exclude the servicing of any past debt and the discharge of pension requirements.

The United States has taken the position that a much larger share of the total assistance required by the Congo should come from other member governments. Maintenance of a friendly viable regime following the successful outcome of the U.N. intervention, achieved at the cost of a major commitment of U.N. and U.S. resources, warrants a pledge of continued U.S. support at this level. Estimated contributions from others in 1964 include: the Organization for European Economic Cooperation (OEEC), $8-12 million; the United Kingdom, $2-5 million; Germany, $10 million; and others an unknown amount, which would place Belgium's potential contribution in the range of $40-50 million if the stabilization and development program is to operate at the $150 million level.

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The United States would propose to contribute $45 million from the following sources: $5 million to the Congo Fund for centralized direction and technical assistance from the appropriation for Contributions to International Organizations; $40 million in loans and grants of Supporting Assistance tied to the purchase of U.S. commodities. In addition, approximately $30 million in P.L. 480 foodstuffs would be provided. These surplus agricultural commodities will directly reduce the need for appropriated dollars to the maximum extent possible.

As economic conditions in the Congo improve, it is proposed to shift our aid to the greatest extent feasible from grants to loans. The ability of the Congo to assume additional external debt, and consequently our ability to increase the loan portion of our aid, is heavily dependent upon the outcome of Belgian-Congolese negotiations on the disposition of about $1 billion of pre-investment Congo debt.

The $5 million contribution to the U.N. Congo Fund requested here compares with some $3 million we plan to provide from FY 1963 funds. This amount would be made available to match other countries' contributions on a dollar-for-dollar basis.

3. UNITED NATIONS RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES

(In thousands of dollars)

FY 1962 Contribution	$17,938
FY 1963 Estimate	17,200
FY 1964 Request	17,200

For the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) we are again requesting $17.2 million and authorization to provide some $7.5 million in relief foodstuffs through P.L. 480 contributions. While the basic problem remains unsolved, new initiatives will be undertaken with the Agency to stimulate shifts in program emphasis which ultimately should lead to the achievement of a greater degree of self-support by the refugees and a diminution of the need for U.S. assistance. This may involve some slight increase in the dollar component of our support for this program not currently reflected in the budget estimates, but every effort will be made to reduce the dollar outlay by continuing to utilize U.S.-owned local currencies and surplus foods available under P.L. 480.

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4. UNITED NATIONS CHILDREN'S FUND

(In thousands of dollars)

FY 1962 Contribution	$12,000
FY 1963 Estimate	12,000
FY 1964 Request	12,000

One of the programs for which we are requesting funds at the same level as last year is the U.N. Children's Fund (UNICEF), which carries out a well-administered program in the fields of health services, disease control, nutrition, and education to further the welfare of children and mothers in the lesser-developed countries. Due to the wide-spread acceptance of this activity by member nations around the world, the United States has been able to bring its share of the total contributions down to 40% while maintaining our contribution at a fixed $12 million. It is currently contemplated that a U.S. contribution of $12 million will meet our share of the 1964 program.

5. WORLD FOOD PROGRAM OF THE FOOD AND AGRICULTURE ORGANIZATION

(In thousands of dollars)

FY 1962 Contribution	$ -
FY 1963 Estimate	500
FY 1964 Request	2,000

$2 million is proposed for the World Food Program initiated through the Food and Agriculture Organization last year. This cash contribution, subject to the same 40% matching formula which applies to the UNICEF and UNTA, will be supplemented by contributions of P.L. 480 surplus. The initial program is of three years' duration and calls for a target of $100 million in contributions. Toward this we have pledged $40 million in surplus agricultural commodities and $4 million in transportation financed under P.L. 480, and $6 million on a matching basis toward the costs of administration, which we plan to fund from this appropriation. We are now requesting $2 million for our second installment against our pledge of $6 million.

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6. INTERNATIONAL ATOMIC ENERGY AGENCY OPERATIONAL PROGRAM

(In thousands of dollars)

FY 1962 Contribution	$ 641
FY 1963 Estimate	1,250
FY 1964 Request	1,250

The International Atomic Energy Agency (IAEA) was founded in 1957 with the encouragement of the United States. It has since received financial and technical support in the belief that it will promote closer ties between the United States and other nations in the field of nuclear energy, enhance the prestige of American leadership in science and technology, and play an increasingly important role in establishing international rules and regulations in such fields as health and safety, third party liability, and atomic waste disposal.

In addition to our assessed contribution to IAEA's regular budget, the United States has in past years contributed additional amounts on a matching basis to the operational program which provides fellowships, experts and equipment in the field of nuclear energy to the lesser developed countries plus certain laboratory services useful as well to more advanced member states. The same contribution of up to $750,000, made available in FY 1963, is proposed for this purpose in FY 1964, representing a U.S. share of approximately 50% of the voluntary budget.

In addition to this direct support to the IAEA operational program through voluntary contributions, it is proposed that the equivalent of a further $500,000 be provided in services to strengthen the Agency's supply of American experts, consultants, and training opportunities for response to technical assistance requests from member states. Under this proposal, $350,000 would be used for fellowships and $150,000 for experts and consultants and a small amount of equipment.

While the over-all percentage of U.S. assistance appears high, it should be noted that much of our previous bilateral support to technical assistance in the peaceful uses of atomic energy in the developing countries is being phased out and residual support to many of these programs will be channeled through the IAEA. Further, as indicated last year, the United States is working to bring about the consolidation of the Agency's operational budget, which is supported by voluntary contributions in cash and kind, with the regular assessed budget, so that our cash contribution to the Agency may decrease from 50% to just over 32%.

7. WORLD HEALTH ORGANIZATION SPECIAL PROGRAMS

(In thousands of dollars)

FY 1962 Contribution	$3,400
FY 1963 Estimate	500
FY 1964 Request	500

The voluntary contributions the United States has made to special programs of the World Health Organization (WHO) have been designed to initiate or strengthen programs which the United States considers to be of high importance in the field of health and sanitation, and which play a significant role in the process of economic development. Over the past several years the United States has made substantial contributions to WHO under this Act for three programs: malaria eradication, community water supply, and medical research.

We are pleased to report that through this kind of transitional voluntary support, we have been successful in moving the $6 million malaria eradication program into the regular budget to which all members contribute on an assessed basis. We foresee no immediate need for further U.S. voluntary contributions for this activity. We are hopeful that provision will be made during FY 1964 for absorbing the community water supply program into the assessed budget of WHO, although it is possible that some minor support will be required to achieve this end, from savings elsewhere in the program.

One of the most successful of our initiatives in WHO has been the development of an increasingly valuable medical research program. Under this activity WHO makes modest grants to investigators where these will have a stimulating effect on needed research; it provides services to research such as support to international reference centers, the establishment of biological standards, the development of standardized nomenclature, etc., and is making progress in the training and exchange of research workers.

The program for 1964 is designed to establish a unit in WHO for medical research in human reproduction to study the environmental and physiological forces that influence this subject of universal interest. Our voluntary cash contributions to the WHO medical research program, together with research grants from the National Institutes of Health, have helped in sustaining the program while its support could gradually be built up in WHO's regular budget to an anticipated level of $1,750,000 in 1964. Accordingly, we plan to terminate our voluntary support for the program from Foreign Assistance funds with this request for $500,000.

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8. INDUS WATERS

(In thousands of dollars)

FY 1962 Contribution	$34,500
FY 1963 Estimate	24,600
FY 1964 Request	43,100

The Indus Waters project, conceived as a solution to one of the major causes of friction between India and Pakistan, calls for a Free World commitment of over $1 billion, stretching over a period of ten years to divert to India waters now used in Pakistan and to replace these by an elaborate system of dams, reservoirs and link canals. The funds are administered by the International Bank for Reconstruction and Development (IBRD) which has indicated a planned call-up of $43.1 million from the United States during FY 1964 to finance construction works now underway or those for which new contracts will be awarded. This increase over the $24.6 million call-up in FY 1963 reflects the accelerating pace of the construction of works called for under the original Settlement Plan. Changes in this Plan based on more refined engineering data are still being studied by the Bank and will be discussed with the Government of Pakistan to fulfill the original intentions of the Plan, within cost limits acceptable to the donor governments.

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OCEAN FREIGHT - VOLUNTARY RELIEF AGENCIES

The FY 1964 request for overseas freight costs of U.S. voluntary agencies' supplies is $4,000,000, an increase of $400,000 over the request for FY 1963.

The overseas freight subsidy program under Section 216 of the Foreign Assistance Act of 1961, as amended, subsidizes contributions of registered voluntary agencies and the American Red Cross for the relief and rehabilitation of friendly peoples. Some 27 registered agencies and the American Red Cross are participating in this program. The agencies in order of magnitude of freight subsidies received during the past fiscal year are: Catholic Relief Services - National Catholic Welfare Conference, Church World Service, CARE, and Lutheran World Relief. The registered agencies have programs in more than 84 countries throughout the world; 25 in Africa, 24 in Latin America, 15 in the Far East, 11 in the Near East and South Asia, and seven in Europe. Countries receiving the most supplies shipped under Section 216 are: in Africa: Morocco, Tunisia, and the Congo; in the Near East and South Asia: Israel, Greece, and India; in the Far East: Korea, Republic of China, and the Philippines, and in Latin America: Chile, Colombia, and Brazil.

American voluntary agencies are reaching many small countries, making known the U.S. image through their American representatives as well as the identification of supplies in support of their various programs. Where these programs exist, the recipient countries assure the voluntary agencies of duty-free entry on their supplies. Inland transportation costs from ports of entry to ultimate points of distribution and warehousing are paid by the foreign governments or other non-U.S. Government sources. The American agencies bear the costs of solicitation, acquisition, processing, warehousing, packaging for export, transportation to U.S. ports, and the salaries and other administrative costs of maintaining field representatives in the receiving countries to supervise distribution.

Recently there have been requests from nonregistered agencies in the Mid-West and the Far West to send supplies in response to requests received from indigenous groups and individuals, as well as Americans, overseas. Usually such requests are referred to a registered voluntary agency but this arrangement is not always workable because of program requirements and limited freight funds. Referrals are often made to Project Handclasp (Navy) which provides free space as available, or to a special group in the Air Force with a limited annual subsidy to cover air freight costs abroad.

Medical, agricultural and self-help donated supplies shipped in FY 1962 contained a sharp increase in educational items, while health, agricultural and other self-help supplies have held at about the same level as the year before but are higher than in FY 1960.

Registered voluntary agencies and the American Red Cross may receive government excess property under authority of Section 607 of the Act. A few months ago an Agency determination made it possible for Section 216 funds to be used for shipment of Section 607 domestic excess for use in registered voluntary agencies' programs abroad.

These agencies plan to use some $10 million worth of government excess property, consisting of men's cotton and woolen clothing, in their overseas programs. Stature of wearer and climatic conditions will determine where the agencies will send this clothing, but it will go to needy men and boys in every region of the world. It will also be made available to refugees, victims of natural disasters whose possessions are destroyed by earthquakes, floods, fires, and to those engaged on P.L. 480, Title II, Section 202 voluntary agency-sponsored roads, schools, wells, and other community advancement projects. Over the years these agencies have planned effective use of clothing throughout their programs, taking into account local customs and climate.

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CIVIC ACTION

Civic Action is the use of military and paramilitary forces on projects useful to the local population in fields such as education, public works, agriculture, transportation, communications, health and sanitation, and other projects which contribute to social and economic development.

For some years the military forces in a number of nations have participated in Civic Action type projects, usually on an ad hoc basis varying widely from country to country. Since 1959 it has been established U.S. policy to encourage and support such activities; this policy has been formalized in Section 505(b) of the Foreign Assistance Act and in several policy directives.

It has been only since December 1961, however, that Civic Action has been a distinct, priority element in the U.S. Foreign Assistance Program. Since Civic Action necessarily means a mixing of military and economic assistance objectives, a funding formula was agreed upon in February 1962, between the Agency for International Development (A.I.D.) and the Department of Defense and was reported to Congress in general terms (Consult memorandum to the Subcommittee on Foreign Operations of the House Committee on Appropriations; Hearings before said Subcommittee, 87th Congress, 2nd Session Part II, Page 260). Under this formula the Department of Defense, in assisting local military units to carry out their regular military mission, provides these units with equipment (e.g., bulldozers, well drillers, etc.) which can be used on Civic Action projects, provides maintenance and support of such equipment and frequently uses the Civic Action project to provide on-the-job training to these units. Since most military units involved in Civic Action are engineering battalions or other units whose military mission calls for the performance of tasks not substantially different from the tasks performed on Civic Action projects, this program frequently provides these military units with valuable experience and training related to carrying out their regular military mission. A.I.D., on the other hand, provides all non-military labor, equipment, training and the materials and supplies necessary to carry out the particular project involved. Also, A.I.D. is responsible for programming and funding requirements to enhance the Civic Action capability for those paramilitary forces for which the Agency is responsible.

To encourage the expansion of Civic Action programs, a special fund, divided between the Department of Defense and A.I.D., was set aside from the Foreign Assistance appropriation in FY 1962 ($10 million) and FY 1963 ($20 million). On the assumption that two years of special funding have been sufficient to establish Civic Action as a viable program, the special funding arrangements will be discontinued in FY 1964.

Among recent accomplishments of Civic Action programs supported with U.S. Foreign Assistance funds have been projects in the following four countries:

Bolivia. The Bolivian Army completed, in February 1963, construction of 42 rural schools as its share of a 100-school program supported by A.I.D. funds in FY 1962. This program marked the first use of Title II, P.L. 480 foodstuffs in connection with Civic Action.

Ecuador. The Ecuadorian Army completed, in December 1962, ten portable water distribution centers in slum areas in and around Guayaquil. Military Assistance funds were used to provide the equipment for this project, while A.I.D. funds were used to meet the operating costs.

Burma. Both Military Assistance and A.I.D. funds have been used to help develop the Namsang area of Burma for resettling ex-servicemen. One of the major accomplishments of the program has been to improve the strained relationships between the Burmese Army and the ethnic minority Shans who reside in the Namsang area.

Jordan. To alleviate an acute water shortage in Bethlehem and Jerusalem in 1962, the Jordan Arab Army put in a 200,000 foot pipeline from Hebron to Solomoris Pools, which normally supply the two cities with most of their drinking water. A.I.D. arranged to have the pipe shipped from Europe, where it had been stored in a U.S. Army depot, paid the costs attendant upon delivering and installing the pipe, and provided technical assistance to the Jordan Arab Army.

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INTERNAL SECURITY

The $1.0 million for Internal Security, Non-regional activities, represents the estimate for the establishment of an International Police Academy. The Agency for International Development (A.I.D.) is in process of reorganizing and strengthening its Public Safety Program.

Greater U.S. Government control and supervision over the orientation and training of both foreign police officers and U.S. technicians is needed. This will be accomplished in large part through the Academy rather than the former system of contracting for many such services with a non-government agency. Final cost figures have not yet been determined. It is estimated that the cost, including the rental and rehabilitation of adequate quarters, plus equipment will total $1.0 million in FY 1964, the first year of the Academy's operation, with significant reductions in future years to only those amounts needed for operation and maintenance.

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AMERICAN SCHOOLS AND HOSPITALS ABROAD

No nation can develop to its full potential without responsible scientific, political and economic leaders. Their number and quality bear directly on a country's growth and character. To further the well-rounded training of qualified leadership in developing countries, the United States provides funds to American-sponsored schools and institutions abroad.

The schools, libraries, hospitals and medical centers founded or sponsored by American citizens are also recognized for their value as study and demonstration centers for American ideas and practices. They serve as models for improved educational methods, materials and teaching procedures.

The Foreign Assistance Act specifically authorizes dollar grants to such schools and libraries. It also authorizes local currency allotments for hospitals and medical centers.

The Executive Branch now recommends consideration of an amendment to the Foreign Assistance Act which would authorize the appropriation of $20 million in dollars for American-sponsored schools and hospitals. This amendment also would authorize appropriations on a continuing basis for this activity. Thus, the schools would be able to plan their programs over several years instead of annually.

1962 Grants to Eight Schools

For example, the American University of Beirut needs to expand its already crowded facilities. The proposed authorization would permit the University to plan effectively for orderly growth -- and thus to maintain its important and respected position in the Near East.

In FY 1962, grants totaling $6 million were made to the following colleges and universities: American University of Beirut, in including its medical school, $4.5 million; American University of Cairo, $70,000; Robert College in Istanbul, $300,000; Athens College, $220,000; American Farm School, Salonika, $95,000; Anatolia College, Salonika, $90,000; Pierce College, Athens, $611,000; and Escuela Agricola Panamericana, Tegucigalpa, Honduras, $114,000.

These schools train teachers, future government administrators, agriculturists, business administration experts, doctors, nurses and other specialists in a wide range of fields. They have been assisted in past years by various American foundations. U.S. funds, although serving a valuable developmental purpose, are intended to supplement other sources of income.

Children's Hospital in Poland

The American Research Hospital in Poland, Inc., a private organization, is building a 300-bed children's hospital in Krakow, Poland, with the assistance of funds appropriated by the United States Congress.

The Hospital, now about one-third finished, will have two pediatric clinics and one surgical clinic along with research and teaching facilities. Construction is being carried out by a Polish Government Agency according to plans and specifications originally prepared under the supervision of the Cooperative for American Relief Everywhere (CARE). It is hoped to complete the hospital by June 1964, to coincide with the 600th anniversary of the establishment of the University of Krakow.

Since 1960, approximately $4.3 million in local currency has been appropriated by the United States Congress to finance the project. An additional $2 million in local currency is requested for FY 1964. In addition, $2.2 million in dollars for imported equipment needed to complete the hospital is included in the appropriation request for $20 million for American Schools and Hospitals Abroad.

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ADMINISTRATIVE EXPENSES

ADMINISTRATIVE EXPENSES

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GENERAL TECHNICAL SERVICES-HUMAN RESOURCES AND SOCIAL DEVELOPMENT

The Office of Human Resources and Social Development maintains General Technical Services arrangements with other government agencies, private associations, and its own special units, permitting the Agency for International Development (A.I.D.) to call upon a wide range of technical expertise for support of country or regional programs. Because demand is often unpredictable as to country and exact type of services, and amounts involved in each assignment are generally small, it is more practical to manage and fund such activities on a central rather than country or regional basis.

The activities for which $950,000 is requested pertain to Health, Agriculture, Labor, Education, Public Administration, and Peaceful Uses of Atomic Energy. For example, through an agreement with the Department of Agriculture, a small staff advises on and supplies several hundred varieties of sample and test seed and plant stock, such as broomcorn for Bolivia, barley for Korea, castor beans for Nigeria and cacao hybrids for India. Supplementing this is a contract with Mississippi State University whereby A.I.D. draws upon that institution's Seed Technology Laboratory for advice regarding seed storage and processing practices.

In the health area contracts with the American Hospital Association and the Association of American Medical Colleges have provided experts to assess hospital and medical education programs in Nepal, Panama, Costa Rica, and Brazil. Central staffs concerned with Malaria Eradication and Community Water Supply coordinate U.S. bilateral programs with those of World Health Organization (WHO) and Pan American Health Organization (PAHO), supervise special training programs (including a correspondence course) on community water design engineering and management and malaria eradication open to both foreign nationals and U.S. technicians, and arrange for evaluations and reviews. Managerial and engineering experts are sent to all regions to conduct seminars or investigate specific problems through long-standing contracts with the Council for International Progress in Management and Tudor Engineering Company. Through a conference of specialists, planned pilot studies, use of consultants, and coordination with other countries and agencies, programs are being formulated to attack, on a unified basis, such major educational problems as adult education and English language teaching. Questions relating to utilization of small atomic research reactors and public administration development are handled through agreements with professional organizations in these fields.

OFFICE OF INSPECTOR GENERAL, FOREIGN ASSISTANCE

Statutory Authority

The Inspector General, Foreign Assistance, derives his authority from Section 624(d) of the Foreign Assistance Act of 1961, as amended. The use of not more than a total of $2 million annually from Foreign Assistance and Peace Corps program funds is authorized by that section to meet the expenses of the office.

Responsibilities

The Inspector General, Foreign Assistance, is organizationally located in the Department of State and reports directly to the Secretary of State. He is given broad statutory responsibilities relating to the effectiveness of programs under Part I and Part II of the Foreign Assistance Act, Peace Corps programs, and P.L. 480 activities.

Operations

The office of the Inspector General makes frequent inspection trips to all parts of the world, and also examines problems arising here in Washington. The inspection trips are made by teams drawn from the permanent office staff, occasionally supplemented by short-term outside consultants.

The inspections deal with a wide variety of matters, such as the administration of loans and contracts, progress on technical assistance projects, military and civilian uses of P.L. 480-generated and other U.S.-owned local currencies. staffing patterns, Peace Corps field operations, and A.I.D. and M.A.P. supply management.

The findings and recommendations resulting from these inspection trips are transmitted to the operating agency concerned. The staff of the office of the Inspector General, Foreign Assistance, then follows Agency response to these recommendations.

During the first half of FY 1963, inspections were performed in 30 countries. An effort of comparable magnitude will be continued during the remainder of this fiscal year and in FY 1964.

Estimated Costs for FY 1964

Estimated expenses for FY 1964 are $890,000, and consist mainly of the salaries of the permanent staff, travel costs, and pay for intermittently employed outside consultants. This compares with estimated obligations of $825,000 in FY 1963, during which period a number of positions were not filled until after the fiscal year began.

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INTERREGIONAL PROGRAMS

The Interregional Programs consist of activities conducted mainly in the United States which provide program support for Agency for International Development (A.I.D.) programs. Expenses of these activities are of a type that is most appropriately handled on a world-wide basis, since it would be administratively impractical to relate these charges to country or regional programs. The costs differ from administrative costs in that the services are necessary for the implementation of programs in cooperating countries and are not related to the general administrative function of direction and supervision of A.I.D. programs.

The significant changes in this program proposed in FY 1964 include: (a) a consolidation of international aid coordination activities to meet increased responsibilities in this area; (b) increased emphasis on the Book Gap and Nutrition Surveys programs; (c) an increase in the Interregional Programs Staff principally to provide for increased workload related to capital projects and development loans, and for strengthening staff training; and (d) general increases in each of the categories of support which provide for salary increases authorized by the Postal Service and Employees Salary Act of 1962. Following is a summary of the Interregional Programs:

Interregional Expenses - Program Summary

(In thousands of dollars)

	FY 1962 Actual	FY 1963 Estimated	FY 1964 Proposed
A.I.D. Washington Program Staff	8,244	14,076	16,164
Program Support - U.S. Government Agencies	4,844	5,200	5,398
Participant Services	3,396	3,500	3,400
Communications Resources	1,046	800	1,000
Program Support - Dept. of State	5,532	7,450	7,540
International Aid Coordination	202	369	390
Book Gap	-	550	1,000
Nutrition Surveys	-	375	200
Training in Cooperatives	140	400	500
Excess Property Offices	23	249	700
General Technical Services	657	764	950
Engineering Services	273	280	-
Other	22	7	-
Deobligations During FY 1962	-330	xx	xx
Total, Interregional Expenses	24,049	34,020	37,242

The first four of these activities directly serve the country programs through provision of services and support to participants and technicians. They serve two major functions:

Participant Support. Foreign nationals who receive training in the United States under A.I.D. programs require certain support services to assure that such programs effectively meet training objectives. It is estimated that about 10,000 such A.I.D. participants from some 75 countries will receive training in the United States during FY 1964. They are receiving training in over 250 universities and colleges, in thousands of private plants, and Federal and local governmental and other facilities throughout the entire United States. Individual arrangements with these institutions must be made in the various technical fields tailored to the differing goals of the bilateral programs. A.I.D. personnel and the services of other Federal Bureaus and Agencies will be required to develop and administer these training arrangements.

Participant Support costs paid through the Interregional Programs fall into three general categories: (a) the cost of A.I.D. Washington training staffs; (b) expenses necessary to fund technical staffs in U.S. Government Agencies that provide training support services such as the Departments of Agriculture, Labor, and Health, Education and Welfare; and (c) special program services such as insurance fees, English language training, and contracts with outside organizations for training in such specialized fields as public safety, and community water supply.

Technical Consultation and Support. The diversified nature of country programs necessitates a wide range of technical support to the A.I.D. program operations. This includes such activities as dissemination of the latest technical publications to field technicians, the handling of contractual matters, and arranging procurement.

Technical Consultation and Support is furnished through (a) the communications resources, contract, and other staffs of A.I.D. Washington; (b) the facilities of participating agencies, such as the Departments of Agriculture and Commerce, and the Federal Aviation Agency; and (c) special program services such as the development of training techniques and acquisition of training materials and devices. The principal function of the personnel and of the participating agencies is to provide technical support to aviation, census, public roads and other special field teams attached to the overseas missions of A.I.D.

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INTERREGIONAL PROGRAMS (Continued)

Interregional Program Categories

A.I.D. Washington Program Staff -- $16,164,000. The Agency for International Development (A.I.D.) Washington Program Staff comprises the segment of A.I.D.'s Washington operations which directly supports program operations. Included are personnel concerned with program implementation, such as contract officers development loan officers, training officers, technicians and research and evaluation personnel.

The increase in funds estimated for this category for FY 1964 is required largely to: (a) Place on a full-year basis and to permit further implementation of the centralized Office of Public Safety, which was created in FY 1963 to strengthen A.I.D.'s police assistance programs. These programs serve directly the high priority objective of internal security and thus serve to permit sustained economic development. It is established A.I.D. policy that increased emphasis and vigorous leadership be accorded to police asistance programs in appropriate less-developed countries. (b) Provide for increased workload in the areas of capital projects and development loans, reflecting the increasing role of development lending in the assistance program. Based on feasibility studies now under way, increases are anticipated in numbers of loan applications and approvals; and (c) Strengthen the staff training program. Fund limitations during FY 1963 resulted in a program inadequate to meet A.I.D.'s need for better trained personnel.

Program Support by Other Government Agencies -- $5,398,000. Interagency agreements are negotiated by A.I.D. with other U.S. Government agencies to utilize their technical competences in furnishing assistance to cooperating countries and their nationals. These arrangements parallel contracts for services with universities and other private institutions, but are funded annually since the costs are primarily for the services of U.S. Government personnel. Support for two basic program objectives is provided by participating agency technical personnel: (a) development of specific training programs and the actual training of foreign nationals; and (b) technical support of overseas technicians and projects. Interregional funds are required to compensate the participating agencies for the program services provided.

It is expected that approximately 3,500 participants will be trained by the participating agencies during FY 1964. Requests for special technical services are not estimated to increase in FY 1964.

Participant Services -- $3,400,000. Facilities of federal, state and local governments, universities and colleges, business and industrial firms, labor and farm groups, and other organizations throughout the United States are used for training of participants from foreign countries. To the extent that such services are available on a tuition-fee basis, these expenses and others identifiable with specific activities or projects are paid from country or regional program funds. Regular training services provided by U.S. Government agencies are financed from the category of interregional program funds designated as "Program Support by Other U.S. Government Agencies." However, certain other training services of a more specialized character, which cannot be identified with a single country or regional program, are funded on a worldwide basis from this category of the interregional program funds. These services include orientation of participants, reception services, English language training, interpreter services, fees for health and accident insurance covering participants while in the United States, land grant college fees, and training in specialized fields as required.

Communications Resources Services -- $1,000,000. The Agency conducts a communications resources program of training, guidance, methods and materials to make field personnel increasingly effective, and to equip cooperating countries with communications means which will implement self-help efforts for economic and social development. The program provides for the location, evaluation, acquisition and/or production and dissemination of media to be used by participants, technicians and their foreign counterparts in all types of A.I.D. programs. It develops and tests new and more effective materials, devices and systems for training and education at all levels. It provides technical film and filmstrip loan service; technical inquiry service; technical literature service; technical digest service; special publications and reports service; technical advice and assistance in the fields of still pictures and graphics, printing and reproduction, motion picture, filmstrip and slide production; radio; television; mobile audio-visual units; development and operation of communications media centers, industrial productivity information centers, regional technical aids centers; in-service training of communications media personnel; participant training in communications field; and communications skills training for non-specialists.

Program Support by the Department of State -- $7,540,000. The Department of State performs certain common services in Washington and overseas, such as communications, health, fiscal, transportation, and custodial services for which it charges all agencies

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INTERREGIONAL PROGRAMS (Continued)

serviced on a prorata basis. The cost of these services applicable to program personnel and operations is charged to the Interregional Program.

International Aid Coordination -- $390,000. The important function of international aid coordination must be carried out on several different levels and in several different locations. Such coordination involves objectives, policies, strategies, programming techniques and actual implementation of programs and projects. It involves the relationships between U.S. aid, the aid of other bilateral donors, and programs of international aid organizations. The major focal points of coordination are: the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) in Paris, the capitals of major donor countries, U.N. Headquarters in New York, Washington with international financial institutions such as the World Bank, and the developing countries where the programs actually unfold. The budget request for international aid coordination finances the A.I.D. staffing requirements at the first three points of coordination. Coordination in Washington and in the developing countries is financed out of regular A.I.D. Headquarters and USAID funds.

Book Gap -- $1,000,000. Books are one of the major factors in building the human resources required for political, economic, and social development of a nation. They are tools for stimulating leadership and the general public to think about political, economic, and social ideas. They offer information vital for a balanced understanding of the processes with which an emerging nation has to deal. Books are a medium for the transfer of knowledge and information in the education and training process. An extreme shortage of books in all fields of knowledge exists in nearly all underdeveloped countries.

The significant role of books and publications in economic and social development must be reflected, in appropriate form and on an adequate scale, in the A.I.D. program. A.I.D.'s long-range objective in the book field is to assist developing countries establish and expand local writing, printing, publishing, and distribution capabilities. A.I.D.'s immediate objective is to make available books and writings which are relevant to the political, economic, and social development of newly emerging countries.

Book activities must be an integral part of A.I.D.'s effort to assist the education sector as a whole; thus, the utilization of books in the foreign assistance effort rests with the Regional Bureaus. However, to facilitate the Regional effort attention must also be given centrally to the utilization of books. One of the most important aspects of this effort is the design, organization and financing of pilot programs and demonstration projects to determine which of various approaches and methods lend themselves, or which can be adapted, to A.I.D.'s programs of technical assistance.

Several pilot projects are currently under consideration. For instance, a pilot project to be executed under a contract with the National Academy of Sciences to make American scientific and technical reference works in the natural and social sciences accessible to scientists and scholars in the less-developed countries; a project to increase the utilization of scholarly and technical books published by American university presses; to be executed through a special contract with the Association of American University Presses; various projects to establish methods for making American books accessible to teachers, students, and institutions in less-developed countries, at reasonable prices (exploration and pilot projects in preparation with participation of the publishing industry and the A.I.D. Missions abroad). Other projects concern A.I.D.'s mission in the field of institutional development and the specific needs of the LDCs e.g., textbooks, pilot projects will concentrate on the development of local capabilities in the publishing and printing field.

Nutrition Surveys -- $200,000. During the Korean conflict, malnutrition was found to be a major handicap in bringing troops up to combat fitness. To assist countries in overcoming this problem, an interdepartmental committee was formed, composed of representatives from the Departments of Defense, State (including A.I.D.), Agriculture, Health, Education and Welfare, and the Atomic Energy Commission. The Committee functions through a secretariat located at the National Institutes of Health. It draws upon approximately 60 universities and private and government agencies for staffing to conduct three to four month nutritional surveys and set up national nutritional laboratories. Funding was the responsibility of DOD/MAP with matching personnel, local currency and equipment supplied by the cooperating country. As a consequence of the surveys there has been a marked improvement in the nutritional standards of armed forces in Korea, Taiwan and elsewhere.

In the last few years, the emphasis of surveys has gradually shifted from armed forces to the nutritional status of populations as a whole. Starting with FY 1963, therefore, responsibility for the survey program was shifted to A.I.D. Beginning in FY 1964, surveys will be paid for from country or regional programs. The

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INTERREGIONAL PROGRAMS (Continued)

$200,000 requested from non-regional funds is for expenses of the secretariat and follow-ups of less than $25,000 in the countries where surveys have already been conducted.

Training in Cooperatives -- $500,000. A.I.D. negotiates contracts with U.S. private associations of rural electric cooperatives, credit unions and farmers, to obtain their technical services as consultants to A.I.D./Washington and A.I.D.'s field missions. Each contract, funded under the Interregional Program, finances a fulltime representative to analyze and make recommendations on proposals from within A.I.D. or from private groups in the field to provide professional training for cooperatives. These recommendations may result in projects that require A.I.D. financing by Regional Bureaus or field missions. They may result in arrangements made by A.I.D. and the consultant for financing in whole or in part by international banks.

Other Interregional Expenses -- $1,650,000. Interregional funds will be used in fiscal year 1964 to pay costs of excess property offices and General Technical Services. Both of these programs are discussed separately in this volume.

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ADMINISTRATIVE EXPENSES, A.I.D.

The changing character of U.S. assistance programs requires a continuing analysis of the Agency's administrative operations to assure their effectiveness - at a minimum expenditure of funds to the Government.

During the past fiscal year, the Agency has intensified its efforts to improve over-all administrative services, while conserving or reducing administrative costs. In addition, it has made a major effort to upgrade the quality of the men and women - in Washington and the Field - who are administering the program. The search for qualified personnel continues. In addition to internal transfers of personnel to head Agency for International Development (A.I.D.) missions, 32 new Directors or Deputy Directors have been recruited from outside the Agency.

Within the basic organization structure of strong regional bureaus with supporting policy and management offices created by the Foreign Assistance Act of 1961, much progress has been made in reducing the delays and duplication inherent in the former International Cooperation Administration and Development Loan Fund organizational structure. In addition, continued use is being made of the world-wide facilities of the State Department and the skilled personnel of other Federal agencies.

Since its creation in November 1961, A.I.D. has knit the separate parties of the U.S. foreign assistance effort into a single organization and staff. The country programming process has been revised and improved to make it more responsive to U.S. policy and strategy needs.

The next step is now under way. An implementation project made up of six functional working groups, is developing workable, efficient, operating procedures for the Agency. Its goal is to rationalize the differences in operating procedures that resulted when a variety of operations and two agencies were merged, and to integrate effectively operating procedures into the programming process. Preliminary recommendations are expected in the near future, and it is expected that new procedures will take effect during FY 1964.

Every effort is being made - within legal and practical bounds - to delegate more authority and responsibility to the field, and thereby eliminate costly reviews and duplication in Washington.

In the Field, streamlining efforts are also being undertaken. Reorganization of a number of A.I.D. Missions has led to reductions in the over-all numbers of U.S. employees overseas.

The A.I.D. staff in Korea, formerly the Agency's largest Mission, has been cut almost in half. The administrative staff has been reduced by almost 25%. This reorganization is the result of a program reduction and comprehensive management survey which established a tighter chain of command and a more economical operation.

A major effort has been made to reduce administrative costs in the Agency's Africa Missions. In five smaller countries - Sierra Leone, Cameroon, Congo (Leopoldville), Sudan, and the Ivory Coast - management functions are being consolidated with those of the U.S. Embassy and U.S. Information Agency. A Consolidated Administrative Management Organization (CAMO), reporting to the U.S. Ambassador and responsible for providing administrative support to all elements of the U.S. country team, is replacing separate administrative operations.

In ten other African countries A.I.D. has delegated authority to perform its functions to the U.S. Ambassador, thus eliminating the need for an A.I.D. staff and administrative costs. These "delegated posts" are being established in the Central African Republic, Chad, the Congo Republic (Brazzaville), Dahomey, Malagasy, Niger, Senegal, Togo, Upper Volta and Algeria.

These several actions have enabled A.I.D., within funds available in FY 1963, to make partial headway in strengthening the administrative support for the Alliance for Progress.

Administrative Functions

A.I.D. administers an aid program in some 81 countries: 24 in Latin America, 30 in Africa, 16 in the Near East and South Asia, 9 in the Far East and 2 in Europe.

The administrative functions in carrying out these programs include: (a) establishing program policies and standards; (b) planning, reviewing and directing the implementation of programs and projects; (c) evaluating the effectiveness of program in achieving U.S. foreign policy objectives; and (d) providing management and staff services required to administer the program. These include for example, accounting, auditing, and reporting.

FY 1964 Request

A.I.D. is requesting $57,250,000 for administrative expenses - 1.7% of the amount being requested for economic assistance. For FY 1963, $52,240,000 is available or 2% of economic assistance funds. This includes the FY 1963 appropriation of $49,500,000, $1,277,000

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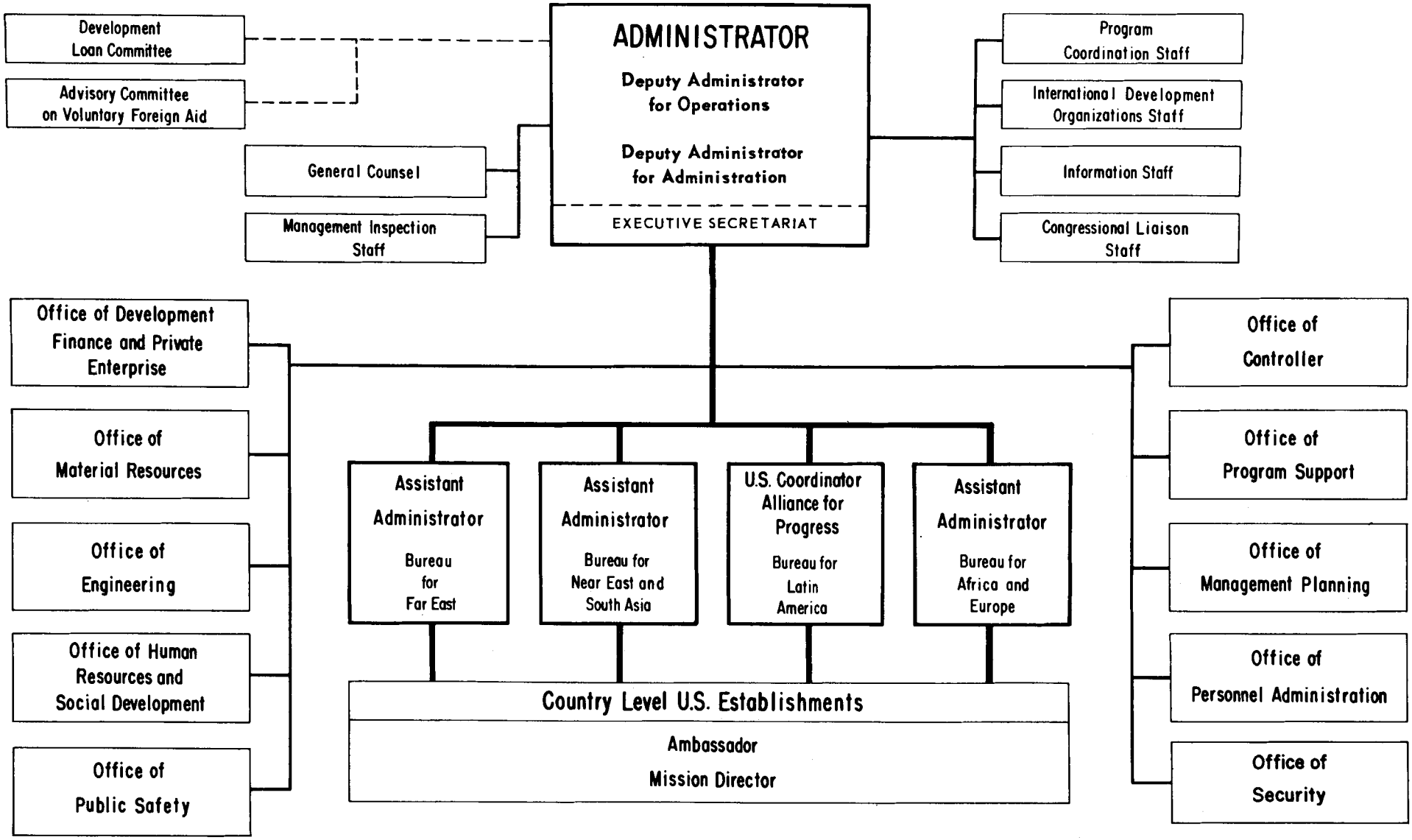
AGENCY FOR INTERNATIONAL DEVELOPMENT



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ADMINISTRATIVE EXPENSES, A.I.D. (Continued)

reappropriated from unobligated prior year funds, and $1,463,000 in anticipated supplemental funds for increased pay costs.

Of the administrative funds needed for FY 1964, 55% is required to cover overseas administrative expenses.

Of the total increase of $5,010,000 over the 1963 amount available, $1,425,000 would be applied to the Alliance for Progress. No increases in levels of operation elsewhere in the world are proposed. Mandatory increases, due primarily to the recent revisions of Federal salary scales, total $1,545,000.

Essential expenditures which were postponed during FY 1963 due to limited funds account for the remaining $2,040,000 of the total increase that is requested.

Strengthening Administration for Latin America

The level of assistance funds in Latin America has increased sharply under the U.S. commitment to the Alliance for Progress. Missions, which in the past primarily carried out technical assistance programs, are now administering substantial capital assistance programs as well. This demands strengthening the capability of the Missions for the purposes of: (a) analyzing country development plans to determine those goals to which the United States should commit funds; (b) reviewing proposed capital projects, in terms of their economic and financial feasibility; (c) particularly, auditing the expenditure of U.S. funds.

The proposed increase of $1,425,000 for administrative expenses in Latin America, would permit an increase of 65 U.S. and approximately 130 local employees, most of them to strengthen Mission financial review and management staff.

Mandatory Increases

The Postal Service and Federal Employees Salary Act of 1962 provided for a two-step increase in salaries in October 1962 and January 1964. Of the $1,545,000 requested for these mandatory increases, $1,290,000 is for putting the first step applicable to current employment on a full-year basis in 1964 and to provide the same employees the second step increase for six months beginning in January 1964. The balance of the increase, $255,000, provides for two extra paid days in 1964.

Requirements Postponed in FY 1963

The increase of $2,040,000 for FY 1964 for expenses postponed in 1963 will be required for items such as supplies, equipment, staff training, and rest and recuperation travel for personnel in hardship posts. In order to carry out its most essential functions during the current fiscal year within available funds, A.I.D. has had to curtail or postpone other essential expenditures. The limited 1963 staff training program is not adequate to meet A.I.D.'s need for better trained personnel. The rest and recuperation travel authorized by recent legislation was only partially implemented this year due to fund shortages. This adversely affects employee rights and morale. The increase requested for FY 1964 would enable A.ID., belatedly, to fulfill its commitments in this regard.

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ADMINISTRATIVE AND OTHER EXPENSES, DEPARTMENT OF STATE

An appropriation of $3,025,000 is requested in FY 1964 to cover costs of the Department of State for support of the United States Mission to the North Atlantic Treaty Organization and European Regional Organizations (USRO) and for administration of the Mutual Defense Control Act. A total of $2,700,000 was appropriated for these activities in FY 1963 and $3 million programmed in 1962. The increases requested include amounts for Pay Act increases (P.L. 87-793), requirements of seven new positions for USRO, overseas wage and price increases, increased cost of financing U.S. participation in international conferences under NATO, and other items such as within-grade promotions, overtime and holiday pay, part-time employment, OECD travel, and support costs.

United States Mission to the North Atlantic Treaty Organization and European Regional Organizations (USRO)

USRO represents the United States in NATO and other European regional organizations which include the Organization for Economic Cooperation and Development (OECD) and the Consultative Group - Coordinating Committee for strategic trade control.

USRO is comprised of representatives of the Departments of State, Treasury, and Defense and of the Agency for International Development (A.I.D.), and the United States Information Agency (USIA). A request for $2,182,000 is made to cover the expenses of the State Department element including the Office of the Mission Chief, Office of Political Affairs, and the Administrative Staff and Secretariat for the entire organization.

The Mission to NATO performs coordinating and servicing functions including exchange of information, interpretation and analysis of NATO developments, preparation of recommendations for U.S. action, and interpretation of U.S. recommendations and actions for the use of U.S. Embassies in the capitals of other NATO countries.

OECD came into being on October 1, 1961, with the United States as one of the fully participating members. With the interest of both the executive and legislative branches being increasingly focused on the Common Market and other trade expansion activities, operations of the OECD take on added significance. It is anticipated that greater demands in terms of staff time will be made of USRO personnel actively engaged in OECD activities.

Two of the seven positions requested for USRO are for the Chairman of the Development Assistance Committee and his secretary. It is the Department's desire that the Chairman's position be filled by an American of Ambassadorial rank. Two officers and a secretary are needed for OECD. One officer is needed in the Trade Division to aid in developing policies for the liberalization of international trade. The other is needed in the Economics Division to assist in the development of policies to attain economic growth objectives. Two positions and additional travel funds are needed in Washington to assist in the ever-increasing backstopping requirements of the North Atlantic Community operations. Overseas wage and price increases are attributable to a 3% increase in wages and a 7% increase in local prices in Paris. NATO is the keystone of the West's system of mutual security against Communist aggression and an increased participation is needed in the two annually scheduled Ministerial Sessions of the NATO Council as well as the 40 meetings of NATO Council committees or subcommittees concerned with political, economic, industrial, social, scientific, and emergency planning matters.

Mutual Defense Assistance Control Act

The Control Act program is based on P.L. 213, 82nd Congress. The basic objectives are to safeguard the strength of the United States and its allies, and to impede the war-making potential of the Sino-Soviet bloc, by a system of security trade controls designed to prohibit or limit exports of Free World strategic materials to the bloc.

In administering the Mutual Defense Assistance Control Act (Battle Act) the United States has cooperated effectively with the major industrialized nations of the Free World in the operation of an agreed system of controls over strategic trade with the Sino-Soviet bloc. Through regular reviews and negotiations in the International Consultative Group - Coordinating Committee structure and through continuing U.S. Government Executive Branch review in the Economic Defense Advisory Committee structure, up-to-date lists for the control of strategic commodities capable of meeting current requirements are maintained. The Department of State conducts bilateral and multilateral negotiations regarding security trade controls and the shipment or trans-shipment of controlled items, and attempts, with the cooperation of other countries, to prevent unauthorized diversion of strategic commodities. The request for this purpose for FY 1964 is $843,000. Increases requested are for minor amounts and are, for the most part, such mandatory items as Pay Act increases and overseas wage and price increases.

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SEC. 634(d)
REPORT

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SECTION 634(d)* REPORT ON SUBSTANTIAL CHANGES IN THE FY 1963 PRESENTATION TO THE CONGRESS

The subject report is included in this Presentation pursuant to the provisions of Section 634(d) of the Act for International Development of 1961, as amended.

The applicable portion of Section 634(d) provides:

> "There shall also be included in the presentation material submitted to the Congress during its consideration of amendments to this Act, or of any Act appropriating funds pursuant to authorizations contained in this Act, a comparison of the current fiscal year programs and activities with those presented to the Congress in the previous year and an explanation of any substantial changes."

The guidelines used by the Agency for determining "substantial" changes are as follows:

For "Grant" programs:

1. 50% above or below the "Presentation" figure.
2. $5 million, or more, above or below the "Presentation" figure.
3. "New" programs for which no justification was presented to the Congress.

For Development Loans and Alliance for Progress Loans:

1. If the revised figure falls within the "Presentation" range, no narrative explanation is provided.
2. If the revised figure is either less or greater than the "Presentation" range, a narrative explanation is provided.
3. Where Development Lending was contemplated (See footnote b/ in following table) but no specific amount indicated, a narrative explanation is provided for amounts of $15 million or more.

* Section 634(d) of P.L. 87-195, Act for International Development of 1961, as amended by P.L. 87-565 (Section 302(f)(2), Foreign Assistance Act of 1962.

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FOREIGN ASSISTANCE PROGRAM

Comparison of FY 1963 Economic Programs as Presented to Congress
with the Revised FY 1963 Programs in FY 1964 Presentation

SUMMARY

(In thousands of dollars)

	Development Loans		Development Grants		Alliance for Progress				Supporting Assistance		International Organizations		Other Programs		GRAND TOTAL	
					Loans		Grants									
	Proposed FY 1963	Revised FY 1963	Proposed FY 1963	Revised FY 1963	Proposed FY 1963	Revised FY 1963	Proposed FY 1963	Revised FY 1963	Proposed FY 1963	Revised FY 1963	Proposed FY 1963	Revised FY 1963	Proposed FY 1963	Revised FY 1963	Proposed FY 1963	Revised FY 1963
WORLD-WIDE TOTALS	1,250,000 a/	955,210	329,700	244,323	510,400	400,100	108,100	124,440	531,250	548,969	113,800	113,079	467,600	145,811	3,310,850 a/	2,531,932
Latin America	-	-	-	-	510,400	400,000	99,850	112,260	15,000	56,535	-	57	-	-	625,250	568,852
Far East	200-280,000	85,000	75,200	59,100	-	-	-	-	349,100	305,400	-	-	-	-	624-704,300	449,500
Near East/South Asia	850-950,000	770,000	78,050	61,580	-	-	-	-	100,100	109,213	48,520	43,122	-	-	1,077-1,176,670	983,915
Africa	200-270,000	100,000	118,350	90,775	-	-	-	-	66,800	77,262	-	4,400	-	-	385-455,150	272,437
Europe	0-10,000	-	-	139	-	-	-	-	-	-	-	-	(2,800) b/	2,900	0-10,000	3,039
Subtotal, Regions	1,249,750 a/	955,000	271,600	211,594	510,400	400,000	99,850	112,260	531,000	548,410	48,520	47,579	-	2,900	2,711,120 a/	2,277,743
Non-Regional	250	210	58,100	32,729	-	100	8,250	12,180	250	559	65,280	65,500	9,000	3,988	141,130	115,266
Administrative Expenses - A.I.D.	-	-	-	-	-	-	-	-	-	-	-	-	55,000	52,240	55,000	52,240
Administrative Expenses - State	-	-	-	-	-	-	-	-	-	-	-	-	3,100	2,790	3,100	2,790
Contingency Fund:	-	-	-	-	-	-	-	-	-	-	-	-	400,500	(260,450)**	400,500	(260,450)
Undistributed Programs	-	-	-	-	-	-	-	-	-	-	-	-	-	83,893 **	-	83,893

a/ Detail does not add to total because of program ranges.
b/ This program did not appear in the FY 1963 presentation books prepared at the time of the Authorization hearings, but was included in the President's Message to Congress on June 12, 1962 (H. Doc. 430). Congress appropriated $2.8 million for the purchase of foreign currencies owned by the U.S. Treasury for further construction of the Children's Hospital in Krakow, Poland.

** The $83,893,000 reflects the amount unprogrammed as of February 28, 1963. There is an additional $100,000,000 unprogrammed which is expected to be unobligated as of 6/30/63 and for which reappropriation will not be requested. The remaining $160,450,000 is distributed among the programs according to actual functional use.

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FOREIGN ASSISTANCE PROGRAM

Comparison of FY 1963 Economic Programs as Presented to Congress with the Revised FY 1963 Programs in FY 1964 Presentation

(In thousands of dollars)

Area and Country	Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			International Organizations			Other Programs		
	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change
LATIN AMERICA - TOTAL	510,400	400,000		99,850	112,260		15,000	56,535		-	57		-	-	
Argentina	100-125,000	85,700	a/	3,800	3,100	-18	-	-							
Bolivia	b/	12,500	-	6,000	8,107	35	4,000	10,000	150c/						
Brazil	140-160,000	111,800	a/	24,000	25,705	7	-	-							
British Guiana	-	-		1,500	1,500		-	-							
British Honduras	-	-		500	100	-80c/	-	-							
Chile	50-60,000	48,000	a/	3,300	4,908	49	-	6	d/						
Colombia	40-60,000	84,000	a/	4,000	5,962	49	-	175	d/						
Costa Rica	b/	10,600		2,400	2,400		-	-							
Dominican Republic	b/	2,100		3,000	2,851	-5	-	23,925	d/						
Ecuador	b/	6,300		4,000	4,814	20	-	7,033	d/						
El Salvador	b/	12,500		2,000	2,900	45	-	-							
Guatemala	b/	4,200		2,900	2,717	6	-	-							
Haiti	-	-		4,000	-	-100c/	5,000	5,187	3						
Honduras	b/	1,600		3,000	3,200	7	-	-							
Jamaica	b/	5,000		1,000	700	-3	-	-							
Mexico	b/	12,000		800	500	-37	-	-							
Nicaragua	b/	900		2,500	2,600	4	-	-							
Panama	b/	10,500		3,500	2,500	-29	-	-							
Paraguay	-	-		3,000	2,982		-	-							
Peru	b/	-		6,000	3,534	-41	-	-							
Surinam	-	-		400	400		-	-							
Uruguay	b/	6,000		1,500	2,000	33	-	-							
Venezuela	b/	30,000	c/	3,000	2,897	-3	-	72	d/						
West Indies (East Caribbean)	-	-		1,400	1,000	-28	6,000	10,137	69c/						
Regional	-	-		3,850	12,303	219c/	-	-							
Central American Bank for Economic Integration	b/	-		-	-		-	-							
Contributions to OAS	-	-		1,700	4,180	146c/	-	-		-	57	d/			
Contributions to PAHO	-	-		2,300	2,300		-	-							
ROCAP (Regional Office Central America & Panama)	b/	4,000		4,500	6,100	35	-	-							
Programming Adjustment	-	-47,700		-	-		-	-							

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FOREIGN ASSISTANCE PROGRAM

Comparison of FY 1963 Economic Programs as Presented to Congress with the Revised FY 1963 Programs in FY 1964 Presentation

(In thousands of dollars)

Area and Country	Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			International Organizations			Other Programs		
	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change
FAR EAST - TOTAL	200-280,000	85,000		75,200	59,100		349,100	305,400		-	-		-	-	
Burma	b/	-		2,100	2,200	5	30,100	14,400	-52 c/						
Cambodia	b/	-		10,200	7,600	-25	11,500	11,700	2						
China (Taiwan)	55-85,000	41,500	a/	2,800	2,500	-11	-	-							
Indonesia	25-50,000	11,100	a/	18,600	16,200	-13	2,500	21,900	776 c/						
Korea	50-65,000	45,000	a/	5,000	6,700	34	125,000	90,000	-28 c/						
Laos	-	-		-	-		40,000	38,500	-4						
Philippines	30-50,000	15,000	a/	4,500	2,900	-36	-	-							
Thailand	30-40,000	-	c/	9,500	7,900	-17	-	8,900	d/						
Vietnam	-	-		20,000	10,600	-47 c/	140,000	120,000	-14 c/						
Regional	-	-		1,200	1,250	-4	-	-							
Asian Productivity Organization - Japan	-	-		200	200		-	-							
SEATO	-	-		1,100	1,050	-4	-	-							
Programming Adjustment	-	-27,600		-	-		-	-							

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FOREIGN ASSISTANCE PROGRAM

Comparison of FY 1963 Economic Programs as Presented to Congress with the Revised FY 1963 Programs in FY 1964 Presentation

(In thousands of dollars)

Area and Country	Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			International Organizations			Other Programs		
	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change
NEAR EAST AND SOUTH ASIA - TOTAL	850-950,000	770,000		78,050	61,580		100,100	109,213		48,520	43,122		-	-	
Afghanistan	b/	5,000		19,000	15,100	-20	-	-							
Ceylon	-	-		1,300	530	-59c/	-	-							
Cyprus	b/	2,000		850	900	6	-	-							
Greece	20-40,000	35,000		-	-		-	-							
India	450,000	395,000	-12c/	15,000	7,450	-50c/	-	-							
Iran	40-60,000	20,000	a/	5,400	4,300	-20	-	596	d/						
Iraq	-	-		1,100	800	-27	-	-							
Israel	15-20,000	45,000	a/	-	-		-	-							
Jordan	b/	-		6,500	7,000	8	36,000	36,000							
Lebanon	b/	-		150	150		-	-							
Nepal	-	-		4,600	3,900	-15	-	-							
Pakistan	225,000	217,000	-4	10,000	9,750	-3	-	-							
Syria	b/	-		1,600	320	-80c/	-	17	d/						
Turkey	60-80,000	75,000		6,000	5,250	-13	55,000	55,000							
UAR (Egypt)	b/	41,000	c/	2,900	3,000	3	-	10,000	d/						
Yemen	-	-		-	-		6,900	5,900	-14						
Regional	-	-		3,300	2,730	-17	-	-							
CENTO	-	-		350	400	14	2,200	1,700	-23						
Indus Waters	-	-		-	-		-	-		30,000	24,600	-18c/			
U.N. Relief and Works Agency	-	-		-	-		-	-		17,200	17,200	-			
U.N. Emergency Force	-	-		-	-		-	-		1,320	1,322	2			
Programming Adjustment	-	-65,000		-	-		-	-							

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FOREIGN ASSISTANCE PROGRAM

Comparison of FY 1963 Economic Programs as Presented to Congress
with the Revised FY 1963 Programs in FY 1964 Presentation

(In thousands of dollars)

Area and Country	Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			International Organizations			Other Programs		
	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change
AFRICA - TOTAL	200-270,000	100,000		118,350	90,775		66,800	77,262			4,400				
Algeria		-		-	1,000	d/	-	800	d/						
Burundi		-		-	70	d/	-	-							
Cameroon	b/	-		1,500	1,025	-32	-	-							
Central African Republic		-		440	461	5	-	-							
Chad		-		490	990	102c/	-	-							
Congo (Leopoldville)	b/	-		3,500	3,019	-14	34,300*	35,095*			4,400*				
Congo (Brazzaville)		-		500	565	13	-	-							
Dahomey	b/	-		1,550	750	-52c/	-	-							
Ethiopia	b/	4,000		5,900	6,158	4	-	-							
Gabon	b/	-		470	366	-22	-	-							
Ghana	b/	4,500		4,250	2,505	-41	-	-							
Guinea	b/	2,100		1,400	2,459	76c/	2,000	5,000	150c/						
Ivory Coast	b/	3,000		1,800	2,080	16	-	-							
Kenya	b/	2,200		3,250	3,070	-6	-	-							
Liberia	12-18,000	33,700	a/	12,000	9,060	-24	-	-							
Libya	b/	-		3,400	2,420	-29	10,500	9,000	-14						
Malagasy Republic	b/	-		615	530	-14	-	-							
Mali	b/	1,800		2,500	978	-61c/	-	-							
Mauritania	-	-		-	200	d/	-	54	d/						
Morocco	10-15,000	-	c/	1,550	1,104	-29	20,000	20,500	3						
Niger	b/	500		1,650	898	-46	-	-							
Nigeria	90-110,000	23,100	a/	25,000	18,000	-28	-	-							
Rhodesia and Nyasaland	b/	-		3,200	2,632	-18	-	-							
Rwanda	b/	-		-	30	d/	-	-							
Senegal	b/	-		3,400	2,130	-39	-	-							
Sierra Leone	b/	-		2,500	2,234	-11	-	-							
Somali Republic	b/	4,400		7,750	4,600	-41	-	-							
Sudan	30-40,000	3,800	a/	5,500	3,889	-29	-	-							
Tanganyika	5,000	10,200	104c/	2,200	2,365	8	-	-							
Togo	b/	-		1,300	925	-29	-	-							
Tunisia	30-40,000	25,200	a/	7,400	2,487	-66c/	-	6,813	d/						
Uganda	b/	2,000		2,500	2,440	-2	-	-							
Upper Volta	b/	-		1,150	990	-14	-	-							
Regional	-	-		9,085	7,745	-15	-	-							
Commission for Technical Cooperation in Africa, South of the Sahara (CCTA)	-	-		600	600	-	-	-							
Programming Adjustment	-	-20,500		-	-	-	-	-							
EUROPE - TOTAL	0-10,000	-		-	139		-	-					(2,800)	2,900	
Yugoslavia	0-10,000	-		-	139	d/	-	-					-	-	
Poland	-	-		-	-		-	-					(2,800)**	2,900	

* The revised FY 1963 program of $39,495 million for the Congo was actually funded from Contributions to International Organizations, but the proposed and revised programs of $35,095 million are shown as a comparative transfer under Supporting Assistance in this report since the commodity import program will be shown as funded from Supporting Assistance in the FY 1964 presentation.

** This program did not appear in the FY 1963 presentation books prepared at the time of the Authorizations hearings, but was included in the President's Message to Congress on June 12, 1962 (H.Doc. 430). Congress appropriated $2.8 million for the purchase of foreign currencies owned by the U.S. Treasury for further construction of the Children's Hospital in Krakow, Poland.

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FOREIGN ASSISTANCE PROGRAM

Comparison of FY 1963 Economic Programs as Presented to Congress with the Revised FY 1963 Programs in FY 1964 Presentation

(In thousands of dollars)

	Development Loans and Alliance for Progress Loans			Development Grants and Alliance for Progress Grants			Supporting Assistance			International Organizations			Other Programs		
	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change	Proposed FY 1963	Revised FY 1963	% Change
NON-REGIONAL - TOTAL	250	310		66,350	44,909		250	559		65,280	65,500		9,000	3,988	
Investment Surveys	-	-		-	-		-	-		-	-		5,000	498	-90
International Organizations:	-	-		-	-		-	-		65,280	65,500		-	-	
Atoms for Peace and IAEA	-	-		-	-		-	-		1,250	1,250				
NATO Science Program	-	-		-	-		-	-		1,530	1,250	-18			
U.N. Children's Fund	-	-		-	-		-	-		12,000	12,000				
U.N. Technical Assistance and Special Fund	-	-		-	-		-	-		50,000	50,000				
Medical Research (WHO)	-	-		-	-		-	-		500	500				
World Food Program	-	-		-	-		-	-		-	500	c/			
Other Programs:	250	310		66,350	44,909		250	559		-	-		4,000	3,490	
American Schools Abroad	-	-		-	-		-	-		-	-		4,000	3,490	-13
Building and School Facilities	-	-		1,500	114	-92	-	-							
Civic Action Projects	-	-		10,000	-	c/	-	-							
Development Research	-	-		20,000	6,000	-70	-	-							
Interregional Programs	-	-		31,300	34,020	9	-	254	d/						
Ocean Freight, Voluntary Relief Agencies	-	-		3,200	3,600	13	-	-							
Office of Inspector General*	250	310	24	350	135	-61	250	155	-38						
Disaster Relief	-	-		-	-		-	150	c/						
Project HOPE	-	-		-	1,040	c/	-	-							
ADMINISTRATIVE EXPENSES, A.I.D.	-	-		-	-		-	-		-	-		55,000	52,240	-5
ADMINISTRATIVE EXPENSES, STATE	-	-		-	-		-	-		-	-		3,100	2,790	-10
CONTINGENCY FUND	-	-		-	-		-	-		-	-		400,500	(260,450)**	-
Undistributed Programs	-	-		-	-		-	-		-	-		-	83,893 **	-

* Total proposed FY 1963 program was for $850,000 (which did not include $350,000 Military Assistance). Total revised program is $600,000 (which does not include $200,000 Military Assistance and $25,000 from Peace Corps).

** The $83,893,000 reflects the amount unprogrammed as of February 28, 1963. There is an additional $100,000,000 unprogrammed which is expected to be unobligated as of June 30, 1963 and for which reappropriation will not be requested. The remaining $160,450,000 is distributed among the programs according to actual functional use.

a/ Revised program does not fall within proposed range. Narrative explanation follows.

b/ Development lending was contemplated, but no amount was indicated in presentation to Congress.

c/ Narrative explanation follows.

d/ New program; not included in the illustrative programs as presented to Congress. Narrative follows.

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SIGNIFICANT CHANGES IN FY 1963 PROGRAMS

LATIN AMERICA

Argentina (In thousands of dollars)

Development Loans	
Congressional Presentation	100,000-125,000
Revised Program	85,700
Decrease	14,300

The amount for loans contained in the Congressional Presentation was based on the request of $500 million for all of Latin America. The amount appropriated was $435 million. Programming cuts had to be made, and revised program estimates for FY 1963 were established. The new figure -- a reduction of $14.3 million from the bottom of the proposed range -- took into account the fact that some A.I.D. assistance to Argentina this year would not meet development criteria and would, therefore, be funded from Supporting Assistance.

Bolivia

Supporting Assistance	
Congressional Presentation	4,000
Revised Program	10,000
Increase	6,000

At the time of the Congressional Presentation, it was believed that under optimum conditions balance of payments/budgetary support could be reduced to $4 million for the year. It was also believed that no other Supporting Assistance funds would be required for commodity imports or to meet contingencies in this volatile country. Subsequently, the amount of balance of payments/budgetary support had to be increased $2 million to permit the Government of Bolivia (GOB) to supply at least an acceptable minimum of public services -- including a small governmental wage increase required to contain social unrest -- and to maintain Bolivia's minimal foreign exchange reserves.

In another move to buttress Bolivia's foreign exchange reserves that have fluctuated between zero and $3 million over the past year, $1 million was granted for the purchase of aviation gas -- not produced in Bolivia -- to keep Bolivia's intracountry airlines running.

Contingencies: The International Bank for Reconstruction and Development (IBRD) was scheduled to study Bolivia's western railroads and electric power needs in mid-1962 and provide loan funds for such enterprises during 1963. The IBRD studies were delayed and no final decision on these loans has yet been made.

In order to fill temporarily these two gaps, that if unattended threatened social unrest and economic upheaval, the Agency for International Development (A.I.D.): (a) granted $500,000 for the purchase of portable generators to alleviate the severe power shortage in La Paz until additional permanent power installations can be built; and (b) granted $1 million to Bolivia's western railroad system -- that carries both the vast majority of the country's dollar earning mineral exports and its imports -- to assure that the railroad would have sufficient spare parts to continue to operate until a long-term rehabilitation loan program commences.

Also $1.5 million has been earmarked for COMIBOL, the nationalized mining corporation, to meet possible additional working capital needs if they arise.

Brazil (In thousands of dollars)

Development Loans	
Congressional Presentation	140,000-160,000
Revised Program	111,800
Decrease	28,200

The amount for loans contained in the Congressional Presentation was based on the request of $500 million for all of Latin America. The amount appropriated was $435 million. The program for Brazil was considered to be one where some reductions in FY 1963 were possible. The $28.2 million proposed reduction from the minimum in the Presentation range is the present revised program figure for Brazil.

Chile

Development Loans	
Congressional Presentation	50,000-60,000
Revised Program	48,000
Decrease	2,000

The amount for loans contained in the Congressional Presentation was based on the request of $500 million for all of Latin

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Chile (Continued)

America. The amount appropriated was $435 million. Reprogramming of proposed project and program loans brought the revised total to $2 million under the bottom of the range for Chile.

	(In thousands of dollars)
Supporting Assistance	
Congressional Presentation	-
Revised Program	6
Increase	6

Because of the possibility of civil disturbances in Chile at the time of the Cuban crisis, $6,000 was granted from the Contingency Fund to purchase additional riot control equipment and material for the internal security force.

Colombia

Development Loans	
Congressional Presentation	40-60,000
Revised Program	84,000
Increase	24,000

A loan of $60 million was authorized for development program assistance to help Colombia finance imports needed to keep the program moving as outlined in its Ten-Year Development Plan. Colombia is meeting the Alliance criteria and moving forward with significant monetary and fiscal reforms required for the internal financing of the development program. A.I.D. has determined that maximum benefit for the Alliance can be achieved by giving concentrated help to Colombia in pushing forward its development program.

An additional $24 million is programmed for proposed loans for such projects as feasibility studies, development banks and agricultural credit.

Supporting Assistance	
Congressional Presentation	-
Revised Program	175
Increase	175

Because of the possibility of civil disturbances in Colombia at the time of the Cuban crisis, $175,000 was granted from the Contingency Fund to purchase additional riot control equipment and materiel for the internal security force.

Dominican Republic

(In thousands of dollars)

Supporting Assistance	
Congressional Presentation	-
Revised Program	23,925
Increase	23,925

Early in the year, following high level discussions between officials of the Dominican Republic and the United States, a determination was made by the United States to furnish urgently needed assistance to the Government of the Dominican Republic. In late July, an initial payment of $1.0 million was made as a grant for a Special Economic Readjustment Fund, for the purposes of assisting agriculture and industrial diversification and other economic adjustment measures. In October an additional $22.75 million was approved as a grant to be used exclusively for purchase of goods and services in the United States with the peso funds derived to be used for development purposes. This grant eliminated a threat to the Dominican Republic's political stability. It will contribute to the strengthening of the Dominican balance of payments and to the speeding of its economic development.

Because of the possibility of civil disturbance in Dominican Republic at the time of the Cuban crisis, $175,000 was granted from the Contingency Fund to purchase additional riot control equipment and materiel for the internal security force.

Ecuador

Supporting Assistance	
Congressional Presentation	-
Revised Program	7,033
Increase	7,033

A loan of $7.0 million for covering a deficit in the national budget was authorized from the Contingency Fund in September 1962 to avoid serious political disturbances which would result from the Government's inability to meet its immediate expenses.

Because of the possibility of civil disturbance in Ecuador at the time of the Cuban crisis, $33,000 was granted from the Contingency Fund to purchase additional riot control equipment and materiel for the internal security force.

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LATIN AMERICA (Continued)

Haiti (In thousands of dollars)

Development Grants	
Congressional Presentation	4,000
Revised Program	-
Decrease	4,000

After the Congressional Presentation, it was determined that Haiti did not qualify for regular Alliance for Progress funds. These development grant projects were transferred to Supporting Assistance funding. Subsequently, a phasedown in the program was effected. Total expected Supporting Assistance funding this year is $5.2 million: A $2.8 million loan for construction of a jet airport; a grant of $1.4 million for malaria eradication; and approximately $1.0 million to effect an orderly closeout of going projects.

Venezuela

Development Loans	
Congressional Presentation	-
Revised Program	30,000
Increase	30,000

As indicated in the Congressional Presentation, development lending was contemplated for slum clearance and low-cost housing. The Government of Venezuela had requested $50 million. A loan of $30 million has been authorized for this project.

Supporting Assistance	
Congressional Presentation	-
Revised Program	72
Increase	72

Because of the possibility of civil disturbance in Venezuela at the time of the Cuban crisis, $72,000 was granted from the Contingency Fund to purchase additional riot control equipment and materiel for the internal security force.

British Honduras (In thousands of dollars)

Development Grants	
Congressional Presentation	500
Revised Program	100
Decrease	400

Subsequent to the Congressional Presentation, it was decised to phase out the program in British Honduras during FY 1963. Therefore, going projects were allotted only the funds required to accomplish an orderly closeout, and the proposed Rural Area Development project was not funded.

West Indies (Trinidad & Tobago and Eastern Caribbean)

Supporting Assistance	
Congressional Presentation	6,000
Revised Program	10,137
Increase	4,137

At the time of the Congressional Presentation, negotiations were proceeding between the United States and the Government of Trinidad and Tobago on the extent of U.S. participation in base-connected projects. This issue was subsequently resolved by an agreement that a $30 million grant spaced over five years -- $10 million the first year and $5 million each succeeding year -- would completely discharge the U.S. base project commitments.

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LATIN AMERICA (Continued)

Regional	(In thousands of dollars)
Development Grants	
Congressional Presentation	3,850
Revised Program	12,303
Increase	8,453

In the interest of furthering the Alliance for Progress and capitalizing on social progress momentum under the Inter-American Program for Social Progress (IAPSP) program, it was determined subsequent to the Congressional Presentation that certain additional social progress projects should be implemented. Most of these were projects which arose late in the year in response to the need for more visible Alliance impact in selected areas of Latin America. No-year IAPSP funds were reprogrammed to meet the needs. Some, though started in FY 1962, were implemented slowly, as the United States attempted to maximize self-help. Major new projects include: (a) child feeding ($1.5 million); (b) three projects (totaling $1.0 million) designed to strengthen the teaching of science and mathematics in Latin America; (c) new community development projects totaling some $700,000; and (d) increases in training activities by $500,000. The remainder of the increase -- approximately $4.7 million -- is composed of 34 smaller projects in the categories of education and training, health, agriculture and labor in approximately equal parts.

Contributions to the Organization of American States (OAS)	(In thousands of dollars)
Development Grants	
Congressional Presentation	1,700
Revised Program	4,180
Increase	2,480

Subsequent to the Congressional Presentation, a grant of $1.6 million was made to finance the initial phase of an OAS public information program in support of the Alliance for Progress (as recommended at the IA-ECOSOC meeting at Punta del Este in August 1961 and reaffirmed in the October 1962 meetings in Mexico City.) With respect to the OAS Technical Cooperation program, eight regional training centers are financed by matching funds on a ratio of 70% United States to 30% member countries. The participating countries announced intentions of making a larger contribution than had been anticipated at the time of the Congressional Presentation. Therefore, U.S. funding was increased by $300,000. In order to stimulate European interest in Latin America the United States, through the OAS-Organization for Economic Cooperation and Development (OECD) Fellowship Program, pays the travel costs of Latin American students, who receive fellowships in other Free World countries. Cost of this new program in FY 1963 is $580 thousand.

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FAR EAST

(In thousands of dollars)

Burma

Supporting Assistance	
Congressional Presentation	30,100
Revised Program	14,400
Decrease	15,700

Revised plans for the Rangoon-Mandalay Highway project call for obligation of $9,145,000 for the design and construction of the first section of the highway rather than of the anticipated $26 million for construction of the entire length of the road. The elimination of a proposed training contract and the participant component resulted in a small reduction in the Police Assistance project. Partially offsetting these reductions was the approval, subsequent to the Congressional Presentation, of a $1.45 million project for expansion of teak production.

China

Development Loans	
Congressional Presentation	55,000-85,000
Revised Program	41,500
Decrease	13,500

The reduction reflects primarily the following: (a) decrease in the planned amount for a program loan, partly due to slower-than-anticipated drawdown of the FY 1962 loan; (b) deferral of a contemplated loan to the Taiwan Railway Administration pending an over-all transportation survey by IBRD; (c) increased interest of private investors in some of the industries for which A.I.D. loans had been contemplated; and (d) delayed completion of feasibility studies on which loan applications would be based.

Indonesia

Development Loans	
Congressional Presentation	25,000-50,000
Revised Program	11,100
Decrease	13,900

These funds were proposed to cover anticipated loan requirements for power distribution, improvement of existing coal and tin mines and a development bank. It now appears that funds will be required in FY 1963 for the Tin Mining Project; the remaining activities are being deferred for consideration subsequent to FY 1963.

(In thousands of dollars)

Supporting Assistance	
Congressional Presentation	2,500
Revised Program	21,900
Increase	19,400

The increase reflects primarily an emergency loan of $17.0 million for procurement of raw materials and spare parts to alleviate the partial paralysis of Indonesian industry caused by the shortage of foreign exchange. Most of the remainder of the increase resulted from upward adjustments in funding of equipment requirements of the Mobile Brigade of the National Police, resulting from a rephasing of the program following an interagency study.

Korea

Development Loans	
Congressional Presentation	50,000-65,000
Revised Program	45,000
Decrease	5,000

The reduction resulted from the fact that certain capital projects, particularly in the field of electric power, have moved more slowly than anticipated through the stages of feasibility studies, cost estimates in compliance with legislative requirements, and analysis in terms of Korea's development program and self-help efforts, and are, therefore, not expected to reach the stage of loan approval in FY 1963.

Supporting Assistance	
Congressional Presentation	125,000
Revised Program	90,000
Decrease	35,000

The reduction reflects principally the following developments: (a) slower-than-anticipated drawdown of the commodity pipeline; (b) increased Korean foreign exchange expenditures for import requirements of government-approved projects and inventories; and (c) a business slowdown and consequent constriction of demand for commercial imports, caused by political uncertainties.

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FAR EAST (Continued)

Philippines (In thousands of dollars)

Development Loans	
Congressional Presentation	30,000-50,000
Revised Program	15,000
Decrease	15,000

Applications under the $50 million credit earmarked for the Philippines in January 1962 to support President Macapagal's stabilization program have not been submitted at the anticipated rate. The reduced amount of $15 million is being held available to cover estimated requirements for the balance of FY 1963.

Thailand

Development Loans	
Congressional Presentation	30-40,000
Revised Program	-
Decrease	30-40,000

The reduction reflects primarily the approval in FY 1962 of one loan which had been projected for FY 1963, use of Thai Government instead of A.I.D. funds in the case of another loan, and deferral of other anticipated loan applications until after FY 1963.

Supporting Assistance	
Congressional Presentation	-
Revised Program	8,900
Increase	8,900

Since it was intended that Supporting Assistance funding for Thailand would be terminated in FY 1962, the Congressional Presentation contained no request for such funds. Due to the deterioration of the situation in Laos and a related change in the internal security situation in Thailand, however, an Internal Security Plan for Thailand was prepared by the Country Team and funds were made available from the Contingency Fund to cover FY 1963 requirements for A.I.D. support of the Plan.

Vietnam (In thousands of dollars)

Development Grants	
Congressional Presentation	20,000
Revised Program	10,600
Decrease	9,400

The $9.4 million reduction in Development Grants resulted from the reorientation of the Vietnam program to emphasize counter-insurgency activities under Supporting Assistance and to retain in Development Grants only those activities, primarily in education, health and public administration, which contribute directly to building institutions and human resources for the postwar reconstruction period.

Supporting Assistance	
Congressional Presentation	140,000
Revised Program	120,000
Decrease	20,000

The decrease reflects a reduced level of licensing of commodity imports due to a slower-than-anticipated adjustment by Vietnamese importers to the de facto revaluation of the exchange rate and revision of the tax structure applicable to imports in January 1962. This factor was offset in part by increased requirements of imports for the counter-insurgency program.

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NEAR EAST AND SOUTH ASIA

NEAR EAST

Iran

The Government of Iran (GOI) has not fulfilled our expectations for this fiscal year in preparing a comprehensive plan for allocation of resources. The Third Plan has not yet been adequately formulated; decisions as to allocation of resources to economic sectors have been delayed, and the Iranian Government has not met our criteria for submitting plans, specifications, etc., in connection with loan proposals. Because of this failure to meet our lending criteria, the proposed lending program has been reduced by $20 million.

	(In thousands of dollars)
Development Loans	
Congressional Presentation	40,000-60,000
Revised Program	20,000
Decrease	20,000

As the result of delays by the GOI in completion of the Third Plan formulation, including final decisions on sector allocations and selection of project components, the preparation of specific loan applications for submission to international lenders also lagged behind schedule. A.I.D. has approved two loans totaling $17.4 million. Other loans under review and likely to be approved before the end of the fiscal year will bring total Development Lending to $20.0 million.

Supporting Assistance	
Congressional Presentation	-
Revised Program	596
Increase	596

Allocations of Supporting Assistance funds have been made for two projects. The first was for $500,000 to finance the purchase of riot control equipment to enhance the capability of the Iranian police for controlling outbreaks of disorder which have plagued the capital city in recent years. Another allotment of $96,000 was made as A.I.D.'s contribution to relief of the victims of the earthquake; $86,000 of this amount was for reimbursement to the Department of Defense for cost of transporting by air relief supplies to Iran and $10,000 was given as a cash grant to Iranian relief societies from the Ambassador's Emergency Relief Special Fund.

Israel

	(In thousands of dollars)
Development Loans	
Congressional Presentation	15-20,000
Revised Program	45,000
Increase	25,000

Although the Israel economy continues to progress toward viability at a satisfactory rate, there was a deterioration in the balance of trade in 1962 because higher imports more than offset the gain in exports. Partly for this reason it was decided that development loans would be maintained in FY 1963 at the same level as the preceding year. In recognition of the fact that Israel is reaching a point where termination of development lending can be anticipated, the interest rate on the $45 million FY 1963 loans is being increased from three-fourths of 1% to 2% and in FY 1964 development loans are contemplated at a level of $20 million with a further increase in the interest rate of 3-1/2%.

Syria

Development Grants	
Congressional Presentation	1,600
Revised Program	320
Decrease	1,280

When the proposed FY 1963 A.I.D. program was presented to Congress, the United States had not yet received specific requests from Syria for technical assistance, although the Syrian Government had indicated that it needed assistance in certain fields. The $1.6 million was requested to cover the costs of continuing projects, and provide for the implementation of new projects.

Although Syria has requested U.S. assistance in several fields, only one new project in the field of police training has so far been developed. It is, therefore, expected that only about $320,000 will actually be required for Syria in FY 1963 as compared with the $1.6 million programmed. American technicians visited Syria in FY 1963 to survey Syrian needs in water supply, housing and public administration and to advise the Mission concerning requirements in these fields. The Syrian Government may request assistance in one or two of these fields in FY 1964.

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NEAR EAST AND SOUTH ASIA (Continued)

Syria (Continued)

	(In thousands of dollars)
Supporting Assistance	
Congressional Presentation	-
Revised Program	17
Increase	17

In early November 1962, an outbreak of polio occurred in the rural areas of Syria. The Syrian Government requested U.S. assistance in obtaining a supply of Salk vaccine. Over 10,000 ampoules, about 100,000 doses of vaccine, were flown to Syria at the end of November at a total cost of $17,000. Of this amount, $7,000 was from the Contingency Fund under Supporting Assistance authority, and $10,000 was from the Ambassador's Emergency Relief Special Fund.

United Arab Republic (UAR)

Development Loans	
Congressional Presentation	-
Revised Program	41,000
Increase	41,000

The FY 1963 Congressional Presentation showed no specific amount for development lending, but stated that loans would be considered for project proposals. The Assistant Administrator for Near East and South Asia testified to the House Appropriations Committee that: "We have indicated to the United Arab Republic Government that we are prepared to consider a reasonable volume of development loans. On the basis of loan applications received to date it appears that the total might be about $40 million. This assistance would help the United Arab Republic to press forward with its economic development program and reduce its dependence on assistance from the Sino-Soviet bloc." (Hearings p. 217) In December 1962 a Development Loan of $30.6 million was approved for the Cairo West Power Project. Two additional Development Loans, for the Rakta Board Mill ($5 million) and the Bagasse Plant ($5.3 million) are under consideration.

Supporting Assistance	
Congressional Presentation	-
Revised Program	10,000
Increase	10,000

In May 1962, the UAR agreed with the International Monetary Fund (IMF) upon a stabilization program which included stringent controls on bank credit and a liberalization of foreign exchange controls. To support this program, and because of the UAR's need for emergency financial assistance, A.I.D. authorized a $20 million Supporting Assistance Loan from FY 1962 Contingency Funds in June 1962 to finance U.S. exports. In order to induce the UAR to seek financing from other Western nations, the United States indicated that an additional $10 million loan would be considered in FY 1963, if funds were available, on a dollar-for-dollar matching basis against new UAR borrowings in excess of $20 million from other Western nations, as explained in the testimony by Assistant Administrator Gaud to the House Appropriations Committee (Hearings p. 219). Early in FY 1963 the UAR acquired a total of $30 million of loans from the U.K. and West Germany, and in September 1962 the United States approved the additional $10 million loan.

SOUTH ASIA

Ceylon

	(In thousands of dollars)
Development Grants	
Congressional Presentation	1,300
Revised Program	530
Decrease	770

The $1.3 million projected for Ceylon in the FY 1963 Congressional Presentation has been reduced to $530,000 because of the suspension of the program on February 8, 1963. The $530,000 represents ongoing costs for eight months, the funds committed under irrevocable letters of credit prior to the suspension of aid, the costs of participants still in training abroad, and the closing out costs of the A.I.D. Mission.

India

Development Loans	
Congressional Presentation	450,000
Revised Program	395,000
Decrease	55,000

The development loan total for FY 1963 was given in the Congressional Presentation as $450 million and is currently estimated at $395 million. The reduction is largely the result of the failure of consortium members to match the U.S.

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NEAR EAST AND SOUTH ASIA (Continued)

India (Continued)

offer to provide up to $500 million (including $50 million of Export-Import (Ex-Im) Bank lending) for the second year of India's plan. The offers of the other consortium members would require A.I.D. lending of $327 million. The additional $68 million estimated for development lending in FY 1963 represents an initial contribution to the Third Year of India's Plan.

	(In thousands of dollars)
Development Grants	
Congressional Presentation	15,000
Revised Program	7,450
Decrease	7,550

The Development Grant program was reduced from the planned $15 million to $7.45 million by financing the commodity portion ($6.3 million) of the malaria eradication program under a development loan, dropping one planned Development Grant project, and keeping advance funding of contracts to the practicable minimum. Slower than expected recruitment of American technicians also contributed to the reduced funding requirement.

Indus Waters	(In thousands of dollars)
Contribution to International Organizations	
Congressional Presentation	30,000
Revised Program	24,600
Decrease	5,400

$30 million shown in the FY 1963 Congressional Presentation for U.S. contribution to the Indus Basin Development Fund (IBDF) was based upon the IBRD's projection at that time of funding requirements. The $24.6 million revised figure is based on the Bank's Call Letter of March 1, 1963, for contributions due and payable on April 1, 1963. This lower figure represents, therefore, the Bank's most current estimate of expenditures on the Indus Waters Project for the period April 1 - September 30, 1963. The IBDF agreement provides that each Contributor will make payments to the Fund up to the total amount of its commitment upon call from the IBRD which manages the Fund on behalf of the Consortium.

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AFRICA

Algeria (In thousands of dollars)

Development Grants	
Congressional Presentation	-
Revised Program	1,000
Increase	1,000

At the time of preparation of the FY 1963 Congressional Presentation, the prospects for peaceful settlement of the Algerian revolution were in considerable doubt. However, during the legislative hearings, Department of State witnesses pointed out that circumstances might call for U.S. assistance to Algeria in view of the importance of the prospective new state.

In the last months of FY 1962, A.I.D. launched a humanitarian program for refugees, indigent, and unemployed; and medical help under the auspices of CARE/Medico. During the first months of FY 1963, the new Algerian government, aware of the overwhelming task of rebuilding its country, indicated to U.S. officials its desire for work relief assistance. The proposal set forth by A.I.D. encompasses a four-area rural rehabilitation project. Wages are to be paid partly with P.L. 480 commodities and partly in cash from the Algerian budget. The cost of this Development Grant project, together with a small technical support staff and some participants in selected fields, is estimated at $1 million.

Supporting Assistance	
Congressional Presentation	-
Revised Program	800
Increase	800

The medical assistance program started in FY 1962 is expected to continue through December 1963. CARE/Medico, under contract with A.I.D., provides the Beni-Messous hospital each month with a team of medical specialists from various outstanding U.S. universities and hospitals. This program, together with the relief feeding program, has contributed to the creation of the favorable U.S. image which exists today in Algeria.

Burundi (In thousands of dollars)

Development Grants	
Congressional Presentation	-
Revised Program	70
Increase	70

An "Independence" gift of 30 short-term scholarships was offered to Burundi last summer. It is expected that the FY 1963 funding of these scholarships will total $70,000.

Chad

Development Grants	
Congressional Presentation	490
Revised Program	990
Increase	500

The FY 1963 Congressional Presentation did not contain provision for the Ft. Archambault Water Supply project. This will provide a modern water supply to this second largest city in Chad thus reducing the heavy toll from water-borne diseases.

Dahomey

Development Grants	
Congressional Presentation	1,550
Revised Program	750
Decrease	800

The decrease in the FY 1963 Development Grant program is due primarily to the following: (a) the decision not to build a school in the "Technical Education" project; (b) the reduction of the amount proposed for feasibility studies; and (c) the funding of certain project needs with Sec. 402 currencies.

Guinea

Development Grants	
Congressional Presentation	1,400
Revised Program	2,459
Increase	1,059

During the time of the preparation of the FY 1963 Congressional Presentation, the leaders of Guinea became dissatisfied with Soviet bloc aid and concerned about the prospects of bloc subversion. Because of Guinea's serious economic situation,

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Guinea (Continued)

assistance was requested from the United States. In order to help Guinea maintain its economic and political independence from the bloc and increase its cooperation with the West, the U.S. Government decided to provide assistance additional to that requested in the Congressional Presentation. The increase covers the following programs: (a) increased requirements for the Scholarship program, and (b) the approval of a new industrial pilot-type project.

	(In thousands of dollars)
Supporting Assistance	
Congressional Presentation	2,000
Revised Program	5,000
Increase	3,000

The Soviet bloc has ceased shipment of certain essential commodities which were included in the "Aid and Trade" Agreement between the Government of Guinea (GOG) and the bloc. This has aggravated the already serious balance-of-payments position of the GOG. The $5.0 million in Supporting Assistance funds will provide essential industrial commodities which will help to alleviate the balance-of-payments situation. Approximately 30% of the commodities will be procured in the United States.

Liberia

Development Loans	
Congressional Presentation	12-18,000
Revised Program	33,700
Increase	15,700

The increase in the FY 1963 Development Loan program is due to the unexpected increase in A.I.D.'s participation in the Mt. Coffee Hydroelectric project. At the time of preparation of the Congressional Presentation it was anticipated that the Ex-Im Bank would share in the financing of the loan. However, it is now probable that A.I.D. will finance the entire project since current commitments will not permit the Bank to extend additional loans to Liberia at this time.

Mali

Development Grants	
Congressional Presentation	2,500
Revised Program	978
Decrease	1,522

The Development Grant program for Mali has been decreased because we were able to shift funding of the Higher Teacher Training Institute construction from Development Grants to Development Loans.

Mauritania

	(In thousands of dollars)
Development Grants	
Congressional Presentation	-
Revised Program	200
Increase	200

At the time the FY 1963 Congressional Presentation was being prepared a program in Mauritania was not contemplated. It has now been decided to undertake limited technical assistance in a small Development Grant program in response to Mauritanian requests. Tentative plans call for some A.I.D. assistance in the fields of health and sanitation.

Supporting Assistance	
Congressional Presentation	-
Revised Program	54
Increase	54

As a result of very serious drought conditions in parts of Mauritania, a P.L. 480, Title II, program was approved to help feed approximately 5,000 persons in the Kiffa area and 12,500 in the Atar and Akjoujt areas. $54,000 was approved from the Contingency Appropriation to cover inland transportation for the commodities.

Morocco

Development Loans	
Congressional Presentation	10-15,000
Revised Program	-
Decrease	10-15,000

At the time of the FY 1963 Congressional Presentation, it was anticipated that the Government of Morocco would submit loan applications for the proposed hydroelectric plant at Mechra Elila, estimated at $7.0 million; for a water supply system for the city of Agadir, at about $3.0 million; and for road projects, totaling about $5.0 million. Loans have not been requested for any of these projects.

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AFRICA (Continued)

Nigeria (In thousands of dollars)

Development Loans	
Congressional Presentation	90,000-110,000
Revised Program	23,100
Decrease	66,900

Expectations for loan applications in Nigeria for FY 1963 have not been met. In addition, A.I.D. criteria for completed loan applications have not yet been met for many of the applications which have been received. Therefore, the FY 1963 lending program has been substantially reduced.

Rwanda

Development Grants	
Congressional Presentation	-
Revised Program	30
Increase	30

An "Independence" gift of 30 short-term scholarships was offered to Rwanda last summer. It is expected the FY 1963 funding of these scholarships will total $30,000.

Sudan

Development Loans	
Congressional Presentation	30,000-40,000
Revised Program	3,800
Decrease	26,200

The decrease in the Sudan Development Loan program was caused by the following: (a) There has been a delay in receipt of the Government of Sudan (GOS) financed feasibility study for the Khartoum International Airport; (b) The anticipated loan application for the Khartoum-Port Sudan road has not been received; and (c) The planned school construction loan will not be ready for final decision until FY 1964, due to the absence of data from the Sudanese Government to meet our loan criteria.

Tanganyika

Development Loans	
Congressional Presentation	5,000
Revised Program	10,200
Increase	5,200

At the time the FY 1963 Congressional Presentation was in preparation, the loan program under the A.I.D. commitment extended to the Government of Tanganyika included $5.0 million for FY 1962 and $5.0 million for FY 1963. The FY 1962 program was not carried out and was carried over into FY 1963.

Tunisia (In thousands of dollars)

Development Loans	
Congressional Presentation	30,000-40,000
Revised Program	25,200
Decrease	4,800

The decrease in the Development Loan level is due to the fact certain elements of the program originally planned for FY 1963 funding will not be ready for financing until FY 1964.

Development Grants	
Congressional Presentation	7,400
Revised Program	2,487
Decrease	4,913

The decrease in the FY 1963 Development Grant program is due partly to the transfer to Development Loan funding of certain capital projects presented for Development Grant financing and partly to refinement of project requirements which led to a reduction in original estimates.

Supporting Assistance	
Congressional Presentation	-
Revised Program	6,813
Increase	6,813

The $6.8 million consisted of $0.1 million for Disaster Relief and $6.7 million for a non-project commodity import program. The latter was approved to compensate for a similar amount of FY 1962 funds deobligated through technicalities in aid procedures and to fulfill A.I.D.'s commitment to finance the foreign exchange costs of certain commodities. Because the Appropriation Act of 1963 precludes the reobligation of prior year funds for purposes other than projects previously approved by Congress, the Agency approved the use of FY 1963 funds for this purpose.

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EUROPE

Yugoslavia (In thousands of dollars)

Development Grants	
Congressional Presentation	-
Revised Program	139,000
Increase	139,000

The FY 1963 program, in the absence of a Presidential finding as required by Section 620(f), will cover only "wind-up" program support as authorized under Section 617 of the Foreign Assistance Act (FAA). These support costs will be funded from Development Grant appropriations.

NON-REGIONAL PROGRAMS

Investment Surveys

Congressional Presentation	5,000
Revised Program	498
Decrease	4,502

The Congress provided $1.5 million for this new program. Because of a time lag in making the U.S. business community familiar with the Investment Survey Program, only $498 thousand will be required in FY 1963, although the program is now gaining substantial momentum.

World Food Program

International Organizations	
Congressional Presentation	-
Revised Program	500
Increase	500

During the hearings on the request for Contributions to International Organizations, the Executive Branch indicated that a new program was being started, under the aegis of the Food and Agriculture Organization, to make available surplus foodstuffs to needy persons, and that the United States intended to participate in this program. It was noted that the dimensions of the U.S. contribution to the program were not known at that time but that they would be determined during the fiscal year and that it would be necessary to draw on the Contingency Fund for the U.S. share of this program.

Building and School Facilities (In thousands of dollars)

Development Grants	
Congressional Presentation	1,500
Revised Program	114
Decrease	1,386

All funds shown in the Congressional Presentation for this activity have been programmed. Programs and obligations, however, except for the $114 thousand for Interregional-type activities are included in country programs.

Civic Action Projects

Development Grants	
Congressional Presentation	10,000
Revised Program	-
Decrease	10,000

All funds shown in the Congressional Presentation for this activity have been programmed and are included in the various country programs.

Development Research

Development Grants	
Congressional Presentation	20,000
Revised Program	6,000
Decrease	14,000

Due to sharp Congressional cuts in Development Grant funds, it was necessary to reassess the distribution of the available funds. Because of the newness of the Research program and the firmness of the ongoing programs, it was administratively determined to limit the Research availability to $6 million.

Interregional Programs

Supporting Assistance	
Congressional Presentation	-
Revised Program	254
Increase	254

A small police training program not previously contemplated is being carried out at the request of and with reimbursement from another government agency.

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NON-REGIONAL PROGRAMS (Continued)

Disaster Relief	(In thousands of dollars)
Supporting Assistance	
Congressional Presentation	-
Revised Program	150
Increase	150

The requirements for emergency Disaster Relief purposes cannot be estimated in advance of the Congressional Presentation. Therefore, as such needs occur during the fiscal year, necessary amounts are provided from the Contingency Fund. Through February 28, 1963, a need for this type of emergency assistance has arisen in connection with three earthquakes in Iran, Morocco and Libya.

Project HOPE	(In thousands of dollars)
Alliance for Progress Grants	
Congressional Presentation	-
Revised Program	1,040
Increase	1,040

Because of uncertainties of future plans for Project HOPE, the desire to achieve 100% private financing, and the fact that it had previously been financed from the Contingency Fund, no estimate was included in the Alliance for Progress Presentation for FY 1963. When it was determined that further U.S. Government financial participation was essential to the success of the project, $1.04 million was budgeted from Alliance for Progress funds.

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