

**AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT**

**PROPOSED PROGRAM FOR FISCAL YEAR 1963**

**VOLUME I: WORLD-WIDE SUMMARY OF ACTIVITIES  
VOLUME II: THE AID PROGRAM BY REGIONS**

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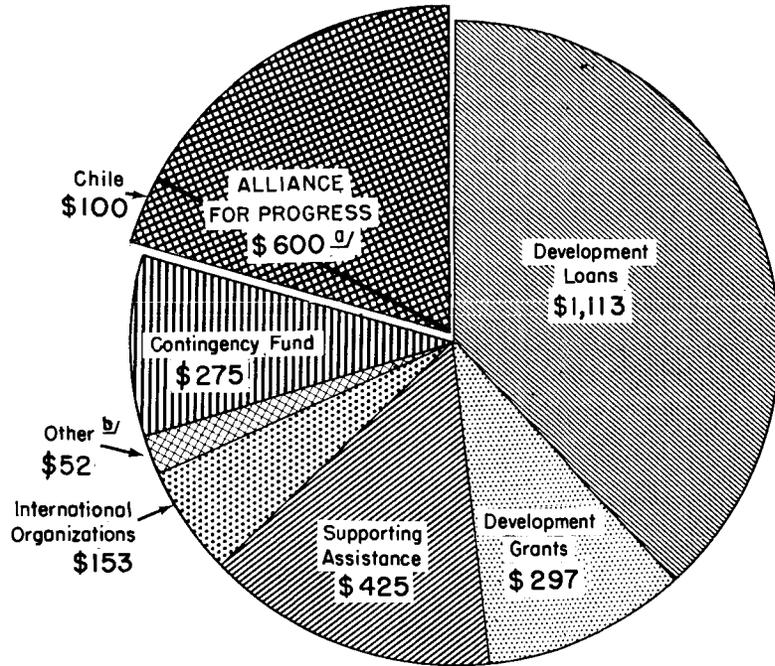
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VOLUME I  
WORLD WIDE

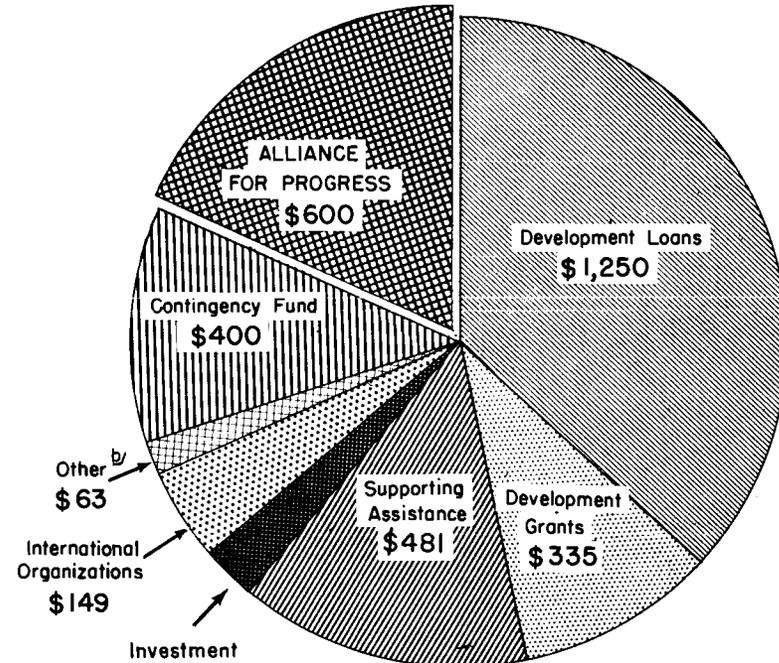
# AGENCY FOR INTERNATIONAL DEVELOPMENT

FY 1962 APPROPRIATION<sup>a/</sup>



Total \$2,915 million<sup>a/</sup>

FY 1963 APPROPRIATION REQUEST



Total \$3,378 million

<sup>a/</sup>Includes supplemental FY 1961 appropriation for Alliance for Progress pursuant to PL 87-41, dated May 27, 1961, effectively available in FY 1962 and subsequently.

<sup>b/</sup>Includes administrative expenses (AID), administrative expenses (STATE) and Investment Surveys.

AGENCY FOR INTERNATIONAL DEVELOPMENT  
 PROPOSED FY 1963 APPROPRIATIONS COMPARED WITH FY 1962

(In millions of dollars)

	FY 1962	FY 1963
Development Lending	1,112.5	1,250.0
Development Grants	296.6	335.0
Contributions to International Organizations and Programs	153.5	148.9
Supporting Assistance	425.0	481.5
Contingency Fund	275.0	400.0
Alliance for Progress	600.0 <sup>a/</sup>	600.0
Investment Guaranty Program	-	100.0
Surveys of Investment Opportunities	1.5	5.0
Administrative Expenses (AID)	47.5	55.0
Administrative Expenses (State)	3.0	3.1
Total	<u>2,914.6 <sup>a/</sup></u>	<u>3,378.5</u>

<sup>a/</sup> Includes supplemental FY 1961 appropriation for Alliance for Progress pursuant to P.L. 87-41, dated May 27, 1961, effectively available in FY 1962 and subsequently.

ROLE OF FOREIGN  
ASSISTANCE

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## THE U.S. RESPONSE TO THE NEEDS FOR FOREIGN ASSISTANCE

For over 15 years, the American foreign aid programs--created and carried forward with bipartisan support under both Republican and Democratic Administrations--have helped to limit the scope of Communist aggression and subversion all over the world. They have provided opportunities for underprivileged millions to obtain an increased measure of the riches this world can produce. Foreign Aid has been a calculated effort by the people of the United States to help build the kind of world in which we would like to live.

It is, indeed, a bold program, as it was called by President Truman in his "Point Four" message in 1949. It has not been unknown in history that one nation has helped another or that a group of nations have combined their efforts to help a distressed part of the globe in an emergency. But never before had one nation sought to attack the global problems of hunger, sickness, poverty and social injustice so comprehensively. Other free nations have joined this historic effort. Even the Sino-Soviet bloc has felt bound to mount its own assistance program.

### The Purposes of Aid

Why do we have a foreign aid program?

First, we have a foreign aid program in our own self-interest. Our aid helps to establish the basis for a stable and peaceful world community by promoting economic development, helping to maintain law and order, strengthening the governments in the new nations of the world, and, at the same time, preventing or resisting aggression. The Communist threat throughout the world consists not only of external aggression but also increasingly of internal subversion. Our programs are designed to give beleaguered countries the additional strength needed to enable them to resist this threat, and

Second, because we, as a nation, will not stand by and watch other people suffer without helping them. In his inaugural address, President Kennedy expressed the humanitarian aspects of foreign aid in these words:

"To those peoples in the huts and villages of half the globe struggling to break the bonds of mass misery, we pledge our best efforts to help them help themselves, for whatever period is required -- not because the Communists may be doing it, not because we seek their votes, but because it is right. If a free society cannot help the many who are poor, it cannot save the few who are rich."

## The History of Foreign Aid

The United States' global attack on the problems of the under-developed nations began in 1949 when the "Point Four" program was launched. It had been preceded, however, by more specialized programs of economic assistance to other nations, including, for example, the Lend-Lease program, an economic weapon which helped us win the second World War. Following the war, we participated generously in the United Nations' relief and rehabilitation effort. Then came a new turn of events: the move by communism to engulf other nations by a combination of weapons, including support for internal organizations of a subversive nature, support for "legal" Communist parties and external aggression or threats thereof. One of the earliest of such aggressive acts was directed against Greece. Pressure was also applied against Turkey and Iran. This was answered by the Truman Doctrine which provided economic and military aid to bolster those nations and help them preserve their independence.

Meanwhile, the industrial nations of Western Europe, exhausted and ravaged by the strain of the war, were given support by our relief and rehabilitation efforts. Europe was close to an economic collapse, and the Communist world stood ready to move into the vacuum which such a collapse would create.

The United States moved in first with the Marshall Plan -- a massive injection of aid for the ailing continent. The result of this aid together with the determined efforts of the courageous peoples of Europe was a spectacular success.

In 1950, the Congress passed the first Act for International Development, which established the technical assistance program under which American technicians were sent abroad to impart skills to those in the less-developed nations. With the start of the Korean War, economic assistance could not succeed in protecting friendly nations from the Communist threat without being supplemented by military aid. However, training and weapons, provided under the military assistance program to help our allies build their own defense forces, were not enough. The armies, which they raised had to be fed, clothed and otherwise supported by nations whose economies could not carry such burdens. This led to another form of economic assistance called defense support or supporting assistance -- in short, the kind of economic aid which was needed to help the nation receiving it carry out a military program or undertake other activities which contributed to free world security.

Later in the 1950's, the United States began programs of exporting our agricultural surplus to less-developed nations, and these became known as Public Law 480 programs, and later, Food for Peace. In 1957 the aid program entered a new phase -- the making of long-term, low-interest loans for economic projects overseas. A new agency, the Development Loan Fund, was organized to administer the loan program.

As the program emphasis changed, new agencies were created to administer the operations. The economic programs were variously administered by the Economic Cooperation Administration, the Technical Cooperation Administration, the Mutual Security Agency, the Foreign Operations Administration, the International Cooperation Administration, and the Development Loan Fund. The Military Assistance Program was carried out by the Department of Defense. The military and economic aspects of these programs have been most recently coordinated by the Department of State to serve our national interests. The single name given to all of these activities was the Mutual Security Program.

The foreign aid programs have not been carried out without errors. They have been administered through the sometimes cumbersome machinery of government, subject to complex legislation and to severe criticism which sometimes paralyzed bold action during a swiftly-changing period of history. They were dependent on the efforts of fallible human beings. It was an effort to profit from the experience of these mistakes that formed the basis for President Kennedy's request for authority for a thorough reorganization of the foreign aid program.

#### The New AID Program

One year ago, new principles in the American foreign aid program were proposed by President Kennedy and the Congress enacted these into the Foreign Assistance Act of 1961. These principles recognized that the foreign aid process must be evolutionary, and that time would be required to achieve the improvements in the program which are needed. Nevertheless, progress has already been made in improving the foreign aid program. The new aid program stresses five points:

First, it recognizes that foreign aid can furnish only one of the ingredients needed for development, i.e., imported resources. These resources must be joined with those which can be furnished only by the host country if it is to remain independent. Such necessarily indigenous elements include top leadership, skilled manpower, a devoted and competent civil service, local labor and materials, and a practical plan to bring these many factors together and focus them upon sound activities.

The new program recognizes that in many cases the developing countries have lagged behind in mobilizing the elements they alone can furnish and that the usefulness of foreign aid will be reduced or lost unless these self-help measures are taken. This places a challenge before the host government to do its part in what must necessarily be a team effort. Too often in the past the pace of development has been spoken of in terms of the availability of external capital and skilled advisors. The new aid program, profiting from actual experience, recognizes that the pace of development is more often determined by the success of the developing nations in mobilizing and providing the resources which can only come from their own efforts.

Second, the new program emphasizes the need for action by recipient countries to base their governmental and private development efforts on long-range planning with definite goals and clear priorities.

This does not mean that foreign aid will be given only to those countries which adopt a planned economy in the socialist sense. Quite the contrary, one of the most important elements of a plan must be a series of measures designed to stimulate and support the growth of private enterprise. Other elements of sound planning include full assurance of the technical and economic soundness of all public works; a full consideration of the cumulative effect of all activities upon the balance of payments, the government budget and the internal economy; and the development of appropriate government measures in the fields of taxation, credit and foreign exchange to offset or control these cumulative effects. In addition planning must not neglect services such as health and education which must be provided by government.

Effective planning is not a one-time event. It is an ongoing process, and it can be done only through the development of permanent local institutions. It should ideally include the development of an attitude throughout the ministries of government on the part of technicians and administrators which encourages a systematic approach to decision making, taking full account of the experience of the past in determining the course of the future. One of the prerequisites for planning is to collect the data, statistical and otherwise, which are indispensable to such a systematic approach.

It is clear that much time will be required to develop useful first-draft plans. But the process of laying the foundations for the institutions, processes and attitudes essential to planning has already gotten underway in several countries - in some cases with the help of special skills financed by the U.S. aid programs. As these efforts achieve their effects, foreign aid will be more effective and the pace of development will quicken.

Third, the new program will undertake advance commitments for loans - subject to appropriations - wherever such commitments are essential to encourage host governments to take the difficult steps and the risks involved in undertaking a development program.

Advance commitments have been made this year only to three countries: Pakistan, Nigeria and Tanganyika. This is not surprising. The long-range authority is designed to support long-range development plans. As the formulation of plans takes time, the use of advance commitments will grow gradually as opportunities for encouragement of long-range development programs materialize. Congress has indicated its support of long-range commitments by enacting specific provisions concerning its use for Development Lending.

Fourth, the program stresses the need for social progress within the countries receiving U.S. aid. It recognizes that a nation's ability to govern itself and to realize completely its potential depends entirely upon the people of that nation, who must be protected from exploitation and abuse and share in the profits of progress if the program is going to work. This process includes continued and expanded efforts to bring education, health services and improved sources of cash income particularly to rural people; efforts to bring housing, jobs and social welfare services to the urban poor; and a variety of steps to improve the distribution of wealth in order to provide an incentive for all to work hard for economic development. The foreign aid program is emphasizing activities in education, health, agriculture, tax reform and other fields which will encourage evolution towards a system in which all of the people have a greater share in the future.

Fifth, the program recognizes that foreign aid should increasingly become a cooperative effort shared in by the nations of the Free World and by international organizations, including the United Nations. The increasing efforts of other nations to help the underdeveloped countries is heartening evidence that they also recognize this need.

Today, the nations of Western Europe which we helped to revive through the Marshall Plan, together with Japan, Canada and others are contributing to the effort of building up the less developed nations of the world.

The United States and most of these countries are members in the Organization for Economic Cooperation and Development. The amount of public and private resources which these nations have put into less developed areas of the world--public and private--increased almost 40% in the period of 1956-1960. During 1959 and 1960, the

total "flow of resources," public and private, from these countries was larger than that from the United States.

The AID program is coordinated with the loans made by the International Bank for Reconstruction and Development (IBRD), generally known as the "World Bank." Under the Bank's auspices, the United States frequently participates in projects which are financed by a group of nations--called a "consortium." An example of such a project is the vast development program called the Indus Waters Development Plan, which will affect both India and Pakistan and be partially financed by them. Members of the consortium which will contribute are the United States, the United Kingdom, Germany, Australia, New Zealand and the World Bank.

The principal other international agencies with which AID coordinates the task of overseas development are the International Development Association (IDA), an affiliate of the World Bank which provides long-term loans to nations which cannot afford stricter terms; the Inter-American Development Bank (IDB), which specializes in Latin American long-term financing; the International Finance Corporation (IFC), which encourages productive private enterprise in its member countries, particularly in the less-developed areas, and the United Nations, which, through its Expanded Technical Assistance Program and Special Fund, makes resources available for development in many parts of the world.

Throughout the past year, other industrialized countries have increased and improved their direct contributions for economic development to the areas which need it. Support for Pakistan's development plan was given in a total amount of \$945 million by free world donors. Several European countries and Japan have increased their pledges of aid to less developed countries, and in a number of cases, donor countries were persuaded to make longer loans at lower rates of interest than they had in the past. Agency for International Development (AID) officials have encouraged this trend in joint discussions with other nations and agencies.

In addition to these five major substantive points of emphasis, the new program contains a new geographic point of emphasis in the Alliance for Progress. On March 13, 1961, President Kennedy proposed to the Congress that the United States undertake a new, concentrated program of assistance to the Latin American countries. In proposing this program, the Alliance for Progress, the President suggested that it become a focal point of a vast effort to satisfy the basic needs of the Latin American people for homes, work and land, health and schools.

The Alliance is composed of the United States and 19 Latin American countries which, as stated in the Charter of Punta del Este, are united "in a common effort to bring their people accelerated economic progress and broader social justice within the framework of personal dignity and political liberty." The developing countries of Latin America believe their own resources will generate \$80 billion equivalent of capital investment over ten years for their own economic and social progress. It is estimated another \$20 billion are required from free world sources to augment this Decade of Development in the Americas. The United States has pledged to provide a major part of the \$20 billion minimum, from private as well as public funds, and more than \$1 billion was provided in the last 12 months.

AID programs for the Latin American countries are administered within the framework of the Alliance.

The work of improving the old program to meet the new standards for foreign aid has been going forward since last October. The program for the 1963 fiscal year is based on individual country proposals which were forwarded by each of the 75 overseas AID missions, working under instructions sent to them in October, 1961. The Missions reviewed the AID programs currently being conducted in the countries overseas and submitted a comprehensive program for each country, stating the goals to be emphasized, ranking these goals by priorities and estimating the money and manpower which would be needed to carry out the new programs.

One result of this review of the existing programs has been the elimination of numerous projects which do not meet the new criteria and will not contribute enough to the kind of solid results being sought. The review also determined that supporting assistance can be discontinued or reduced in a number of countries because of their growing economic strength. These countries are now able to contract for loans, repayable in dollars, instead of being dependent on grant assistance.

#### The AID Organization

The new organization which was created to handle this program is the Agency for International Development (AID), an agency of the Department of State, headed by an Administrator with the rank of Under Secretary of State. It provides central authority for direction of the foreign aid operation in place of the past system in which authority was diffused among several agencies.

The International Cooperation Administration (ICA), which administered the program of grant assistance, was merged with the

Development Loan Fund (DLF), which had provided long-term loans at low interest rates, to form AID. In addition, certain functions of the Export-Import (EX-IM) Bank which include "Cooley Loans," a device through which American businesses can get loans in foreign currencies to conduct overseas operations, are administered by the new agency.

The Military Assistance Program remains, as in the past, an operation of the Department of Defense, but is closely coordinated with the Agency for International Development.

Before the creation of AID, a request for economic assistance for a project in any given country overseas would be decided on its own merits, frequently in Washington, without sufficient consideration of how it fitted into other projects of a different nature being carried on in the same nation, or in the same part of the world. It might have been decided at the Development Loan Fund, or at the International Cooperation Administration, or at the Export-Import Bank, depending on the type of financing it required.

In the new AID organization, this system has been replaced by the operations of four bureaus--one for Africa and Europe, another for the Near East and South Asia, the third for the Far East, and the fourth for Latin America. Each one of these is headed by an Assistant Administrator with the rank of Assistant Secretary of State, who is responsible for judging the worth of projects on a country-by-country basis, in terms of a long-range plan for each country. To administer the programs in each country, the Bureaus have all the functional authorities which were formerly scattered among the ICA, DLF and the EX-IM Bank. In addition, each Regional Assistant Administrator is equipped with technical specialists directly under his control. The result is that each Regional Bureau is able to take direct responsibility for the programs in its region and each Assistant Administrator has authority consonant with this responsibility. Reporting to the four Assistant Administrators are the United States AID Missions overseas in 75 countries, which are part of the United States Embassy in each country.

AID has a staff of about 15,000 employees, of whom 13,000 are serving overseas and 2,000 in the United States. It also employs about 2,000 people indirectly under contracts.

The agency began its new activities on November 4, 1961, and is still in the process of accomplishing the transition, both in organization and programming, from the old system to the new. While the key positions have been filled, staff changes are still being made.

## Food for Peace

The new AID organization has been geared to handle overseas operations of the Food for Peace program, providing closer integration of the use of American surplus agricultural products under P.L. 480 with economic and social development objectives in recipient countries. Improved coordination between AID, the Department of Agriculture, and the Food for Peace director on the White House staff has resulted in making more effective use of a greater share of America's agricultural abundance for constructive purposes. Such food made available to AID by USDA is used in various ways. It is sold for foreign currencies, with the sales proceeds being used to support economic development, to strengthen the security of the Free World, to support Fulbright scholarship exchanges, to provide loans to private firms, and for a variety of expenses of the U.S. Government. Increasing amounts of P.L. 480 food are being used in lieu of wages for work on development projects. For example, grants of wheat financed construction of 1,200 schools and 600 teachers' residences in Morocco last fall. In addition surplus commodities are donated to eligible United States voluntary foreign aid agencies and to intergovernmental organizations, such as the United Nations, for free distribution to the needy overseas. Increased emphasis is being placed on school feeding and similar institutional programs.

## Foreign Aid and the National Economy

Can our own economy afford the foreign aid program?

Our economy can afford the AID program and also stands to benefit substantially from it.

The more than \$4.8 billion being requested for foreign aid for the fiscal year 1963, including the Military Assistance Program, amounts to less than 1% of our Gross National Product. It is about 4-1/2% of the total Federal budget, and it is one-twelfth of what we propose to spend in the coming year for military defense.

The economic aid funds being requested--including supporting assistance programs to aid the military efforts of our allies--are only 2-1/2% of the total budget.

Expenditure of foreign aid funds also contributes to the domestic economy. An increasing amount of the foreign aid money is being and will be spent in the United States in order to minimize any harmful effects on the U.S. balance of payments.

The AID program accounted for 12% of all the materials, other than military hardware, which the United States exported in 1961.

Foreign aid funds therefore indirectly paid the wages of between 700,000 and 800,000 people in the United States producing goods needed for the program.

In the long run the foreign aid program will help develop our own national economy. Prosperous countries are the best customers for U.S. goods and the less developed nations of today are a huge potential market.

## Other U.S. Foreign Assistance Programs

Not a part of the AID organization, but closely related to it in the task of foreign aid, are two other operations of the United States Government: The Peace Corps and the Export-Import (Ex-Im) Bank.

The Peace Corps, a separate agency of the Department of State, provides American volunteer manpower to help fill the gap which exists between highly skilled technical experts and completely unskilled populations in many countries. In addition to being an instrument of economic development, it is also a vast cultural, educational and social undertaking which will give Americans and people of other countries an opportunity to learn about each other by living and working together.

The Ex-Im Bank makes loans repayable in dollars for the procurement of U.S. goods and services needed overseas, for projects that directly earn or create income in the country of the borrower, for periods which have ranged from eight up to 20 years. AID avoids making loans which can be made by the Ex-Im Bank, and the President of the Bank serves on a Development Loan Committee, of which the AID Administrator is the chairman, to assure that AID financing for an assistance project occurs only when it cannot be handled by the Bank.

## The Decade of Development

These are the elements of the new AID program and its background. Succeeding portions of this presentation will spell out the program in detail. It is a program which helps to make possible the conditions under which a growing world society of free and independent nations can evolve.

Revised March 21, 1962

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FOREIGN ASSISTANCE  
PROGRAM

FOREIGN ASSISTANCE  
PROGRAM

## THE FOREIGN ASSISTANCE PROGRAM FOR FY 1963

To carry out the type of foreign economic and military assistance program defined in the preceding section of this presentation, the President is requesting the Congress for an appropriation of more than \$4.8 billion for FY 1963.

The legislation which authorized the creation of the Agency for International Development (AID) was passed in September, 1961. FY 1963 will be the first full year of the Agency's operation under the new principles which were incorporated in the legislation of last year, and the foreign assistance program in FY 1963 will be directed toward the achievement of those principles.

Almost 70% of the more than \$4.8 billion requested will be used for economic development and social progress under the Act for International Development and about 30% will be used for the Military Assistance Program under the International Peace and Security Act. This division of funds continues an increasing emphasis on economic aid and on loans for long-range development.

### The Economic and Social Program: The 1962 Act for International Development

The funds to further economic and social progress will be used in a variety of ways, depending on the best method for meeting each situation. In all, the funds will be divided into nine categories, including the Alliance for Progress.

The categories, and the request for each, are:

- (1) Development Lending: \$1,250 million.
- (2) Development Grants and Technical Cooperation: \$335 million.
- (3) The Alliance for Progress: \$600 million for FY 1963 out of a \$3 billion authorization to make loans and grants over the next four years.
- (4) Supporting Assistance: \$481 million.
- (5) Contributions to International Organizations: \$149 million.
- (6) For encouragement of private industrial investment overseas, through support of investment surveys: \$5 million.
- (7) Contingency Fund: \$400 million.

(8) For administration of the program: \$55 million for AID and \$3.1 million for Department of State.

(9) Investment Guaranties: \$100 million.

Details on each of these categories are included in subsequent sections of this presentation.

### Development Loans and Development Grants

In enacting the Act for International Development, the Congress supported a shift from grants to long-term loans, repayable in dollars. This trend is continued in the proposed funding program.

The request for dollar repayable loans is \$1,250 million, plus \$510 million in such loans for Latin America under the Alliance for Progress. The loans will be used primarily to finance major investment programs and will be concentrated in those countries ready to use such funds most effectively.

An appropriation of \$335 million for Development Grants will be used mostly in Asia and Africa and devoted primarily to the educational needs of the emerging countries and the carrying out of demonstration and training techniques of the Point IV program in such fields as agriculture, public administration, industry, labor and health.

### Supporting Assistance

The need for Supporting Assistance, the economic aid required to support countries with heavy financial burdens, has declined in some countries. This type of assistance is still necessary for a declining number of countries to enable strategically placed nations to remain free, to prevent the disintegration of economies, to maintain access to U.S. military bases on other nations' soil, and to provide an alternative to complete dependence of certain nations on aid offered by the Sino-Soviet bloc. Wherever possible, this supporting aid, although justified for reasons other than economic development, will be given in a form which will further economic development.

### Contributions to International Organizations

One of the principal emphases of the revised foreign assistance program is upon increasing assistance from Free World partners. As part of this effort, \$148.9 million is requested to strengthen 11 international organizations or programs in which the U.S. participates with other nations in helping to stabilize and expand the economic strength of the underdeveloped nations. Seven of these organizations are under U.N. auspices. In addition, the

## THE FOREIGN ASSISTANCE PROGRAM FOR FY 1963 (Continued)

United States will make contributions to the North Atlantic Treaty Organization Science Program, the Indus Water Fund in India and Pakistan, the Commission for Technical Cooperation in Africa and the Asian Productivity Organization.

### Encouraging Private Investment

The new AID program recognizes that the U.S. Government needs the help of U.S. private enterprise in building an economically sound world. To encourage this assistance, Congress has given AID the authority to make loans to private U.S. investors for overseas projects and to insure them through the Investment Guaranty Program against losses which might occur due to expropriation, war or against an inability to convert local currency profits into dollars. One hundred million dollars is requested to increase the reserves so that the Guaranty Program can be expanded.

As another method of encouraging private investors in exploring investment opportunities in the developing countries, AID is authorized to share the cost of feasibility studies and \$5 million is requested to finance this program.

### Research Program

The entire AID effort will be more and more influenced by the results of the Research Program which was first authorized in the Act of 1961, and \$20 million of Development Grant funds is requested for this purpose in FY 1963. Once the problems of the less developed nations have been identified by scientific investigation, the Research Program can help establish priorities for their solution. Research will also perform an important coordinating function in reviewing the findings of research experts on the scene in overseas countries and cross-checking their recommendations on plans and techniques against others which may have been tried in other parts of the world.

### Ocean Freight and Excess Property

Provision is made in FY 1963 for the program of subsidizing transport of supplies collected by American voluntary agencies for people-to-people gifts and the program for use of U.S. excess property in AID overseas projects. The procurement, processing, warehousing and packaging of these gifts are all paid for by the voluntary agency involved. AID also acquires U.S. surplus government property for use overseas, where it will be fitted into country programs to support vocational training, agriculture and construction.

### Contingency Fund

In the administration of the world-wide program, the Contingency Fund provides a flexible and valuable tool to meet undefined or unpredictable situations which may arise upon the world scene. In the present fiscal year, Latin America is the largest regional recipient of contingency funds, absorbing \$85 million of the \$284 million appropriated. Funds of this nature were also used this year to meet special situations arising from continued Communist efforts at insurrection in Vietnam and Laos; to support Greek defense forces; to meet critical financial problems around the globe; and for Cuban and other refugee programs.

The request for the Contingency Fund for FY 1963 is \$400 million.

### Administration

The \$55 million requested for administrative expenses of AID, plus \$3.1 million for administrative expenses of the Department of State, represents in total less than 2% of the total AID appropriation proposed.

### Latin America - The Alliance for Progress

The Alliance for Progress, the vast cooperative development effort, undertaken by the nations of the Western Hemisphere at the suggestion of President Kennedy, has brought together the economic and social resources of the United States and 19 countries for a special 10-year assault upon social injustice and economic deficiencies in Latin America. The developing countries of the area believe that their own resources will supply \$80 billion over the next decade for their own progress, and the United States has pledged to provide, from both governmental and private sources, the greater part of another \$20 billion of external resources which will be needed to augment this effort.

A review of the progress made toward meeting the objectives of the Alliance and the proposed AID program for FY 1963 will be found in a subsequent section of this volume.

### Africa - The Emergent Nations

Of the \$335 million requested for Development Grant purposes, most will be used for economic development in the continents of Africa and Asia, with the largest part going to Africa.

## THE FOREIGN ASSISTANCE PROGRAM FOR FY 1963 (Continued)

The past 10 years have seen the rush to independence of many nations in this giant continent -- a continent of extreme illiteracy and poverty. It is here that nations face their most elementary task -- the building of a human and institutional base for the more comprehensive development effort that will follow.

The primary needs, in many areas of Africa, are those of education and technical assistance -- the imparting of skills needed for the most rudimentary steps toward development. In some cases, work of this nature, done in the past, has made long-term planning possible. In Nigeria, for example, the United States has made a long-term commitment on the basis of a sound program which is based on reasonable goals and will be executed in relation to a defined set of priorities. But for the most part, the development of the new African nations is still in its earliest stages.

### The Near East and South Asia

In this area of the world, nations such as India and Pakistan are already carrying out comprehensive, long-range programs. Others, such as Iran and Turkey, are putting into effect important economic and social reforms and preparing more systematic and comprehensive economic development programs than they have undertaken previously.

Pakistan provides a good example of how well-managed long-range development efforts pay dividends. Since 1954 the United States has been providing Pakistan with military assistance to strengthen its minimum essential forces. The country was unable to sustain these forces and meet the minimum needs of its people. Therefore, U.S. Supporting Assistance on a grant basis was necessary. Now that Pakistan has embarked upon a broad development program, it is possible to provide the economic assistance which Pakistan needs on a long-term, low interest loan basis. Supporting Assistance grants are thus being terminated.

It is still essential for the United States to continue Development Grant programs in the Near East and South Asia to assist in the improvement of the human resources of the countries, and still necessary to furnish Supporting Assistance, in conjunction with the military aid program, for some countries of the region.

### The Far East

The 330 million people who live in the 11 non-Communist nations of the Far East have as their neighbor Communist China -- a nation capable of putting pressure on the borders of most of them. With a few exceptions, most of these nations emerged from colonial rule after World War II.

In consequence, it has been necessary to provide economic assistance to the free countries of the Far East which have urgent needs to support large defense forces, restore war damage and prevent economic collapse.

The cold war has dictated a series of "crash programs" of U.S. aid to these nations in the past, marked by substantial funds in the form of grant Supporting Assistance. Although the AID program in some of these countries is furnished primarily for the purpose of supporting the national economies so that they can bear the defense burden, it will, insofar as possible, take the form of capital equipment and raw material imports which, in fact, contribute directly to economic growth.

### The Military Assistance Program: The International Peace and Security Act

The Military Assistance Program is a logical extension of the U.S. defense budget and fills the gap between what our allies can do to defend themselves and what must be done as a minimum for the collective security of the Free World. It supports the efforts of 40 independent nations to maintain themselves against aggression through grants and sales of military equipment and through training where this is required. Because some of the Free World countries, particularly those in Western Europe, have become better able to provide for their own defense, the FY 1963 request for military assistance is \$100 million less than the appropriation for FY 1962.

The Military Assistance Program is designed to assist in meeting the threat of external aggression as well as internal subversion. In addition, in many cases, the military forces of Free World countries make a direct contribution to the economic advancement of the nation, not only by assuring protection from attack so that the nation can go about its economic work, but by participation of troops in economic activities.

THE FOREIGN ASSISTANCE PROGRAM FOR FY 1963 (Continued)

In Southeast Asia and the Far East the Military Assistance Program is of special importance as many of the countries of these areas face a carefully planned combination of subversion and outright attack. In Korea an uneasy Armistice prevails while the enemy continues to violate it by building new airfields and shipping jet aircraft into North Korea. In Taiwan, the Free World has one of the strongest bastions against communism in all of Asia.

The Military Assistance Program during FY 1963 will honor commitments to North Atlantic Treaty Organization (NATO) countries for training, maintenance and modification of equipment. However, our NATO partners have reached the point at which grant aid is declining sharply.

In Latin America, the Military Assistance Program will continue on a modest scale, helping to stem internal disturbances and improving defenses against potential external aggression.

Many of the new governments in Africa lack the means for maintaining domestic order, and in FY 1963 the Military Assistance Program will continue to provide modest amounts of equipment and training to countries which feel such assistance is essential to training to military forces of countries which feel such assistance is essential to their continued independence, security and stability.

ACT FOR INTER-  
NATIONAL DEVELOPMENT

ACT FOR INTER-  
NATIONAL DEVELOPMENT

## DEVELOPMENT LOANS

Under the Foreign Assistance Act of 1961, Development Loans became the economic assistance program's principal tool for supporting the growth of the less developed countries. Loan activities in prior years comprised at their peak no more than about 25% of total economic assistance programs. In FY 1963 they would constitute almost 50% of the total.

### Summary of FY 1963 Funding Request

The Executive Branch requests the appropriation of \$1,250 million for Development Loans under Section 202(b), of the Foreign Assistance Act of 1961. Section 202(b) authorizes the appropriation beginning in FY 1963 of \$1,500 million in Development Loans. In addition, \$77.5 million is available for appropriation from the unappropriated balance of the FY 1962 authorization. Thus, authority exists for the appropriation in FY 1963 of \$1,577.5 million for Development Loans.

When this authority was enacted it was contemplated by the Executive Branch that it would be available for use in all of the less developed countries of the Free World. However, the President is proposing this year that separate lending authority be available in FY 1963 for the nations of Latin America in conjunction with the Alliance for Progress. Consequently, the full amount authorized for appropriation under Section 202(b) will not be required to meet loan requirements in the Near East and South Asia, the Far East and Africa. This accounts for an appropriation request which is more than \$300 million less than existing authority.

Because it is contemplated that \$510 million of the proposed Alliance for Progress appropriation will be used for Development Loans in Latin America, the world-wide Development Loan request totals \$1,760 million. This compares with \$1,900 million proposed for FY 1963 last spring in connection with the Executive Branch's request for long-term funding authority. The estimate of world-wide loan requirements during the next fiscal year has, therefore, fallen by about \$140 million.

The detailed basis for this estimate is contained in regional and country justifications contained in subsequent volumes.

### Loan Criteria

Section 202(b) defines the purpose of Development Loans as being "to promote the economic development of less developed friendly countries and areas, with emphasis upon assisting long-range plans

and programs designed to develop resources and increase productive capacities."

Development Loans may be made only where there are reasonable prospects of repayment. Additionally, the following criteria are taken into account before each Development Loan is made:

- (1) Whether financing might be partly or completely obtained from other Free World sources on reasonable terms;
- (2) The economic and technical soundness of the proposed activity;
- (3) Whether the project shows reasonable promise of contributing to the development of economic resources or an increase of production capacities of the country concerned;
- (4) The relationship of the activity to other developmental activities and its contribution to long-range objectives;
- (5) The extent to which the recipient country shows a responsiveness to the economic, political and social concerns of its people and determination to use effective self-help measures;
- (6) The possible effects of the proposed loan upon the U.S. economy with special reference to areas of labor surplus.

### Loan Terms

With the enactment of the Foreign Assistance Act of 1961, all principal and interest on Development Loans became payable in dollars. The other terms on which Development Loans are offered are based primarily on a judgment of each recipient country's prospective capacity to service U.S. dollar obligations.

Loan terms have actually ranged from those normally required by the Export-Import Bank in connection with its own project loans to terms approximating those of the International Development Association, an adjunct of the World Bank. The former ordinarily charges 5-3/4%, frequently permits repayment in 15 years and often offers a grace period of a few years. The latter normally charges a 3/4% credit fee and requires repayment over 50 years, with a 10-year grace period. AID Development Loans, however, have yet to exceed a 40-year maturity period.

With respect to private borrowers and government enterprises which survive on their own revenues, a two-step repayment procedure has been devised which maintains a normal debt burden on the borrower without unduly straining the host country's balance of payments.

## DEVELOPMENT LOANS (Continued)

### The New Approach to Development Lending

President Kennedy's proposals last spring for new legislation and reorganization of the foreign assistance programs were based on a set of new principles. These principles stressed the need to provide all forms of economic assistance in a manner which would most effectively meet the needs of each country involved and the importance of supporting long-range development programs. These two emphases have had important effects on the manner in which Development Loan funds are now being administered.

The focus on individual country needs has had significant organizational and procedural results and it has in many instances affected in an important way the uses for which loans are made available.

In prior years Development Loans were administered by a functional unit, the Development Loan Fund, on a project-by-project basis. The officers of the DLF had final authority for the approval of loans. They had authority over no other funds. Other assistance tools were administered by geographic and functional offices in ICA and in the Ex-Im Bank.

In order to focus on the requirements peculiar to each country assisted, responsibility in AID has been centered in four new geographic bureaus, as indicated elsewhere in this volume. This organizational arrangement permits the development of a consistent and comprehensive assessment of each nation's requirements and facilitates coordinated use of all available assistance tools to meet these requirements.

In order to assure consistent application of lending policies and procedures and in order to assure that economic and technical standards on which loans must be administered are actually met, three organizational devices are being employed within AID.

First, an Office of Development Financing has been established, headed by an Assistant Administrator, who is equivalent in rank to the heads of the Regional Bureaus. This office is responsible for the development of standards, policies and procedures applicable to all capital assistance, including all loans. The Office also reviews all loan proposals prepared in the Regional Bureaus to assure conformity with established requirements. It serves, in addition, as a focal point for a variety of other activities. It coordinates the loan program of AID with those of other institutions and agencies; it serves in many ways to attract private capital to less developed countries, and to promote the mobilization

therein of local private capital; and, finally, it provides to the Bureaus such specialized economic and financial services as may be required.

Second, an Office of Engineering has been established which develops engineering policies and standards for use throughout the Agency, monitors engineering practices within the Regional Bureaus and provides such specialized engineering services as may be required from time to time.

An interagency Development Loan Committee has been established which reviews loans proposed by the Regional Bureaus of AID in accordance with procedures summarized below. The Committee is chaired by the Administrator of AID, and has as its members the President of the Ex-Im Bank of Washington, the Assistant Secretary of the Treasury for International Affairs, the Assistant Secretary of State for Economic Affairs and the Assistant Administrator for Development Financing, the head of the office bearing that name.

The country program approach has also affected the type of activities which Development Loans support. This approach requires that Development Loans be flexibly administered so as to finance whatever may be required to support development. It would be infeasible, for example, to insist that all financing be for capital projects. In many instances development in a particular country is also dependent upon external financing for the raw materials and commodities needed to keep capital plant in operation and to produce investment items in local facilities. As a consequence, in those countries where sound long-term development programs exist, or where there is convincing evidence otherwise that available resources are well managed, AID considers financing general import programs as well as individual projects.

Growth, furthermore, does not come about solely through the expansion of what may commonly be regarded as productive investments. It is recognized increasingly that many social development investments which may have been regarded in the past as being relatively non-productive are often just as essential in obtaining a desired pace of growth as factories and electric power facilities. Moreover, the purposes of the Act for International Development go beyond growth as measured in hard economic terms. Social development itself has a bearing on the capacity of nations to maintain their freedom and independence. Consequently, under the new Development Loan authority consideration is given to the financing of various kinds of social investments, such as for housing and education.

## DEVELOPMENT LOANS (Continued)

To date the bulk of such activity has been confined to housing purposes in the Latin American region. AID continues to stimulate low-cost home construction there, not only through the traditional technical assistance means, but also by providing seed capital for the establishment and strengthening of self-perpetuating financial institutions of a savings and loan character. Eight such organizations are now in existence in Latin America with total AID financing of \$48 million. This seed capital has helped to create institutions which will in time mobilize local capital in even greater amounts to build homes for those who save with the institutions.

A second change in emphasis encourages the use of loan funds in ways that will encourage and support sound long-range development programs. This is accomplished in a variety of ways. The new programming procedure adopted for the Agency as a whole requires the establishment of long-range goals to which particular projects or programs financed by AID are directed. The second fact that each proposal is assessed against the priority needs of a country and against a long-range projection of such requirements serves to encourage the practices essential to the sound use of resources over the long run: the establishment of goals, the assessment of priorities, estimation of financing required and available from all sources, and planning the particular measures required to achieve the end result.

In addition, AID stands ready, with the Congressional endorsement embodied in Section 202(b) of the new Act, to extend, subject to appropriation, commitments of funds beyond the current year for sound long-range development programs. The essential test for such commitments is that there be convincing evidence that the recipient intends to, has made all the necessary preparations for and is capable of undertaking a sound long-range program.

During the past year four long-range commitments have been entered. These were offered to countries whose planning activities antedated the enactment of the new legislation. These commitments--to India, Pakistan, Nigeria, and Tanganyika--total more than \$1,700 million, of which more than \$600 million is being made available from FY 1962 appropriations.

AID intends to continue the selectively prudent employment of the long-term commitment authority. Many nations are now in the process of developing long-range plans. Some will probably be ready for examination and will be judged to be sound in FY 1963. Others will undoubtedly contain substantial defects and others will constitute merely "paper" plans. Since AID regards a sound long-term

plan as a process which goes far beyond the paper blueprint and includes the measures and capabilities for actually carrying out a plan, the test for obtaining a long-range commitment is not met easily or quickly.

### Loan Procedures

The country programming procedure of AID also affects loan procedures. Financing is no longer made available on a first come, first serve basis, and governments are discouraged from making proposals directly to offices in Washington. Rather, the central point for initiating action is the U.S. AID Mission overseas.

After each field mission has developed and has approved a set of priority goals and targets for AID assistance in the recipient country, the Mission examines with the local government the relationship of particular financing proposals to these priorities. Once it is determined that a proposal has a priority, the Mission begins examination of the local government's plans for the particular activity.

After the host government has prepared what can be regarded as a preliminary application, the Mission transmits it to the Assistant Administrator in charge of the particular region, together with a preliminary appraisal and recommendation. Within the relevant Regional Bureau a project officer is assigned responsibility for the preliminary examination of the loan application. He first attempts to determine whether other sources of financing are available. Among other things, he refers the application to an AID-Ex-Im Bank Coordination Committee on which the Office of Development Financing represents AID. If the Bank indicates a willingness to take the application under consideration it is transferred to that institution promptly. Only if the Bank is unable to accept the proposal does AID's consideration continue.

If other financing appears to be unavailable and if the proposal seems to have merit, the project officer prepares a preliminary review paper for consideration by the Assistant Administrator. That official can, at this point, either reject the application, seek further information before reaching a decision, or authorize that the proposal be subjected to an intensive review leading to a specific proposal for a loan.

If the latter, the Assistant Administrator establishes a project committee consisting of a capital project officer, an engineer, a lawyer, and other specialists as warranted. The proposal would then be sent to an interagency Development Loan Staff Committee

DEVELOPMENT LOANS (Continued)

consisting of staff representatives of the parent loan committee. Necessary changes might then be made in the proposal as a result of discussions in the Staff Committee. The proposal is then submitted to the full Development Loan Committee, which provides such advice to the Administrator as it considers relevant.

After a proposal has passed through the Development Loan Committee it is referred to the National Advisory Committee on International

Financial and Monetary Problems. On the basis of advice from these two bodies the Administrator subsequently decides either to authorize the loan or not to do so.

On the basis of the Administrator's authorization, the applicant is informed that a loan has been approved subject to specified terms. Upon acceptance of the terms, a detailed formal loan agreement is prepared, negotiated, and concluded.

## DEVELOPMENT GRANTS AND TECHNICAL COOPERATION

Although the development grant and technical cooperation program accounts for a relatively small proportion of the total economic assistance provided by the United States, it meets a vital need of the developing nations. This part of the assistance program deals directly with the most important ingredient in the development process -- the abilities and aspirations of human beings. Material resources and capital, important as they are, cannot be utilized effectively unless there are sufficient numbers of people with the skills and capabilities to plan, allocate and manage these resources.

People, however, are not only a vital economic resource; they are also the arbiters of the success of the development process. It is they who determine the real goals of development and who pass final judgment as to whether or not these goals are being achieved. If they do not receive an equitable share of the benefits of the development process, they will make no willing contribution to it. The rate of social progress is, therefore, an important determinant of the direction and rate of economic growth.

### Scope of Development Grant Programs

Development Grants are used to assist the developing countries to:

- (1) Improve the educational, technical, and professional skills of their people;
- (2) Improve and expand those institutional structures and practices which contribute to economic and social development;
- (3) Determine through surveys, research, and analysis the indigenous, human and material resource base for development;
- (4) Formulate effective plans and programs directed toward feasible development goals; and
- (5) Provide for the construction of physical facilities required for the development of human resources and, in exceptional cases, for other basic facilities which are vitally required for economic growth.

### Criteria for Development Grants

Since available U.S. and host country resources are limited in relation to existing requirements, it is necessary to allocate development grant funds with the utmost care. Although almost any

activity of this kind when considered by itself is "worthwhile," efforts must be made to determine priorities and to direct programs to those needs which are most critical. It is for this reason that the Executive Branch requested Congress to include in the Foreign Assistance Act of 1961 a specific list of criteria to be taken into account in providing assistance under this appropriation category. These criteria are:

- (1) The extent to which the activity gives reasonable promise of contributing to the development of educational or other institutions and programs which promote economic or social progress;
- (2) The extent to which the activity is consistent with other development activities being undertaken or planned and contributes to realizable long-range development objectives;
- (3) The economic and technical soundness of the activity; and
- (4) The responsiveness of the recipient country to the vital economic, political and social concerns of its people and the extent to which it demonstrates a clear determination to take effective self-help measures, including a willingness to pay a fair share of the cost of joint programs.

In addition, consideration must be given to the possible adverse effects of proposed assistance upon the economy of the United States, with special reference to areas of substantial labor surplus and the international balance of payments position of the United States.

The careful application of these criteria will undoubtedly result in more effective utilization of U.S. resources. The Agency, moreover, has supplemented these criteria with program guidance which has as its objective a more purposeful concentration of assistance upon high priority requirements. This guidance directs all US AID Missions to take into consideration the following factors in their programming of U. S. assistance:

- (1) Does the activity address a high priority goal in the country's own development plan or program? If no plan exists, does it contribute in a significant way to a goal of obvious importance given the country's present stage of development?
- (2) What is the relationship of the proposed activity to other projects or programs? Does it have a significant multiplier effect in relationship to other development activities? Does it remove serious obstacles to development in related fields

or sectors? Does it induce development in associated fields or sectors? Is it dependent upon prior, concurrent or future developments in other fields or sectors?

- (3) Does the pattern of our assistance induce the recipient government to concentrate its own resources on the highest priority goals, or does it divert relatively scarce local resources (both material and human) into lower priority activities? Have the long-range as well as the immediate resources requirements been fully assessed?
- (4) Does assistance provided by the U.S. duplicate or compete with aid which is being or could be provided by friendly non-U.S. sources such as the United Nations (UN), International Bank for Reconstruction and Development (IBRD), and other non-bloc bilateral programs? Are there particular types of assistance which these sources -- because of greater political acceptability, availability of personnel with more relevant experience, or other reasons -- can provide better than the United States?
- (5) Does the form or magnitude of our assistance inhibit the gradual acceptance of greater responsibility by the host government and a complete phasing out of U.S. assistance within a reasonable period of time? Are activities for which the United States has provided assistance for five years or more achieving significant results in this regard? If not, should we withdraw or intensify our assistance?
- (6) Is the host government making a contribution to joint activities, both of personnel and financial resources, which is commensurate to its capabilities? If not, does this indicate a lack of interest in the assistance being provided? Should U.S. assistance be continued under these circumstances?

#### Emphases of Development Grant Programs

During the past year all AID Missions have undertaken a comprehensive review of their programs in the light of the criteria and guidance mentioned above. As a result of this review there has been a considerable re-direction of effort toward high priority programs in the following fields: education and the development of human resources, agriculture and rural development, public administration, development planning, industry, transportation and communication, health and sanitation, land reform, housing, and labor programs.

#### Requirements for FY 1963

The FY 1963 development grant authorization and appropriation request is for \$341 million, including an estimated \$6 million of unobligated balances from prior years. The request for new obligational authority is about 13% higher than the amount appropriated last year. The largest portion of this increase results from the establishment of new programs in Africa and the expansion of programs in this region which were initiated in FY 1961 and 1962.

Several countries have reached a stage of development at which they no longer need U.S. development grant programs in FY 1963. These include Spain, Greece, and Israel. In Lebanon only one small project will be continued in FY 1963 and this will be completed during that year.

The breakdown of requirements by region is as follows:

	<u>Estimated FY 1962 Program</u> (millions of \$)	<u>FY 1963 Request</u> (millions of \$)
Africa/Europe	99,085	117,750
Near East/South Asia	63,530	78,050
Far East	69,580	75,000
Latin America	20,160	*
Inter-Regional and Non-Regional	<u>46,945</u>	<u>70,200</u>
	<u>299,300</u>	<u>341,000</u>

\* Authorization and appropriation requested under the Alliance for Progress.

The largest proportion of the increased amount requested for the Africa region will be utilized in Liberia, Nigeria and Tunisia. The total number of African countries expected to receive development grants in FY 1963 is 23. No development grant programs are proposed for Europe.

In the Far East the largest development grant allotments are illustratively programmed for Thailand, Vietnam, Cambodia and Indonesia. Of the eight Far Eastern countries receiving development grant assistance, four programs are smaller in FY 1963 than in FY 1962. One remains the same and three (Burma, Philippines and Vietnam) are larger than in FY 1962.

The 13 nations in the Near East/South Asia area, a regional program and a program under the auspices of CENTO receiving Development grants in FY 1963 will require approximately \$14.5 million more for this purpose than the amount obligated in FY 1962. The largest increase requested, that for Afghanistan, results primarily from transferring to the development grant category several projects financed last year from supporting assistance funds. In two NESAs countries (Greece and Israel), development grant programs are being eliminated in FY 1963. In four more, aid levels this year are less than last year. Two relatively new programs are getting under way -- Cyprus and Syria. The programs in the four remaining countries -- Pakistan, Turkey, Egypt, and Nepal -- will be somewhat larger than in FY 1962.

The funds requested for interregional and non-regional programs are \$15.6 million higher this year than last. This increase is largely accounted for by additional requirements of the Research Program (\$6 million in FY 1962; \$20 million in FY 1963) and a newly activated civic action program for which \$10 million is proposed in FY 1963.

#### Interregional and Other Expenses

The Interregional program, for which a total of \$30 million in Development Grant funds is being requested in FY 1963, provides support on a world-wide basis for program as distinguished from administrative activities of the Agency. It covers expenses mainly in the United States, which would be impracticable from an accounting or other standpoint to fund on a country or regional basis.

Activities fall generally into five broad categories: Participant Support, Research, Technical Consultation and Support, Overseas Personnel Program, Program Support (Department of State) and USRO Staff. The first two are carried out by AID Washington personnel or the staffs of the participating agencies or through special contractual or other arrangements. The Overseas Personnel Program is concerned principally with training designed to improve the performance of overseas technicians. Program Support pays for the medical, communications, custodial, fiscal and other services supplied to AID program personnel by the Department of State. The USRO Staff deals with matters concerning the Organization for Economic Cooperation and Development (OECD)

Included also in the Development Grant appropriation request are funds for a group of non-regional programs for which funding is not provided in either the country or the Interregional programs. These include: Assistance to American-sponsored schools abroad

(\$4 million); ocean freight costs of shipment of supplies donated to voluntary agencies (\$3.2 million); expenses of the Office of the Inspector General (\$200,000); funds for the construction of schools for the dependents of AID overseas employees (\$1.5 million); and general technical services related to social development (\$1.3 million). This category also includes an amount of \$10 million to finance the costs of civic action projects to be carried out by the local Armed Forces in selected countries.

#### The Request for No-Year Funds

It is requested that the funds authorized and appropriated for development grant programs in FY 1963 be available until expended. This request is based upon experience which indicates that appropriations available on a fiscal year basis for development grant programs have several major disadvantages. The system of single-year appropriations used for grant funds in past years has placed pressure on AID personnel to enter into hasty obligations of funds prior to the end of the fiscal year or face the loss of the funds, with future funding in the subsequent fiscal year being uncertain. The availability of no-year funds would substantially lessen the variety of pressures which arise at the end of a fiscal year to accept lower standards than otherwise would be the case.

Equally important, the availability of no-year funds will help to minimize the troublesome problem of past years with respect to annual country aid levels. The amount a country received in prior years frequently was considered to be an indication of requirements in the current year and the prior pattern of funding encouraged many countries to argue that an increase or decrease in aid was an indication of U.S. favor or disfavor. Availability of no-year funding would reduce the significance of the aid level in any particular year and should assist, therefore, in securing more effective use of funds.

Finally, since the obligation of funds depends upon host country agreement, the June 30 deadline can often arrive in the middle of negotiations with the host country, at a time when the country feels the United States is committed to the project concerned but too late to include a request for new funds for the project in the presentation. No-year funds are thus essential to enable AID to engage in careful negotiations in good faith with the host country.

## ALLIANCE FOR PROGRESS

The Alliance for Progress announced by President Kennedy in March 1961 is a unified and cooperative development effort of the countries of the Western Hemisphere. In the United States it brings together the various elements of U.S. economic and social policy toward Latin America. It consolidates earlier expression of congressional and executive action including the Latin America and Chile Development and Reconstruction Assistance Act (P.L. 86-735) and the signing of the historic Act of Bogota which set the American nations on the road to progress. At the same time the Alliance offers an instrument for a decade of constructive action in the hemisphere.

Various U.S. Government agency programs -- along with those of others -- contribute to the Alliance. The Agency for International Development (AID) is requesting authority under the Foreign Assistance Act to make loans and grants for development purposes over the next four years. The total amount that the Congress is requested to authorize as a part of the Alliance for Progress for the four-year period is \$3 billion. This amount will be supplemented by Export-Import Bank loans and Food for Peace programs in order to meet the objectives of the Alliance.

### Background of the Alliance

Latin America is a region of great diversity, made up of twenty independent nations and a sprinkling of dependent colonial territories; each has its own history, cultural and political traditions, and distinct economic structure. Beneath this diversity, however, are problems common to most of the area: problems of social unrest, of poverty and disease, of wide disparity in income and opportunity. In many Latin American countries only a tiny minority controls most of the arable land, receives a satisfactory education, and holds the reins of political power. Large masses of farmers and farm workers, frequently of Indian origin or culture, either continue to live at a subsistence level or migrate to the already overcrowded cities in search of employment. The economies of these countries for the most part are not growing rapidly enough to provide employment or to keep pace with the explosive population increase that is characteristic of the region.

With these conditions as a background, a political struggle is in progress between the opposing ideologies of communism and the Free World. Communism and its regional offspring, Castroism, find a basis for agitation in the growing discontent of the Latin American underprivileged classes. The wealthy landowner,

industrialist, or other member of the ruling class is an easy target, as is the foreign investor or employer. The Marxist doctrines of class warfare and exploitation are ready symbols with which to explain the dilemma of a world which appears to offer riches to the "haves" while denying them to the "have-nots." Nevertheless, there is a growing body of progressive thinkers and leaders in Latin America who recognize the inequities and weaknesses of the economic and social structure of their respective countries. These men have already started working for reforms and for constructive measures that will help their countries towards self-sustaining growth under freedom rather than tyranny. They believe that the only alternative to violent revolution in most Latin American countries is a rapid evolution toward sound economic and social goals. But such evolution is a race against time, because the explosive forces are building up.

### Objectives

In August 1961 the American nations met to discuss the shape of the cooperative effort to develop the hemisphere. This meeting culminated in the signing of the Charter of Punta del Este. This meeting not only established achievement goals, but it also established a framework of cooperation.

Among the most important goals of the Alliance for Progress, as contained in the Charter of Punta del Este, are the following:

- (1) To achieve sustained growth of per capita income and self-sustained economic growth of not less than 2.5% per capita per year;
- (2) To achieve more equitable distribution of national income and a higher proportion of the national produce devoted to investment while maintaining stable price levels;
- (3) To achieve economic diversification, involving reduction of dependence on exports of primary products, and stabilization of export earnings; and to raise agricultural productivity as well as encourage agrarian reform;
- (4) To eliminate adult illiteracy and by 1970 to assure access to at least six years of primary education for each school-age child;
- (5) To improve health conditions, including the increase of life expectancy by a minimum of five years;
- (6) To increase low-cost housing construction;

ALLIANCE FOR PROGRESS (Continued)

(7) To strengthen existing arrangements for economic integration.

What Has Been Done

In the first year of operation under the Alliance for Progress, many measures were initiated by Latin American nations in such fields as tax reform, land reform, labor laws, economic stabilization, and national planning to make more effective use of available resources. The record varies considerably from country to country, yet every country responded in some degree to the high principles enunciated at Bogota and Punta del Este. Many of these reforms and self-help measures were initiated with great difficulty, and other hoped-for actions were not accomplished. In some countries the combination of built-in resistance from ruling oligarchies and active opposition of Castro sympathizers have resulted in even more difficulties than anticipated.

The difficult and time-consuming work of building and staffing competent planning departments and producing meaningful development plans has begun. During the first year of the Alliance, four countries have completed such plans or major sections of them. The Organization of American States (OAS), the Economic Commission for Latin America (ECLA), and the Inter-American Development Bank (IADB), as well as others, are providing technical assistance in planning to those countries that requested it.

In the first year of the Alliance, commitments of U.S. public funds exceeded \$1 billion in various forms of economic aid including Export-Import Bank loans, Food for Peace programs, loans and grants from AID and assistance from the Social Progress Trust Fund, U.S. funds which are administered by the IADB.

In the social development field, the Latin Americans have placed heavy reliance on the IADB. The Bank has several funds which it uses for lending for development in Latin America. Of major interest is the Social Progress Trust Fund -- U.S. funds administered by a skilled staff drawn from the entire hemisphere to achieve social and economic improvement in Latin America. The Social Progress Trust Fund has primary responsibility for development projects in rural living and land use, public housing, and water supply and sewage, and numerous loans in these fields have been approved. For example, a loan of \$22.8 million will help finance the construction of 32,500 housing units for low-income families throughout Peru over the next few years. This program will be a broad attack on the housing problem in Peru, and involves the use of self-help construction methods, private

construction companies, and savings and loan associations. In Venezuela, a water works program is being financed by a \$20 million loan. This loan will help provide water supply systems in 385 towns and small cities, benefiting more than 700,000 people, in a significant effort to improve the lot of the common people in the countryside.

Funds appropriated in the spring of 1961 under the Act for Latin American Development and Chilean Reconstruction were used by AID to help several nations realize important developmental goals in education, health and public administration. A grant of \$3,770,000, supplementing their own resources, enabled Colombia to make a beginning on a long-term project which has the ultimate goal of providing five years of education to every child of school age.

After several months of search for the best leadership personnel, the reorganization of the Latin American Bureau of AID was put into effect. The establishment of the new agency along regional lines has given new impetus to the Alliance and should make U.S. aid in this hemisphere more effective. An important feature of the reorganization was the appointment of a Coordinator for the Alliance for Progress with responsibility for bringing together the various components of the assistance program.

Problems We Face

After nearly one year of the Alliance for Progress, we recognize that the road ahead is still a difficult one. We expect more and greater self-help actions from the Latin American nations, but such measures must not be mere paper actions. They must be genuine reforms which will pave the way for social and economic progress.

It is apparent that in some instances the very concept of self-help and reform has led to overgeneralization and misinterpretation, and, therefore, requires clarification. Certain reform measures, which might be considered as self-help, may be wrongly emphasized: for example, efforts to raise reasonable tax rates could result in increased evasion, whereas concentration on good administration and enforcement may be more effective in increasing tax yields and appropriate distribution of the tax burden. Other overly ambitious self-help measures, especially those in the field of social legislation, may ignore economic reality and impose burdens which the governments cannot at this time afford

## ALLIANCE FOR PROGRESS (Continued)

or may tend to discourage the confidence needed to stimulate and expand private investment. Reforms undertaken without sufficient preparation can result in the overthrow of a progressive administration. It is essential, therefore, that the Alliance partners be urged to identify genuine self-help needs in terms of long-range objectives and practical realities. Nevertheless, the pace of self-help and internal reform must be rapid enough to provide hope and concrete gain for the underprivileged. It is to assist in the fulfillment of this objective that the Alliance for Progress was formed.

### Proposed AID Programs

If the Latin American countries are persuaded to make far-reaching changes in their economic and social structure, overcoming the resistance of traditionalist elements, they must be assured of continued long-range support from the United States. For this, we are here requesting authority to make loans and grants for development within a \$3 billion authorization for the next four years. The multi-year authorization will provide tangible evidence of U.S. assistance over the long term. The authorization supplemented by assistance from the Export-Import Bank, and Food for Peace programs, plus other sources, will be employed to promote development called for at the Punta del Este Conference and assist in working towards the objectives of the Alliance for Progress.

For the purpose outlined above, an authorization of \$600 million in new obligational authority is being requested. The program for FY 1963 is proposed as being \$610 million, because it is presently projected that \$10 million will be available from previous appropriations. It is estimated that the \$600 million of new funds requested would be used as follows: \$510 million for loans and \$90 million for grants. Both lending and grant funds will be used to help countries progress towards development. Although in some cases growth will be dependent upon economic stability and we will have to give assistance for such purposes, the funds appropriated will be channeled into such constructive uses as the financing of feasibility studies, the development of human resources through programs of education and training, and the financing of projects in major developmental sectors.

A more complete discussion of the proposed program for FY 1963 will be found in the statement on the Alliance for Progress in Volume II.

## SUPPORTING ASSISTANCE

This category of economic aid is primarily designed to promote vital U.S. national security and foreign policy objectives in selected countries. Supporting Assistance, to be provided largely on a grant basis, is proposed only in situations where development assistance would be inappropriate, because of a failure to meet development criteria, but where U.S. interests require substantial assistance. To provide this form of aid to 15 countries and a program under CENTO auspices, programs totaling \$497 million are proposed for FY 1963, of which \$481.5 million would be financed from new obligational authority and \$15.5 million from reappropriated funds.

Programs of Supporting Assistance are designed to serve one or more of four objectives.

### Assistance for the Common Defense

About 75% (\$374 million) of the proposed program of \$497 million is designed primarily to enable countries on the periphery of the Sino-Soviet empire to continue to participate in the common defense by maintaining strong military forces to discourage external aggression, contribute to regional defense and maintain internal security.

Under the new U.S. approach to foreign aid, increased emphasis has been placed on working with these countries to achieve economic growth. As levels of economic activity rise, their governments are then able to finance the local costs of defense budgets from domestic revenues and, where appropriate, local currency proceeds of the sales of U.S. surplus agricultural commodities. As one result of continuing favorable developments, it is planned to terminate Supporting Assistance at the end of FY 1962 for four countries along the southern border of the Soviet bloc. Barring presently unanticipated changes in the economic and military situation, these countries are expected to bear their own local defense costs.

There remain, however, five countries which are attempting to cope with insurrection and subversion of such magnitude and where resources are so slim that continued provision of special grant aid is imperative.

## SUPPORTING ASSISTANCE (Continued)

### Maintaining Access to U.S. Bases

In certain countries, U.S. air and naval forces presently are utilizing bases considered highly important, now and at least for the next several years, for our defense. The existence of such bases in these countries exposes them to possible Soviet retaliation. In some cases, they profess neutrality and thus feel entitled to special compensation for the risks brought about by the presence of U.S. bases.

To guarantee U.S. forces continued access to these bases, it has been necessary for the United States either to make specific commitments of assistance as part of the Base-rights Agreement or otherwise make clear that assistance will be forthcoming.

Countries in this category, all of which are underdeveloped, require a total of \$36.5 million of Supporting Assistance for FY 1963 (approximately 7% of the total request).

Other forms of U.S. assistance, particularly sales of surplus agricultural commodities under the Food for Peace program and Development Loans, are available to these countries as they are able to meet the criteria for such assistance.

### Maintaining Economic Stability

Supporting Assistance programs totaling \$45 million (9% of the total estimate) are proposed for three countries to help maintain their economic life with some semblance of order. They would be faced with the distinct possibility of economic disintegration were such aid not available. Their difficulties stem from recent ruptures of external political and financial relations, internal instability coupled in some instances with administrative incompetence and maladministration, and adverse trends in world markets. For each of these states, the only likely alternative to continued U.S. support is increased unrest and political chaos, affecting not only the inhabitants of the state concerned, but the peace and stability of the surrounding states.

Since the primary problem of these countries is the maintenance of minimum levels of economic activity and of essential government services, Supporting Assistance will be largely used to finance imports for consumption and budget support.

Supporting Assistance for these countries is essentially a matter of dealing with critical situations and using time thus gained to stimulate a serious attack to basic problems.

### Alternative to Complete Dependence on the Sino-Soviet Bloc

In another group of countries, the primary U.S. objective is to prevent the absorption of weak nations into the Communist bloc through growing economic dependence. Some \$41.5 million (8% of the total request) is needed for these countries for FY 1963.

The governments of certain of these countries have been attempting to pursue neutral or independent policies, eschewing close political association with either of the great power blocs. They aspire to higher standards of living, but they have not yet undertaken sustained efforts to modernize their economic life at this time. They are receiving aid on attractive terms from the Soviet Union and Communist China. They have been offered advantageous trade agreements as well as substantial financing for projects such as roads, factories, and other highly visible enterprises. Acceptance of such offers leads to the introduction of Soviet technicians, widening contacts with the Sino-Soviet bloc, dependence on it for foreign markets and possibly to complete dependence.

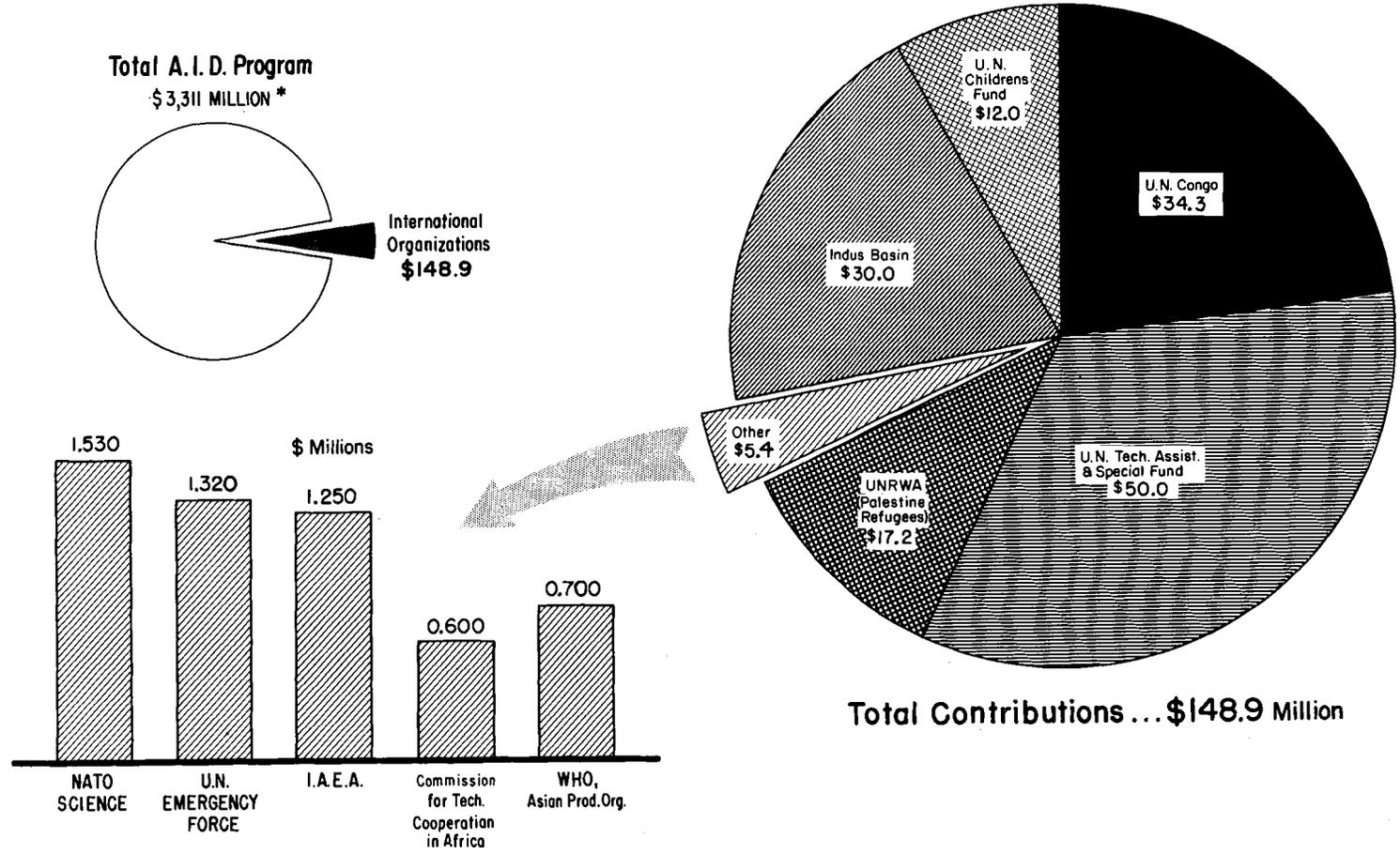
The United States is not attempting to outbid the Communist offers. We are attempting, however, to provide aid for useful projects to which the countries are particularly attached. Our object is to demonstrate our interest in making a constructive contribution to their progress and to provide an alternative to exclusive reliance on Sino-Soviet aid.

It is the intent of the AID that Supporting Assistance programs decline steadily and significantly in future years. The primary objective is to shift aid toward a development basis, to subject it increasingly to sound economic and technical criteria, and to adjust its contribution to fruitful economic and social development.

In countries where it is proposed to continue Supporting Assistance in FY 1963, AID will endeavor to encourage host governments to use it for meeting basic social and economic problems, and to consider this aid as a resource with which to buy the time required for mounting and implementing sound development plans.

# CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS

## PROPOSED F. Y. 1963 PROGRAM



\*Excludes Investment Guarantees issued, estimated to total \$350 million against which funded reserves (obligations) will amount to \$113 million.

CONTRIBUTIONS TO  
INTERNATIONAL ORGANIZATIONS

SUMMARY PROPOSED FY 1963 CONTRIBUTIONS

(In millions of dollars)

UNITED NATIONS

1. UNTA and Special Fund	\$ 50.000
2. U.N. Fund for the Congo	34.300
3. U.N. Relief and Works Agency for Palestine Refugees	17.200
4. U.N. Children's Fund	12.000
5. U.N. Emergency Force	1.320
6. IAEA Operational Program	1.250
7. WHO Special Programs	<u>0.500</u>
Subtotal	116.570

REGIONAL

8. NATO Science	1.530
9. Indus Waters	30.000
10. Commission for Technical Cooperation in Africa	0.600
11. Asian Productivity Organization	<u>0.200</u>
Subtotal	32.330
GRAND TOTAL	\$148.900

GENERAL

In achieving the broad objectives of the Act for International Development it has often been found useful to channel U.S. assistance through multilateral organizations. The United Nations agencies and a number of regional organizations offer flexibility in the execution of programs for maintaining peace and security and for directing technical and economic assistance, and thus provide a desirable supplement to direct assistance by the United States.

The use of these agencies, supported by many nations, permits greater use of resources from other developed countries, both financial and -- of increasing importance -- in 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 also members. Similarly, in certain acute circumstances, such as in the Congo, there may be important U.S. political and security interests in avoiding the risk of rivalry inherent in bilateral programs. Finally, the healthy growth 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 can promote that open world society of independent and prosperous nations which is the ultimate goal of our foreign policy and which stands in such sharp contrast to the type of world order envisaged by the Sino-Soviet bloc.

For FY 1963 a total of \$148,900,000 is requested for contributions to 11 programs of multilateral assistance. This is a decrease both in the amounts requested in FY 1962 and the number of organizations assisted under this title. In some instances, the programs have achieved their objective or other arrangements have been made for their financing. The cost of the U.N. military operation in the Congo will be paid for, it is hoped, from a U.N. bond issue for peace and security operations proposed by the President. Similarly, it is expected that the U.N. Emergency Force in the Middle East will draw on this source for its financial needs for the last six months of FY 1963. The technical cooperation program of the Organization of American States and the special programs of malaria eradication and community water supply of the Pan American Health Organization will look to the Alliance for Progress for continued funding.

A brief summary of proposed U.S. contributions to international organizations and special programs under this title follows.

1. UNITED NATIONS EXPANDED TECHNICAL ASSISTANCE PROGRAM  
AND SPECIAL FUND

FY 1961 Contribution	\$36.950 million
FY 1962 Estimate	44.000 million
FY 1963 Request	50.000 million

The United Nations Expanded Technical Assistance Program was established by the United Nations General Assembly in 1950 to provide technical assistance for the economic development of underdeveloped countries. The program provides experts, fellowships, and demonstration supplies and equipment to countries at their request through the specialized agencies of the United Nations, the International Atomic Energy Agency, and, in certain fields, through the United Nations itself.

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. The Special Fund undertakes basic surveys, research and establishment of training institutions necessary for economic development. The fund is not an international capital development fund. Rather it finances preinvestment projects. Surveys of water, mineral, soil and power resources and the setting up of planning, secondary teacher and technological training centers are typical of the projects undertaken by the fund.

The U.N. General Assembly has set a combined annual goal of \$150,000,000 for the Expanded Technical Assistance and Special Fund Programs. Once this goal is reached, the United States, on the basis of the matching formula, would contribute \$60 million. Actual contributions of \$92 million in 1961 and an expected \$110 million in 1962 point to continuation of the trend in 1963 with a probable level of \$125 million. It is proposed that the United States continue to pledge an amount equal to 40% of total contributions received and on the assumption that this total will reach \$125 million, an amount of \$50 million is proposed at this time.

2. UNITED NATIONS FUND FOR THE CONGO

FY 1961 Contribution	\$28.512 million
FY 1962 Estimate	33.000 million
FY 1963 Request	34.300 million

The United Nations, through the U.N. Fund for the Congo, plans to carry out a program of stabilization and economic rehabilitation in 1962 in cooperation with the Government of the Congo. Contributions to the fund will finance imports into the Congo and cover the cost of the U.N. Technical Assistance Program. Proceeds from the sale of imports financed by these funds, by the Food for Peace Program, and by funds contributed by other governments for this purpose, will be used for budget support and for development works programs.

The central aim of U.S. policy for the Congo is to help create a unified Congo with a stable government not unfriendly to the West. Sound economic conditions are essential for this. Political conditions have improved to a point where it is now considered feasible to implement the stabilization agreement of last summer.

The United States proposes to contribute approximately \$34 million to the U.N. Fund for the Congo from FY 1963 funds and an additional \$20 million in Public Law 480 (Food for Peace) foodstuffs during FY 1963, which will supplement FY 1962 funds currently available to create a stabilization fund of some \$100 million and provide U.N. Technical Assistance of \$5 million. A detailed discussion may be found in the Africa regional volume.

3. UNITED NATIONS RELIEF AND WORKS AGENCY  
FOR PALESTINE REFUGEES (UNRWA)

FY 1961 Contribution	\$17.000 million
FY 1962 Estimate	17.938 million
FY 1963 Request	17.200 million

The Palestine refugee problem continues to reflect Arab-Israel tensions and is one of the most volatile and potentially disruptive factors affecting the political stability of the Near East. The United States has given strong support to the UNRWA, since its establishment in 1951, as the body responsible for the welfare of the Palestine Arab refugee community, a job which it has discharged very effectively. The organization's basic mission is to meet the minimum food, shelter, medical and educational requirements of over one million refugees. Although severely limited by a shortage of funds, it offers a small number of young refugees a measure of hope for a more normal life by providing an opportunity for vocational training.

UNRWA's current mandate expires June 30, 1963, and a determination as to the Agency's future will be made at the 17th General Assembly in the fall of 1962. It is proposed that the U.S. contribution for FY 1963 remain at the same level as in FY 1962 - \$24.7 million. This would represent about 70% of total estimated contributions. The U.S. grant would be \$17.2 million from AID funds, of which \$1.7 million would be specifically earmarked for vocational training, about \$256,000 would be available as FY 1962 carryover, and approximately \$7.5 million would be made available in the form of P.L. 480 Title II commodities.

4. UNITED NATIONS CHILDREN'S FUND (UNICEF)

FY 1961 Contribution	\$12.000 million
FY 1962 Estimate	12.000 million
FY 1963 Request	12.000 million

UNICEF was established by the U.N. General Assembly in 1946 to provide emergency relief for children in Europe after World War II. Since 1950 it has been assisting governments in underdeveloped areas to carry out long-range health, nutrition, and other programs which will bring lasting benefits to children. With over three-quarters of a billion children living in underdeveloped areas the need for assistance is great. However, help is given only when requested by a government and when the request is accompanied by a well-developed project bearing the technical approval of World Health Organization, the U.N. Food and Agriculture Organization (FAO), or the U.N. Bureau of Social Affairs. UNICEF is currently assisting over 400 projects in more than 100 countries and territories.

UNICEF allocations for 1961 amounted to \$26.5 million. They are estimated at \$28.1 million for 1962, and \$31.6 million for 1963. The United States supports this expansion in program but feels that it can be financed through increased contributions from other governments and private sources, and by procedures whereby resources will be put to use more rapidly. Therefore, it is proposed that our contribution to UNICEF for FY 1963 remain at the \$12 million level, where it has been since 1960.

5. UNITED NATIONS EMERGENCY FORCE (UNEF)

FY 1961 Contribution	\$3.200 million
FY 1962 Estimate	1.800 million
FY 1963 Request	1.320 million

UNEF is an international peace-keeping force drawn from seven members of the United Nations and established by the General Assembly in November 1956 to maintain the armistice agreement between the United Arab Republic and Israel after the Suez conflict. Units of the Force are stationed in the Gaza Strip, along the Israeli-Egyptian border and at the entrance to the Gulf of Aqaba. These areas are patrolled by the Force on a 24-hour basis by foot, motor vehicle and reconnaissance aircraft to prevent or investigate incidents.

UNEF is a collective responsibility of all United Nations members, who are assessed for its cost on the U.N. budget scale of assessment. In view of U.S. interest in maintaining a successful UNEF and thereby to assist in maintaining stability, we have in the past offered voluntary assistance beyond our regular assessed share of the UNEF budgets.

Beginning in FY 1963, contingent on its successful flotation, UNEF will be financed from the \$200 million U.N. bond issue. In view of the funding cycle of this operation, it is proposed that the United States contribute \$1.320 million as a voluntary contribution for the period January 1 through June 30, 1962, to help in reducing by 50% the assessments of member states least able to pay. The United States will also contribute \$3,121,950 as its assessed share at the rate of 32.02% of a total budget of \$9.75 million for this period, resulting in an over-all U.S. share of 45.35%.

6. INTERNATIONAL ATOMIC ENERGY AGENCY (IAEA)

FY 1961 Contribution	\$0.640 million
FY 1962 Estimate	0.750 million
FY 1963 Request	1.250 million

The International Atomic Energy Agency 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 1962, is proposed for this purpose in FY 1963, 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, which in the past has been met by Atoms for Peace funds, \$350,000 would be used for fellowships and \$150,000 for experts and consultants.

7. WORLD HEALTH ORGANIZATION SPECIAL PROGRAMS (WHO)

FY 1961 Contribution	\$4.675 million
FY 1962 Estimate	3.400 million
FY 1963 Request	500 million

Largely at the U.S. initiative, the World Health Organization in the last several years has undertaken to intensify its activities in the fields of malaria, community water supply, and medical research with a view to focusing world-wide attention on the importance of these areas in advancing the cause of public health, especially in less developed countries. These programs were planned to complement the more extensive activities in these fields through U.S. bilateral and national programs. As a result there has been wide acceptance of the need for attacking these problems. Other countries have committed their resources on an increasing scale both in national programs and in support of WHO activities in these fields through contributions to assessed and voluntary budgets. Thus in the field of malaria eradication adequate funds are on hand to finance the program's budget needs until the schedule for absorption into the regular budget is completed in 1964. Similarly, the community water supply program has adequate resources to meet currently planned activities, although there may be future requirements depending upon the evolution of the program.

Until an optimum level of research activity can be absorbed into the regular budget, however, it is desirable that the United States sustain this important program by voluntary cash contributions as well as research grants of the National Institute of Health. Under its intensified medical research program, WHO makes modest grants to investigators in many countries 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 has begun the training and exchange of research workers.

A contribution of \$500,000, the same amount provided in each of the last three years, is proposed for FY 1963 to supplement activities undertaken under the regular budget.

8. NATO SCIENCE PROGRAM

FY 1961 Contribution	\$1.327 million
FY 1962 Estimate	1.400 million
FY 1963 Request	1.530 million

Under U.S. leadership the NATO heads of government adopted proposals in December 1957 which led to the establishment of the NATO Science Program for promoting scientific cooperation and thereby obtaining for the United States, and for all other members, maximum benefit of the great scientific resources of the NATO countries. It is a program to increase the effectiveness of Western science and to expose scientists of Western countries to the best and most advanced work being done in a variety of fields. It is carried out through the grant of fellowships for a year of specialized training, short-term seminars on scientific problems of special concern to the Alliance (NATO Advanced Study Institutes), and research grants for projects specially suited to international collaboration.

Of the total contribution proposed, \$1,084,000 would represent a 33.33% share of a fellowships budget of \$3,250,000; \$200,000 a U.S. share of 33.33% of a study institutes budget of \$600,000; and \$363,000 a 24.20% share of a \$1,500,000 budget for research grants. The first two programs represent a decline from a 40% share in FY 1962; it is planned that they should further decline to 24.20% -- the U.S. assessment under the regular NATO cost sharing formula -- in FY 1964 when the entire program would be absorbed into the regular NATO budget.

## 9. INDUS WATERS

FY 1961 Contribution	\$ 6.807 million
FY 1962 Estimate	20.100 million
FY 1963 Request	30.000 million

This project of formidable dimensions was developed as a solution to one of the major sources of friction between India and Pakistan, the use and division of waters of the rivers of the Indus Basin, and to the basic food deficiency of the area. Originally conceived as a bold plan to divert to India waters now used in Pakistan, and to replace these by an elaborate systems of dams, reservoirs and link canals, a Free World commitment of some \$1.070 billion was undertaken through a series of agreements calling for a schedule of contributions extending over a 10-year period. The International Bank for Reconstruction and Development, which had achieved notable success in negotiating settlement of the dispute, was designated as administrator of the Fund.

Of the amounts originally envisaged, the United States agreed to contribute in dollars and local currency some \$515 million. Contracts were awarded in January 1962 to American firms for about \$380 million for construction of several of the major works, notably the Mangla Dam and several of the link canals. Some changes in the original settlement plan have been reported by the IBRD and these are being studied to reduce to the minimum any adverse financial impact on the project. Subject to the development of more precise information on the financial implication of these changes, the amount of \$30 million is requested for FY 1963 for the U.S. contribution to the project under the Indus Basin Development Fund.

## 10. COMMISSION FOR TECHNICAL COOPERATION IN AFRICA (CCTA)

FY 1961 Contribution	\$0.012 million
FY 1962 Estimate	1.700 million
FY 1963 Request	0.600 million

The Commission for Technical Cooperation in Africa, an organization created by the former metropolises, was transformed in March 1961 into a genuinely African group with 15 member states of Tropical Africa. Its purpose is to promote cooperative technical development through multi-country projects which reflect mutual interests and common cultural links.

In FY 1962 the United States is providing the major support to three projects of the CCTA in the fields of rinderpest control, bovine pleural pneumonia, and oceanographic research and fisheries resources. It is planned in FY 1963 to continue the support of these projects with grants of \$100,000 each, and to provide new support for two projects: \$100,000 for a training center for hydrology assistants, and \$200,000 for a training institution for wild life conservation officers.

11. ASIAN PRODUCTIVITY ORGANIZATION

FY 1961 Contribution	\$0.165 million
FY 1962 Estimate	0.200 million
FY 1963 Request	0.200 million

The Asian Productivity Organization (APO) was formally initiated in April 1961 with the signing of a convention by eight countries: the Republic of China, India, Japan, Korea, Nepal, Pakistan, the Philippines and Thailand. Its purpose is to raise the standard of living in Asian countries through higher productivity, primarily in the field of industry, and to provide a central organization for exchange of productivity information and technical know-how in Asia. Its program, involving regional meetings and training and advisory services, is already functioning. Surveys have been conducted in Southeast Asia to determine industrial productivity

needs, and workshop seminars have been held in India and Pakistan on "national productivity institutions" and "aid to small business."

Initial U.S. assistance in FY 1961 of \$165,000 served as a matching contribution to the \$147,400 supplied by other countries to initiate program activities. The \$200,000 to be contributed in FY 1962 and a similar amount requested for FY 1963 will provide general budgetary support and assistance for specific project activities during the formative years of the Organization. It is anticipated that the sum of \$216,000 will be contributed by other members during 1962, approximately half from the Japanese Government.

### CONTINGENCY FUND

The Contingency Fund, for which \$400 million is requested for FY 1963, is a reserve designed to meet urgent requirements which may arise during the course of the fiscal year and for which no provision has been made elsewhere in the FY 1963 program. The Contingency Fund may be used to meet needs completely unforeseen when FY 1963 estimates were prepared or for needs anticipated in general terms, but in insufficient detail as to nature, timing, and amount to justify inclusion in programmed assistance.

Since FY 1956 when a fund for contingencies was first appropriated, experience has amply demonstrated that the Fund has been an important and highly flexible tool of U.S. foreign policy. It has served to bolster Free World defenses against armed attack and subversion currently supported by the Sino-Soviet bloc. In times of crises, it has also assisted friendly countries to maintain or regain economic and political stability.

#### Possible Uses in FY 1963

As in earlier years, it is likely that the Contingency Fund will be used to support vital U.S. interests in a wide variety of situations:

- (1) Communist China and the Soviet Union may step up covert support of "liberation armies" seeking to bring countries along the bloc's Asian perimeter under their domination. To survive the countries under attack may need special economic, as well as military, aid.
- (2) The Kremlin may apply heavier pressure on the West Berlin economy or probe weak spots elsewhere in the Free World, as it has done in Cuba.
- (3) Newly independent countries in Africa, Asia, and the Caribbean, or countries which may soon become independent may be faced with pressing needs for assistance to maintain essential public services and minimum levels of economic activity.
- (4) Countries which have accepted Sino-Soviet aid and since become disillusioned or apprehensive over the implementation of these programs may seek extraordinary assistance from the United States to disengage from Communist bloc influence.
- (5) During the difficult and sensitive process of adopting and achieving economic changes, in such fields as tax reform, land ownership, and mobilization of capital, countries may undergo stresses requiring emergency external aid to preserve stability.

- (6) Earthquakes, floods, hurricanes, and other natural disasters may warrant the use of Contingency Funds to meet immediate relief needs and to assist in reconstruction.

#### The Contingency Fund in FY 1962

Congress appropriated \$275 million for the Contingency Fund in FY 1962, and in addition reappropriated \$9 million of prior year funds. As of February 15, 1962 virtually all the available Contingency Funds had been programmed. In view of the prospect that additional urgent requirements, already identified, would need financing in FY 1962 a transfer of funds is planned from the military assistance account under Section 610 of the Foreign Assistance Act of 1961. Latin America has been the largest regional recipient of Contingency Funds thus far, about \$85 million. Faced with insistent demands for improvement of living standards and seeking to achieve major changes in economic institutions, numerous South American Governments have experienced critical shortages of foreign exchange to finance imports and have received assistance on a grant or loan basis. Unforeseen balance of payments support of this nature has been needed in Colombia, Ecuador, Panama, and Peru. Furthermore, the new government which succeeded the Trujillo dictatorship in the Dominican Republic has required considerable aid to restore stability within a democratic framework.

Nearly as large a share of the Fund, \$82 million, has been committed to the Far East, nearly all in South East Asia. The continuing efforts of the Communist bloc to win control over Vietnam and Laos created additional requirements for support of the defense efforts of these countries, as well as neighboring countries threatened by the insurrectionary activities of Sino-Soviet agents.

In the Near East-South Asia area it proved impossible to reduce assistance to the Iranian and Greek Governments in maintaining their substantial defense forces and at the same time proceeding with development programs as quickly as had been anticipated. This necessitated a substantial use of Contingency Funds.

Smaller amounts of Contingency Funds were committed in Africa to provide urgently needed imports to new governments, to provide aid in coping with natural disasters, and to assure continued U.S. access to important military installations.

Pending enactment of separate authorization and appropriation for refugee and immigration programs, Congress temporarily authorized the use of Contingency Funds to meet essential costs of these programs. About \$28 million has been programmed for Cuban and other refugee programs.

PRIVATE ENTERPRISE, INVESTMENT  
GUARANTIES AND INVESTMENT SURVEYS

The Foreign Assistance Act of 1961 declares it is the policy of the United States "to encourage the contribution of U.S. enterprise toward economic strength of less developed friendly countries, through private trade and investment abroad". The Act provides authority to encourage and facilitate private participation in assisting the economic development of less developed friendly countries. In addition to authority to make guaranties or loans to private investors, the Act authorizes sharing in the costs of feasibility studies of specific proposed investments.

Investment Guaranties

Last year's legislation clarified and enlarged the scope of the prior specific risk investment guaranty coverage and also redefined the broad guaranty authority previously held by the corporate Development Loan Fund (DLF).

Against Specific Risks

The specific risk guaranty programs, which has been available to and utilized by private investors since 1948, was continued by the 1961 Act with clarifications and enlargements in its coverage.

Perhaps the most significant clarification is the definition of expropriation to include any abrogation, repudiation, or impairment of contract by a foreign government, which, not being the fault of the investor, adversely affects continued operation of the project.

Another significant provision is the expansion of eligibility for guaranties to include foreign chartered subsidiaries wholly owned by a U.S. corporation.

The scope of war loss coverage has been significantly broadened to permit coverage against losses from revolution or insurrection.

Finally, the ability of a guaranteed investor to obtain speedy and final settlement of a disputed claim for coverage is increased by the new statutory authority to refer such disputes to arbitration.

With the liberalization of the legislation covering the specific risk guaranty authority, there has been a noticeable increase in investor interest in the program. In the six months ending September 1961, when the Foreign Assistance Act of 1961 was signed, 163 applications were received covering \$416,275,000 of guaranties. In the five months from September 1961 to March 1962, 232 applications for a total of \$350,205,000 were received. The backlog on hand as of early March 1962 was 570 applications for a total of \$2,089,000,000.

In the same five months period, 20 guaranties were issued totaling \$77,200,000. Investments covered were made in such projects as a fertilizer manufacturing facility in Taiwan, the petrochemical industry in Argentina, the manufacture of refrigeration equipment in India and also in Malaya, an investment in a private development bank in Morocco, etc. Investment guaranties are now available in 54<sup>46</sup> underdeveloped countries and in the dependent overseas territories of France, Denmark, Netherlands, and the United Kingdom. Negotiations are continuing to add a number of the newly independent African countries to the program as well as to complete our agreements programs in Latin America.

Under the 1961 Act no more than \$1,000,000,000 of specific risk coverage may be outstanding at any one time.

Against All-Risks

The 1961 Act provided new guaranty authority to cover a portion of loss arising from any cause other than the investor's fraud or misconduct. Congress was informed last year that this authority would be used only for priority projects which promoted economic development. To that qualification Congress added a statement that in the use of the authority emphasis should be given projects furthering social progress and the development of small business enterprises. No such guaranty may exceed \$10,000,000. The portion of the risks covered by such a guaranty may not exceed 75% of the investment and is to be determined in each case by an assessment of the risks attendant upon the particular investment. These guaranties are available to U.S. investors or to foreign chartered wholly-owned subsidiaries of U.S. corporations. While a number of requests for extended risk coverage were received during the year and are currently under study, no single application is sufficiently far advanced to be reported on.

PRIVATE ENTERPRISE, INVESTMENT  
GUARANTIES AND INVESTMENT SURVEYS (Continued)

A special all-risk guaranty for U.S. investors, but not their foreign subsidiaries, was made available by the 1961 Act for investments in Latin America in pilot or demonstration housing projects.

The show of interest in this provision on the part of both U.S. investors and the construction industry, has been very strong indeed. Criteria have been developed to screen the many applications received, and projects are now being reviewed prior to final negotiations of particular guaranty agreements.

Under the 1961 Act no more than \$100,000,000 in all-risk coverage, of which \$10,000,000 is reserved for the housing guaranties, can be outstanding at any one time.

Fiscal Limitations and New Authority Sought

The amounts of guaranty coverage which may be outstanding at any one time are limited not only by the statutory ceilings but by the reserves available. All guaranties issued to date have funded reserves. Existing reserves consist of \$199,100,000 of borrowing authority from the Treasury, \$8,200,000 in accumulated fee income, and \$27,700,000 of appropriated capital of the former corporate DLF. Of these capital reserves of \$235,000,000, all but \$59,500,000 is presently obligated behind outstanding guaranties.

Neither present reserves nor the present face amount ceilings are adequate to permit orderly continuation of the guaranty program in handling the present applications. There are currently 570 applications for specific risk coverage alone on hand for a total face amount of \$2,089,000,000 in coverage.

Accordingly, to increase the reserve funds, a new appropriation of \$100 million is requested. With provision of 25% for reserves, this authorization would permit extension of additional guaranties of about \$400,000,000. To the extent, however, that higher reserves are required for all-risk and housing guaranties, the total amount of funds available for new guaranties would be reduced.

It is also requested that the ceilings on outstanding coverage be increased by \$300,000,000 for specific risk coverage, by \$90,000,000 for general all-risk coverage, and by \$50,000,000 for all-risk coverage on Latin American housing.

Loans to Private Enterprise

Development Loans. Development Loans may be made to private business associations, whether those associations are formed under the laws of the United States, the laws of the project country, or the laws of a third country. The 1961 Act provides that the President shall "wherever appropriate, carry out programs of assistance through private channels and to the extent practicable in conjunction with local, private or governmental participation including loans under the authority of Section 201, to any individual, corporation or other body of persons". For a description of the criteria for development loans, see the section, "Development Loans".

Cooley Loans. The 1961 Act permitted the transfer to AID of the authority provided by the "Cooley Amendment" to P.L. 480 and previously held by the Export-Import Bank of Washington, to lend to private enterprises foreign currency proceeds of sales of surplus agricultural commodities. Such loans may be made to U.S. business firms and branches, subsidiaries or affiliates of such firms for business development and trade expansion. Such loans may also be made to domestic or foreign firms for establishment of facilities abroad for aiding in the use, distribution or increased consumption of U.S. agricultural products. The basic purpose of such loans is to promote balanced economic development and trade among nations. Responsibility for administration of Cooley loans was transferred from the Export-Import Bank to AID as of January 1, 1962. Since that time a steady flow of applications has been processed.

No funds are requested for the Cooley Loan Program since these funds derive from P.L. 480 sales.

Surveys of Investment Opportunities

The 1961 Act authorized \$5,000,000 for fiscal year 1962, of which \$1,500,000 was appropriated, to encourage the undertaking by private enterprise of surveys of investment opportunities in less developed friendly countries. AID proposes to reimburse any enterprise undertaking such a survey up to 50% of the survey costs should the enterprise decide not to invest in the project surveyed. In such a case the enterprise must turn over to AID a professionally-acceptable technical report on the project.

PRIVATE ENTERPRISE, INVESTMENT  
GUARANTIES AND INVESTMENT SURVEYS (Continued)

There has been lively interest in this new authority from the business community and while to date no contracts have been concluded, it is expected that once the procedures are fully publicized, a growing volume of surveys will be undertaken.

A further appropriation in the amount of \$5,000,000 is requested to permit continuation of this activity in fiscal year 1963.

Organization

With the staffing of the Regional Bureaus it has been possible for them to assume operational responsibility for each of these programs with the exception of the specific risk guaranty function.

The Office of Development Financing includes a Private Enterprise Division which acts as a central AID contact with private enterprise generally. This Office is charged with providing policy guidance to the Regions on the encouragement of U.S. private investment capital going abroad and on the particular techniques, services and facilities to stimulate indigenous private investment, including intermediate credit institutions.

## DEVELOPMENT RESEARCH

The Foreign Assistance Act of 1961 is noteworthy in recognizing that Research and Development may be as vital in accelerating the economic and social growth of the less developed areas as in moving the United States into the space age. Section 241 of the act authorizes the President to use economic assistance funds for research programs to increase the effectiveness of the U.S. development assistance. A research program of conservative dimensions has already been started within the Agency for International Development (AID).

### A. The Purpose and Scope of AID Research Activity

The fundamental purpose of research in development assistance is to identify problems impeding progress in the less developed countries and to discover useful solutions, through scientific investigation, that will speed up the attainment of development goals. Some problems are common to emerging countries in comparable stages of development throughout the Free World, and the solutions uncovered through research and evaluation can be applied, with minor adaptation, wherever the problem exists regardless of the geographic region in which the country falls.

The primary functions of the newly established Development Research Office within AID are to identify and to appraise the relative importance of the major problems that cut across regional boundaries, and to enlist the best talents available in the public and private research communities in devising the new approaches and new techniques needed to resolve these problems within a reasonable period of time. Centralization of the responsibility for direction of this research effort provides the most effective means of maintaining a world-wide perspective of the dimensions of the problems that need to be resolved and for keeping the outlays for AID-financed research activities within reasonable bounds.

While much of the research already undertaken by U.S. Government agencies and private organizations is relevant to development assistance generally, only a small fraction has been specifically directed to problems encountered or anticipated in AID programs. Thus a challenging task still looms of identifying specific research needs, establishing the relevance of these needs to AID program goals, stimulating new research to fill major gaps, correlating isolated research activities and relating them to development assistance problems.

Greater knowledge also must be accumulated with respect to the following:

- (1) The processes of political, economic and social growth; the cultural and institutional changes needed for such growth; and factors controlling the speed of these changes.
- (2) The conditions under which American and other Free World technical and capital assistance can most effectively contribute to change and growth in the less developed areas.
- (3) The people best qualified to implement foreign aid programs (particularly technical assistance); how to identify them; and how and in what specialities to train them.
- (4) The political, ideological, psychological and cultural impact of foreign aid and methods of its administration.
- (5) Procedures by which western scientific and technological knowledge can be best adapted to the individual needs of some 80 countries receiving U.S. assistance.
- (6) Methods by which progress achieved through foreign aid programs can be continuously and accurately measured.

Research in these areas and on individual problems, and its application to development activities, will gradually improve development assistance programs and thus become a decisive factor in the attainment of development goals.

### B. The Nature of the AID Research Program

The AID-financed research program will emphasize imaginative adaptation of basic knowledge to local conditions, the testing of new techniques in the environment in which they are to be used, the systematic evaluation of new ideas as they are put into practice, and encouragement of a flexible approach by the less developed countries towards solving their problems.

Research financed by AID will supplement but not duplicate that already completed or under way. Nor will it result in diminution of future research activity by universities, foundations, private enterprise, or other U.S. Government agencies. Research needs generally are so great that the independent and cooperative efforts of all private and public organizations will be required to make the Decade of Development a success. Beyond this, the AID-sponsored

## DEVELOPMENT RESEARCH (Continued)

research program will perform an important function in stimulating wider awareness in the U.S. research community of the problems of the less developed countries, and in nurturing a growing pool of talent with the training required for effective participation in development programs.

### C. Research Activities Planned for FY 1962

Research projects planned for FY 1962 and already funded, or in a sufficiently advanced stage to warrant financing before the close of this fiscal year, will require a total of about \$6 million. All of these concern existing problems; some are expected to produce innovations or a scientific advance speeding progress in areas where problems are particularly acute.

Some of the important projects involve:

(1) Research on the Problem of Shortage of Power at the Local Level. AID experience with community development programs strongly suggests that lack of power may be a major bottleneck holding back the effectiveness of self-help efforts at the local level. A simple power unit would supply the light to enable illiterate laboring populations to learn to read at night; make their labor more productive by day; and provide a stimulus for group action to raise living standards in their villages. The exploratory phase of the project in FY 1962 is designed to examine the economics of small-scale power plants already in use to determine what practical improvements can be made. These might include cheaper fuel, easier maintenance, lower cost, or improved methods of local financing and use which could be tested in the field.

(2) The Development of Planning and Planning Assistance Criteria. This will be an analytical study of the significant elements of development planning in emerging nations to help improve planning in some 80 countries now receiving AID assistance. It will deal with such key functions as the setting of realistic and adequate development goals, the selection of planning techniques appropriate to the country's stage of development, the improvement of such techniques, and the training of planning personnel. It will also deal with governmental procedures needed for effective administration, coordination and monitoring of development plans, and with methods of strengthening governmental and popular participation in the planning process.

(3) Research to Improve Land Reform Activities. An extensive analysis is to be made of the manifold problems involved in land reform programs, and of the different ways in which they have been handled, particularly in Latin America. The results of this research project, to be conducted under contract by a U.S. university specializing in this region, are expected to have wide application to other countries and areas.

### D. Research Activities Proposed for FY 1963

Research projects proposed for funding in FY 1963 will require at least \$20 million of Development Grant funds for inaugurating an estimated 50 projects in ten major areas of research. This sum is considerably larger than obligations for FY 1962, which will fund less than six months activity by an office only recently activated. Some of the projects planned for FY 1963 will be extensions of research activities begun in FY 1962. Most of the projects to be financed in FY 1963 will be new and concentrated in areas where development problems are most acute.

The following are among the projects proposed for FY 1963:

(1) Development of New Teaching Techniques to Offset the Shortage of Teachers. Economic and social development efforts in the less developed countries are hampered by the shortage of teachers at all levels. Several methods, used in varying combinations, could help overcome this shortage: (a) Improve and condense course content to shorten the educational period; (b) incorporate improved techniques in existing teaching manuals so that students can become teachers without lengthy training courses; and (c) add mass communications methods, such as radio, as a temporary substitute for individual teachers. This project involves establishment of an educational research services center in one or more regions to demonstrate and test these methods. Each center will have a small professional research staff for this purpose and will undertake the training of local staff to develop the indigenous capability for educational research.

(2) Agricultural Development Planning. The adaptation and application of modern agricultural methods and new technology are essential to realization of the agricultural potential of most of the less developed countries. This project will involve comparative studies of the experience in various typical countries

## DEVELOPMENT RESEARCH (Continued)

in order (a) to identify the extension training methods best adapted to the differing economic and cultural environment in a particular region; (b) to analyze the advantages, if any, of mechanizing small farms; and (c) to determine the training and purchasing facilities required to enable the farmers to make effective use of mechanical equipment.

(3) The Role of Cooperatives in Development Assistance. Although the cooperative form of organizing private activities has proved attractive to the populations of the emerging nations, U.S.-financed activities to date have failed to take advantage of our own experience or assets in this field. This project proposes to discover the particular situations in which cooperative enterprise may be uniquely appropriate to aiding in developmental progress.

(4) Encouragement of Small Industry through Industrial Research Institutes. A number of industrial research institutes already exist in several of the less developed countries. Generally, however, they have had little if any impact on the stimulation of small private industrial enterprises in the country or region in

which they are located. This project involves: (a) survey and analysis of selected, existing industrial research institutes to determine the degree to which present facilities are being used, and the ways in which their research findings can be made more widely available throughout the region; and (b) establishment of one or more demonstration and training research institutes in areas where none exist and where conditions are such that their services could help small industry flourish.

(5) Improvement of Indigenous Materials and Structural Design for Low-Cost Construction. The purpose of this project is to identify materials found in the less developed countries which can effectively be combined with other products, such as plastics, to produce inexpensive materials to meet the exceptional demand for housing, community facilities and classrooms. It will also include the development of structural designs best suited to the climatic and social environment of the given country or region. This project will capitalize on earlier, scattered experiments in this field, with a view toward achieving a faster solution to the acute building shortage which exists in most of the less developed countries.

OCEAN FREIGHT - VOLUNTARY RELIEF AGENCIES

The Ocean Freight Program, by subsidizing the movement overseas of supplies donated to American voluntary agencies, facilitates and encourages people-to-people gifts from private Americans to needy persons abroad. In addition, the 1961 Act made it possible for voluntary agencies to acquire U.S. Government excess property at no cost other than rehabilitation costs, which is also eligible for transportation under the Ocean Freight Program. These programs are operating in some 80 countries and are made possible by donations of cash and goods obtained in this country.

Before expending funds for this purpose, AID obtains firm assurances from recipient countries that the goods will be accorded duty-free entry and that costs of inland transportation from ports of entry to ultimate points of distribution will be borne by the host 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.

Ocean Freight - Voluntary Relief AgenciesProgram Summary  
(In thousands of dollars)

	Planned or Assumed FY 1962	Proposed or Assumed FY 1963
FY 1961		
\$2,658.6	\$3,100	\$3,200

Detail of Program

Overseas Freight Subsidies by Area	FY 1961	Program FY 1962	Proposed FY 1963
Africa and Europe	\$ 800.0	\$ 800.0	\$ 900.0
Near East and South Asia	500.0	550.0	550.0
Far East	870.0	1,200.0	1,100.0
Latin America	488.6	550.0	650.0
Total	\$2,658.6	\$3,100.0	\$3,200.0

Summary of Program

Expenditures for			
Overseas Freight	\$ 2,658.6 <sup>1/</sup>	\$ 3,100.0 <sup>2/</sup>	\$ 3,200.0 <sup>2/</sup>
Weight of Supplies (lbs.)	50,730.0	58,900.0	59,000.0
Value of Supplies	48,194.0	57,800.0	57,900.0

<sup>1/</sup> Excludes \$500,000 for Korea funded out of Mutual Security Act Section 131(d). <sup>2/</sup> Includes Korea

EXCESS PROPERTY

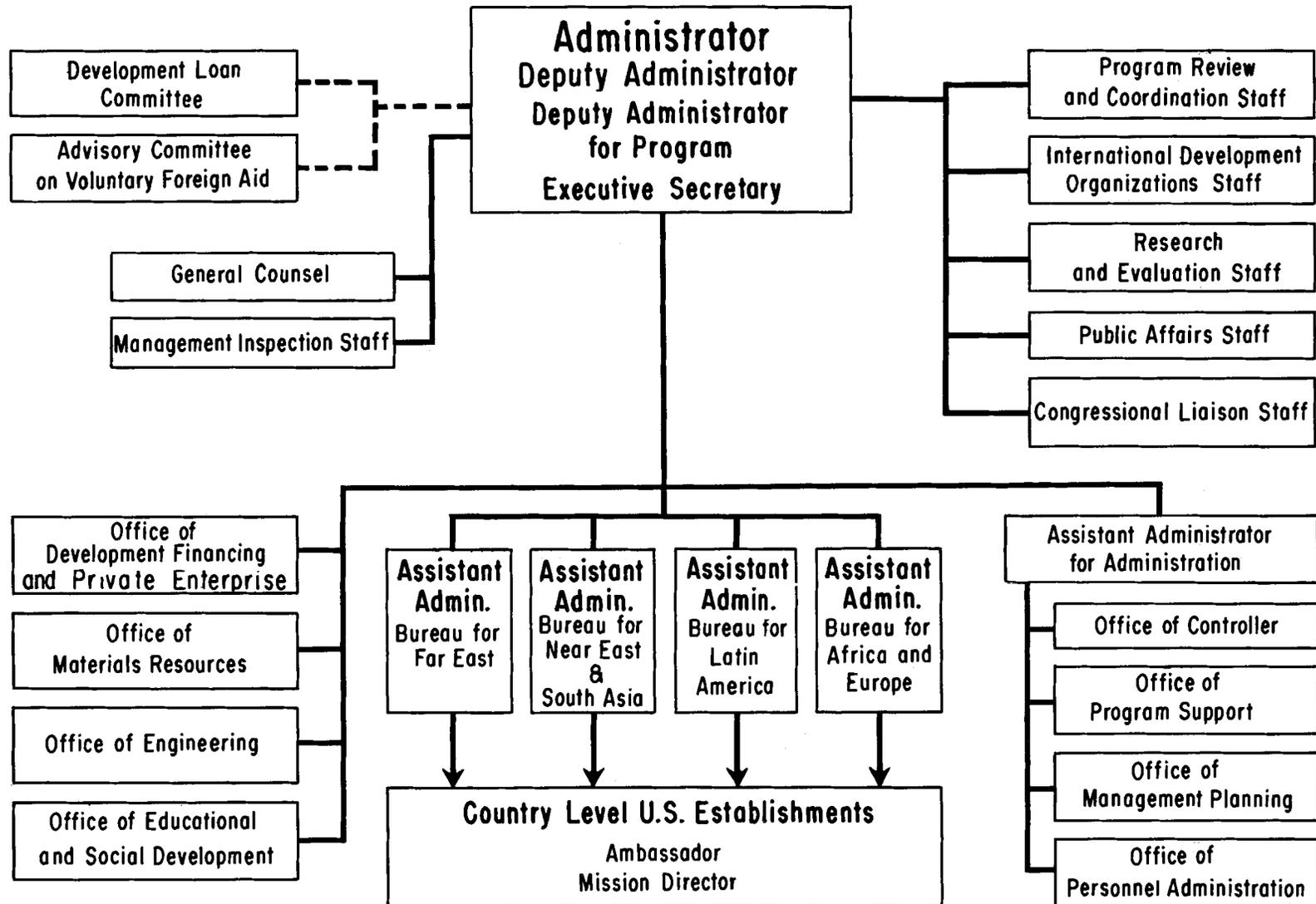
Much Government equipment and supplies, which are excess to the needs of the owning agency, is potentially of great value in the foreign aid program. Tools, vehicles, and other equipment are available which are needed for vocational training, agriculture, construction and many other projects.

Excess Government property has long been available to AID for use in its overseas programs on the same terms as to other Federal agencies: payment of rehabilitation costs and transportation. Packing costs average about 10% of the original value; repair costs vary. Property originally valued at \$59.3 million was used in the ICA programs in FY 1961.

It is expected that some \$70 million will be used in 1962 and \$100 million in 1963. The increases are made possible by changes in the law increasing the number of eligible recipients, and permitting for the first time acquisition of excess property for rehabilitation and warehousing prior to known requirements.

Although the Congress authorized a revolving fund of \$5 million to implement the program in FY 1962, it is estimated that only \$2 million of Development Grant funds will be required. In FY 1963 it is estimated that the full \$5 million will be required to finance acquisition costs and marshaling sites in the East, West and South of the United States to facilitate better use of excess property in the program. It is planned that additional marshaling sites will be established in Europe and the Far East to make use of Department of Defense overseas excess property in AID programs. The revolving fund will be reimbursed from country program funds as the property is shipped to its destination.

# AGENCY FOR INTERNATIONAL DEVELOPMENT



## ORGANIZATION AND ADMINISTRATION

The Agency for International Development (AID) was activated on November 4, 1961, pursuant to the Foreign Assistance Act of 1961.

The new Agency's operations and responsibilities are both vast and complex. It is responsible for administering several billion dollars a year for world-wide development programs. AID now administers U.S. assistance programs in more than 80 foreign countries. Its staff includes more than 15,000 direct-hire U.S. and foreign national employees, of which about 13,000 are serving overseas. In addition close to 2,000 people work for the Agency indirectly as contractors or contractor employees.

AID responsibilities include those formerly dispersed among the International Cooperation Administration, the Development Loan Fund, and other agencies. Much has already been accomplished in organizing and staffing it in the few months of its existence. Personnel of the predecessor agencies whose experience was judged valuable to AID operations were transferred to the new Agency. Continuing functions of the predecessor agencies were recast to fit into the AID organizational structure. Selected positions were also identified for transfer from the administrative to the program categories of funds under the new organization structure and the approved criteria for charging personnel to the appropriate funds. A new team of executives has been recruited to fill many of the major policy-making positions.

The reorganization of an effort as extensive and complex as the U.S. foreign assistance program requires much time and talent. Although considerable progress has already been made, the new Agency must still be considered in its formative stage. Additional time and continuing effort must be devoted to making the new organization wholly effective in achieving its objectives in the Decade of Development.

### Organization

AID represents a wholly new approach in organizational and operational techniques. Program and operating responsibility is now concentrated in four geographic Regional Bureaus. Both the former ICA and DLF vested substantial operating responsibilities in functional, rather than geographic units. As a result, decision-making responsibility in these predecessor agencies was considerably diffused. The AID organization, shown in the attached chart fixes line responsibilities in the four Regional Bureaus for efficient, responsible program administration. The primary task of the program and staff offices indicated is to

provide policy guidance and program support. These, in turn, assure consistency of agency operations and attainment of program objectives by Regional Bureaus and AID Missions overseas.

Organizational changes are also being made in the field missions to reflect the "turn-around" in U.S. assistance program concepts. Under the ICA approach, many missions were organized on the theory it was necessary to have separate organizational units for each technical field (e.g., industry, public administration) in which assistance was being given. As U.S. aid programs are adjusted under AID to concentrate U.S. assistance in selected critical sectors of the economy in each country, missions will be reorganized accordingly. The result should be tighter, more easily manageable mission organizations, responsive to U.S. economic assistance policies and objectives.

### Improvement of Techniques

A major effort is underway in the Agency to improve the administration of foreign assistance programs. New policies, guidelines and procedures are being developed and implemented for such functions as:

1. Capital project review, approval and execution;
2. Commodity assistance operations;
3. Negotiation, execution and administration of contracts;
4. Development planning assistance to host countries; and
5. Research in the techniques of economic development.

A major effort to install a new program development and execution system for world-wide use is well underway. When fully operative, this system will permit the construction of more realistic mission programs on the basis of careful analyses of country development plans, self-help efforts, non-U.S. sources of assistance and other factors affecting the achievement of U.S. objectives. The system provides increased authority and flexibility to U. S. Ambassadors and mission directors for both program planning and execution. In addition, through simplification and more realistic phasing of the Agency's program documentation and approval procedures, faster implementation of programs and projects is expected.

A study is underway to use the services and facilities of other U.S. Government departments and agencies more effectively in the administration of the foreign assistance program. The means to

## ORGANIZATION AND ADMINISTRATION (Continued)

encourage greater participation by private enterprise and non-governmental institutions -- universities, foundations and international organizations -- are also being explored. Promising research projects are being undertaken to shed more light on the only partially-understood processes of economic growth and development.

### Personnel

The success of any organization depends largely on the quality and morale of its personnel. The search for outstanding talent -- both in and outside of the government -- has had a high priority during the transition period following the Agency's formation. Although many key vacancies have been filled -- a large number with outstanding people from outside the government service -- the task of recruiting key executives and professional staff, particularly for overseas assignment, is still far from complete. A sustained effort is being made to attract the most qualified people for vacant AID positions in both the Washington headquarters and the Missions overseas.

The most important personnel objectives are to improve the Agency's recruitment and selection techniques, and to make more effective the training of employees and their families, prepare them for their work and dealings with people in foreign countries. Certain portions of the Agency's basic training courses now given to employees will be offered for the first time to employees' wives and the employees of contractors. A course for senior officers designed to equip top field staff to do a better job of managing complex social and economic development programs is scheduled to start next fall.

### Administrative Budget

The Agency's ultimate success in recasting its programs and organization will depend on adequate funding in both the program and administrative categories. Although program and administrative funds are treated separately for budgetary purposes, they are of course completely interdependent in achieving the Agency's objectives. The administrative budget provides the fuel to move the program machinery.

The Administrative Expenses Appropriation, authorized by Section 637(a) of the Act, provides the funds to administer the programs coming under Part I of the Act and to coordinate those under Part II.

An Administrative Expense Budget of \$55 million is proposed for FY 1963. This is less than two percent of the total appropriations proposed for program purposes in FY 1963 (not including AID-administered foreign currencies and unexpended balances of prior appropriations).

Administrative activities to be financed with these funds include:

1. Establishing program policies and standards;
2. Planning, direction and review of programs and projects;
3. Evaluation of program effectiveness in achieving U.S. foreign policy objectives; and
4. Management and staff services (including auditing, accounting and reporting) in support of programs.

The proposed FY 1963 budget represents the minimum needed to maintain the world-wide administrative staff and facilities of the Agency. The accompanying table shows the distribution of the budget among the major elements.

The \$55 million is needed to make possible realization of the following conceptual and operational changes that were legislated in the Foreign Assistance Act of 1961 and initiated during FY.1962:

#### 1. Strengthening of Overseas Missions

- (a) Staff to carry out the increased field responsibilities to assist recipient countries in long-range economic development planning, analysis of development plans, development of multi-year programs and the review and administration of development loans.
- (b) Staffing of new overseas Missions, and expansion to operating capacity in FY 1963 of preliminary staff cadres at overseas posts in Africa and Latin America opened in FY 1962 and 1961.
- (c) Selective staff augmentation to permit the audit of loan operations and to overcome present inadequacies in program support operations.

ORGANIZATION AND ADMINISTRATION (Continued)

2. Reorganization and Strengthening of AID/W Headquarters

- (a) Implementation of the reorganization plan of AID -- including the establishment of four line operating Regional Bureaus -- and the essential supporting program and staff units.
- (b) Additional functions assigned to AID, e.g., Cooley Loans of foreign currency for private economic development, the coordination of economic and military assistance programs and coordination with programs of private and international development agencies.

- (c) Increased attention to long range and more detailed economic planning for development of the countries receiving U.S. aid.
- (d) Expanded training programs to increase the effectiveness of AID personnel.

This \$55 million budget represents the minimum administrative funding necessary to fulfill the President's program for the total reorganization and redirection of the United States' foreign assistance effort in the Decade of Development.

AGENCY FOR INTERNATIONAL DEVELOPMENT

ADMINISTRATIVE EXPENSES

	(Dollars in Thousands)					
	Operations Cost (Obligations)			American Staff (Positions)		
	Actual 1961	Estimate 1962	Estimate 1963	Actual 1961	Estimate 1962	Estimate 1963
<u>OVERSEAS OPERATIONS:</u>						
Latin America	\$ 3,896	\$ 5,055	\$ 5,303	185	194	203
Near East-South Asia	5,601	5,926	6,374	243	243	245
Africa	6,011	8,108	9,302	326	332	360
Europe	771	719	673	33	32	24
Far East	6,744	6,758	6,996	298	283	282
Subtotal Overseas Operations	<u>23,023</u>	<u>26,566</u>	<u>28,648</u>	<u>1,085</u>	<u>1,084</u>	<u>1,114</u>
<u>DOMESTIC OPERATIONS</u>	18,791	21,232	21,389	1,867	2,150	1,870
<u>CENTRALIZED SUPPORT OF WORLD-WIDE OPERATIONS:</u>						
Staff Training and Development	420	731	1,500	30	30	50
Dept. of State Admin. Support Services	2,248	2,356	2,561	-	-	-
Other Centralized Support	723	719	902	20	20	25
Subtotal Centralized Support	<u>3,391</u>	<u>3,806</u>	<u>4,963</u>	<u>50</u>	<u>50</u>	<u>75</u>
<u>GRAND TOTAL</u>	<u>45,205</u>	<u>51,604</u>	<u>55,000</u>	<u>3,002</u>	<u>3,284</u>	<u>3,059</u>

Revised March 21, 1962

ADMINISTRATIVE AND OTHER EXPENSES, DEPARTMENT OF STATE

This Appropriation request provides for \$3.1 million in FY 1963 to cover costs of the Department of State for support of the United States Mission to the North Atlantic Treaty Organization (NATO) and European Regional Organization, and for administration of the Mutual Defense Assistance Control Act. This compares with \$3 million programmed for these activities in FY 1962. Total expenses of the State Department under this heading in FY 1962 will amount to \$5.0 million funded from an appropriation of \$3.0 million plus a transfer of \$2.0 million from other Foreign Assistance Appropriations which is necessary to cover liquidation costs for the personnel who have performed program coordination and review and policy guidance functions.

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 (AID), and the United States Information Agency (USIA). A request for \$2,145,000 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 United States 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.

Mutual Defense Assistance Control Act

The Control Act program is based on Public Law 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 1963 is \$955,000.

Program Coordination, Policy Guidance and Review

Prior to 1962 the funds appropriated under this heading were available to the Department for the administrative costs of program coordination and policy guidance of the Mutual Security Program. The funds appropriated under Section 637(b) for FY 1962 were not sufficient to continue this activity. However, cost of continuation of this function for the first three months of FY 1962 during which Congressional action on the appropriation request was pending, together with the termination costs, had to be met. To fund these costs a transfer of \$2.0 million from other funds in the Foreign Assistance Appropriation Act of 1962 is necessary. No funds are provided herein for this purpose for FY 1963.

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EFFECT OF AID



## RELATION OF AID TO THE U.S. ECONOMY

The greatest part of government foreign assistance programs benefits the economy by directly financing exports. In 1960, 12% of all U.S. exports were financed by economic assistance programs. These exports provide thousands of jobs throughout the country in agriculture, industry, mining, transportation, and other services. All forms of government grants and credits abroad have been estimated to finance over 700,000 jobs for Americans.

Many aspects of over-all government assistance almost exclusively finance U.S. export of goods or services. This is true of the surplus agricultural commodity programs under P.L. 480, of Export-Import Bank loans, and of the military assistance program. It is becoming increasingly true also of economic assistance programs conducted by the Agency for International Development (AID). About 73% of the commitments which will be made in FY 1962 with AID funds will be used directly to finance U.S. exports of goods and services.

There are many reasons why it does not appear feasible or in the national interest to limit AID exclusively to financing American goods. A number of countries need financial support of investment to meet local costs for which the financing cannot be quickly provided through transferring U.S. goods. This is particularly true of such urgent and sensitive situations as have been met in Laos, Vietnam, and Jordan. Also the trade patterns of many African territories will have to be substantially revised before dollars provided to support the local costs of development projects can effectively be used for imports from the United States. Every effort is being made to accomplish the change. Many countries which need U.S. aid need it to pay for imports of which the United States itself is also a net importer. Finally, there are a number of commodities where the cost advantage of importing from a nearby country rather than from the United States is extremely great.

### Procurement Policy

Procurement in the earlier years of the Mutual Security Program was on a world-wide competitive basis. This resulted in substantial budget savings to the program. During the period of world-wide dollar shortage this policy did not result in any harm to the United States, since dollars paid to foreigners for goods and services purchased abroad were generally used quite quickly by the recipients for purchases in the United States. With the increasing economic recovery in Western Europe and Japan this became less and less the case and assistance dollars spent abroad tended to increase the accumulation of foreign reserves. With the increasing competitiveness of foreign producers, the redirection of the AID

program from Europe to the underdeveloped countries, and the progressive shift in the financing of agricultural exports from AID to the P.L. 480 program, the share of Mutual Security dollars spent in the United States dropped to a low level. In 1959 only 47% of ICA commodity expenditures were in the United States and four-fifths of those abroad were for purchases in countries whose dollar reserves were rising.

This situation was met by policy changes in October 1959 and December 1960. At first it was decided that the Development Loan Fund (DLF) would place primary emphasis on financing goods and services of U.S. origin in financing the foreign exchange costs of development projects. This policy was designed in part to provide an inducement to the other industrial countries to establish or increase existing assistance programs. Since that time there has been a substantial increase in the amount of financing available to the less developed countries by the other industrial countries and an improvement in the terms on which it is made available.

In December 1960 a somewhat similar modification of procurement policy was adopted by ICA. Exports from 19 financially strong industrialized countries are no longer eligible for assistance financing, except under very exceptional circumstances. Ocean freight payments are now financed by AID only for shipments made on U.S. flag vessels, unless a waiver of policy is authorized by the Administrator. In a determination pertaining to foreign assistance procurement, dated October 18, 1961, the President emphasized that the preponderant bulk of procurement would be made in the United States. Limited amounts would continue to be procured outside of the United States in underdeveloped countries which need dollars and could provide some goods needed in other program countries.

The impact of these changes on the AID program has been substantial. In FY 1962 it is estimated that 80% of grant funds and nearly all development loan funds obligated for commodities will be used to finance U.S. exports. Current expenditures for commodity procurement show a lower U.S. percentage but this is because of continued disbursements for foreign goods ordered under the previous open procurement policy.

Because of the continued necessity for dollar expenditures abroad for budget support in some situations, for financing local costs of urgent development projects in others, for contributions to the U.N. and other international agency programs, and for necessary expenses abroad of U.S. technicians and contractors, the share of the total AID program directly spent for U.S. goods and services is somewhat less: about 73% of total obligations in FY 1962,

## RELATION OF AID TO THE U.S. ECONOMY (Continued)

which will be increased in FY 1963. Current policies are being reviewed with the purpose of further increasing the proportion of U.S. expenditures.

### Balance of Payments

A major improvement took place in the U.S. balance of payments in 1961. However, it remained in deficit because our trade surplus is not big enough to cover all the things we need to do abroad. In 1961 the United States exported \$5 billion more of goods and services than we imported, excluding those financed by government assistance. However, this surplus must be used, in the main, to cover payments for our military operations abroad, private investments, and capital flows, as well as foreign aid expenditures for other than U.S. goods and services. To the extent this "commercial" surplus on goods and services falls short of these outpayments, we will remain in deficit.

Measures to improve our balance of payments situation are also being sought on many fronts. Arrangements are being worked out with Western European countries which will reduce the balance of payments burden of our participation in the common defense. Modifications are being sought in the tax laws relating to foreign investment. Arrangements are being worked out with other financial centers and the International Monetary Fund (IMF) to reduce and to cushion the effect of short-term capital movements. AID policies are being reviewed to see how the burden of the program on the payments balance could be further reduced. There are grounds for confidence that ways can be found for carrying on all our necessary governmental and investment activities abroad within the scope allowed by our trade surplus.

### AID and Trade

The basic problem remains, however, of increasing our trade surplus. In addition to directly financing U.S. exports, AID is helping indirectly to do this in two ways:

- (1) By developing commercial markets abroad for U.S. products. The familiarity of U.S. engineers and AID technicians with U.S. products, and the provision of U.S. goods under AID programs serve to introduce U.S. products to areas where they previously were unfamiliar. Trade connections are established, a market for replacements created, in some cases a market opened where formerly U.S. trade opportunities were virtually nonexistent. The skill and zeal of U.S. businessmen in exploiting these opportunities will be required.

- (2) By helping build more prosperous economies abroad, AID is building potential U.S. export markets. In 1960 U.S. exports to developed countries, our major trade rivals, were \$29 per capita, virtually all on a private commercial basis. To less developed countries they were only \$5 per capita, including those financed by foreign assistance. As these economies grow, so will their markets for our products.

One of the basic limitations on the capacity of most less developed economies to grow is their inability to pay for imports. Foreign assistance and investment help overcome this difficulty, but basically these countries too depend for their continued growth on expanding exports.

At present about 90% of the exports of less developed countries consists of primary products. While less developed countries may increase their earnings from exports of these commodities, they will need additional diversification to do so. Broader market opportunities must also be provided for exports from the less developed countries of semi-processed and manufactured goods. It is not logical or efficient for the industrial countries to offer economic assistance on the one hand and on the other to maintain restrictive trade policies which inhibit the means for expansion of exports. In no other way can less developed countries service and repay loans while purchasing the equipment needed for an economically and politically satisfactory rate of growth. Even more attention must be paid to affording the developing countries greater access to the markets of the industrialized countries, including that of the United States. The new trade legislation proposed by the Administration is in part directed to this end.

### AID as Competition

While a guiding principle of our foreign aid has been that the United States and all free nations will benefit if productivity and standards of living are raised throughout the world, it has also been recognized that economic assistance should be examined judiciously for its possible adverse effects upon segments of the U.S. economy. This concept is reflected in various provisions of the Foreign Assistance Act of 1961.

Accordingly, economic assistance for projects which might have adverse effects on the U.S. economy or export markets is examined on a case-by-case basis under criteria which include the probable effect of this potential competition upon U.S. producers and the U.S. balance of payments.

selectivity, program concentration, and the planning of assistance activities to achieve specific goals selected to support the achievement of principal U.S. objectives in a country. Proposed programs were prepared by the field missions on the basis of these guidelines and reviewed by the regional assistant administrators and the Administrator this winter. The result has been the country programs outlined in subsequent volumes of this presentation.

In many countries, a number of small technical cooperation projects have been dropped which were not contributing to priority goals or which could not be expected to have a significant result. In many other cases, continuing projects have been reoriented and supplemented with new activities intended to focus on the achievement of specific major accomplishments needed and desired in the country over the next few years. The impact of the new emphasis on concentration and selectivity can be seen in the requirements for personnel included in the projects submitted by the field missions. There is a growing need for agricultural technicians, educators, and public administration advisors, whereas the projected needs in other professional fields remain constant or decline.

Another evidence of the impact of the new guidelines is the proposed decline of supporting assistance. In contrast with last year's presentation, in which Supporting Assistance programs totaling \$610 million were proposed for 22 countries, the FY 1963 estimate is \$497 million for 15 countries. The reduction is made possible both by the growing economic strength of the recipient countries, and by their growing ability to present economic projects and programs which qualify for development assistance. This shift frequently does not permit a reduction in total U.S. assistance to the country concerned. But it does permit the aid to be administered on a more businesslike basis and to be directed toward needed investments judged on their economic merits.

#### Long Term Planning

Virtually all studies of the U.S. foreign economic assistance program undertaken by agencies of the Executive Branch, committees of Congress, and private research bodies have emphasized the need for the formulation of sound country programs of development to which U.S. assistance could be geared. The governments and peoples of the less developed countries are increasingly aware of the necessity for the longer term plans, as the result of urging, not only from the United States, but from other donor countries and international financial institutions, and are to varying degrees setting about the formulation of plans.

In the planning area, AID and other agencies of the U. S. Government are engaged in three closely related activities designed to improve the efficiency of our assistance.

Assistance to governments in analyzing their economies and drafting plans of development is included in many of the country programs proposed for Development Grant aid in FY 1963.

This assistance frequently consists of technical and financial help for development of government institutions performing the functions of the U.S. Budget Bureau and Council of Economic Advisors. In some cases financial assistance underwrites contracts with universities or other technically qualified institutions to assist a country directly with a long-range development plan. In others, sector studies or feasibility surveys are proposed. Occasionally, assistance includes direct advice by AID personnel in the country's planning.

The development of a sound plan and its acceptance by a foreign government takes considerable time. Few countries have as yet qualified for long-term AID commitments. These few had been engaged in development planning for some years. It is expected, however, that over the next year a number of additional countries will request U.S. support for long-term development programs.

As a means of supporting sound long-range plans adopted by less developed countries, of assuring unified planning of total U.S. assistance strategy for each country, and of simplifying and accelerating the implementation of U.S. programs, AID has adopted in principle a new program development and execution system. A major feature of the new system is the preparation and approval of profiles of assistance needs for individual countries which are to represent a relatively long-range (perhaps five years) assessment of the extent to which, and specific ways in which, U.S. economic assistance can and should be used to further the attainment of U.S. objectives in each cooperating country. Annual budget submissions from U.S. AID Missions abroad will focus principally on requirements for a single fiscal year which will constitute a coherent part of the longer term plan. This spring, AID will send teams to about eight selected countries to test on the ground the new long-range programming process.

As longer term planning of economic assistance programs is developed, the opportunities to coordinate them more effectively with military assistance planning will increase. The planners of military assistance have already developed and are carrying out planning procedures for projecting military needs five years into the future, and with both military and economic assistance planning

proceeding on parallel lines, it is expected that the totality and combination of both types of our assistance effort can be planned and programmed for each country in a manner which will best serve both U.S. security objectives and the objective of producing the most favorable impact on the economies and societies of recipient countries.

#### Research

A number of development research projects have been started mainly on a contract basis with universities and other non-governmental organizations. Plans are in an advanced stage for expanding research activity during the coming year. Further details on this subject are presented elsewhere.

#### Mobilization of Other Resources

Efforts have been unremitting throughout the year to persuade other industrialized countries to increase and improve their contributions for economic development in the underdeveloped world. These efforts have taken the form of direct conversations

on the subject with other donor governments. They have also included pressing for increased activity by the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD). U.S. representatives have also insisted, in a series of consortia organized by the International Bank for Reconstruction and Development (IBRD), that the size of the U.S. contribution would be directly related to and conditioned on the amount other donors contribute.

These efforts have met with considerable success. Several European countries and Japan have increased their pledges of aid to underdeveloped countries. The effort to raise the \$945 million needed for support for Pakistan's development was successful without increasing the U.S. pledge. In a number of cases donor countries were persuaded to extend assistance on more liberal terms including substantially longer repayment periods and lower interest rates. During 1960 and 1961 the flow of capital from Europe, Canada, and Japan to the less developed countries was nearly as large as and increased faster than the flow to them from the United States although a large proportion continues to consist of relatively short term private capital.

OTHER CONTRIBUTIONS



## FOOD FOR PEACE

The abundant production of American farms is being used with other resources to help less developed countries achieve balanced economic development, meet emergencies, and care for the needy. Because of that abundance, needs are being met abroad which might otherwise not be covered. To assure the most effective use of this U.S. resource, Food for Peace programs are closely coordinated within the broader program of foreign aid. They are authorized by the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, as amended).

### Types of Programs

Title I of the act authorizes sales of U.S. surplus agricultural commodities to friendly countries for their own currency. Under long-term authority provided in 1961, programs of up to \$4.5 billion may be undertaken during the three-year period ending December 31, 1964. Programs in any one calendar year are limited to \$2.5 billion. These dollar amounts refer to the cost of commodities to the Commodity Credit Corporation (CCC) and reflect domestic support prices, processing, storage, handling and transportation costs. The prices at which commodities are sold abroad for dollars or foreign currencies reflect generally lower world market prices.

Title II authorizes grants of commodities held in stock by the CCC of the Department of Agriculture for famine relief and other assistance, including child feeding and, within certain limitations, programs to promote economic development. Programs of up to \$300 million (CCC cost) plus carryover from previous years may be undertaken annually during each of the calendar years 1962 through 1964.

Title III of the act authorizes donations of surplus foods from stocks held by the CCC to U.S. voluntary agencies, such as CARE, Church World Service, and Catholic Relief Services, and intergovernmental organizations, such as United Nations International Children's Emergency Fund (UNICEF), for distribution to the needy overseas. Donations of food to the needy in the United States and barter transactions are also authorized under this title.

Title IV of the act authorizes long-term supply contracts for repayment in dollars over a maximum period of 20 years.

The law imposes no limits of time or amount on Title III or IV. However, care must be taken to assure that all P.L. 480 programs do not displace commercial transactions of the U.S. and friendly countries.

### Possible Amendments

Several amendments to the legislation are being proposed to broaden the authority to use surplus agricultural commodities abroad. Amendments to Title II would permit the use of any commodities determined to be surplus by the Secretary of Agriculture, in accordance with Section 106 of the act, rather than the narrower range of commodities found in CCC stocks.

Amendments to Title IV would expand the purposes for which sales may be made to include market development. Sales could be made to private traders to develop markets in underdeveloped countries. Terms of the sales would be eased to allow repayments in reasonable annual installments rather than requiring equal annual repayments and to extend the grace period for the first repayment from one to two years. A new Title V is proposed which would authorize multi-lateral food programs through the United Nations or other intergovernmental organizations.

### Estimates of Cost and Value

FY 1963 Title I and Title IV programs, including the annual increments of long-term programs with India, Pakistan and several other countries, are projected at \$1.2 billion at U.S. export market prices, compared to \$1.4 billion for FY 1962. The CCC cost represented by these programs will be 40 to 50% higher than the market value estimate.

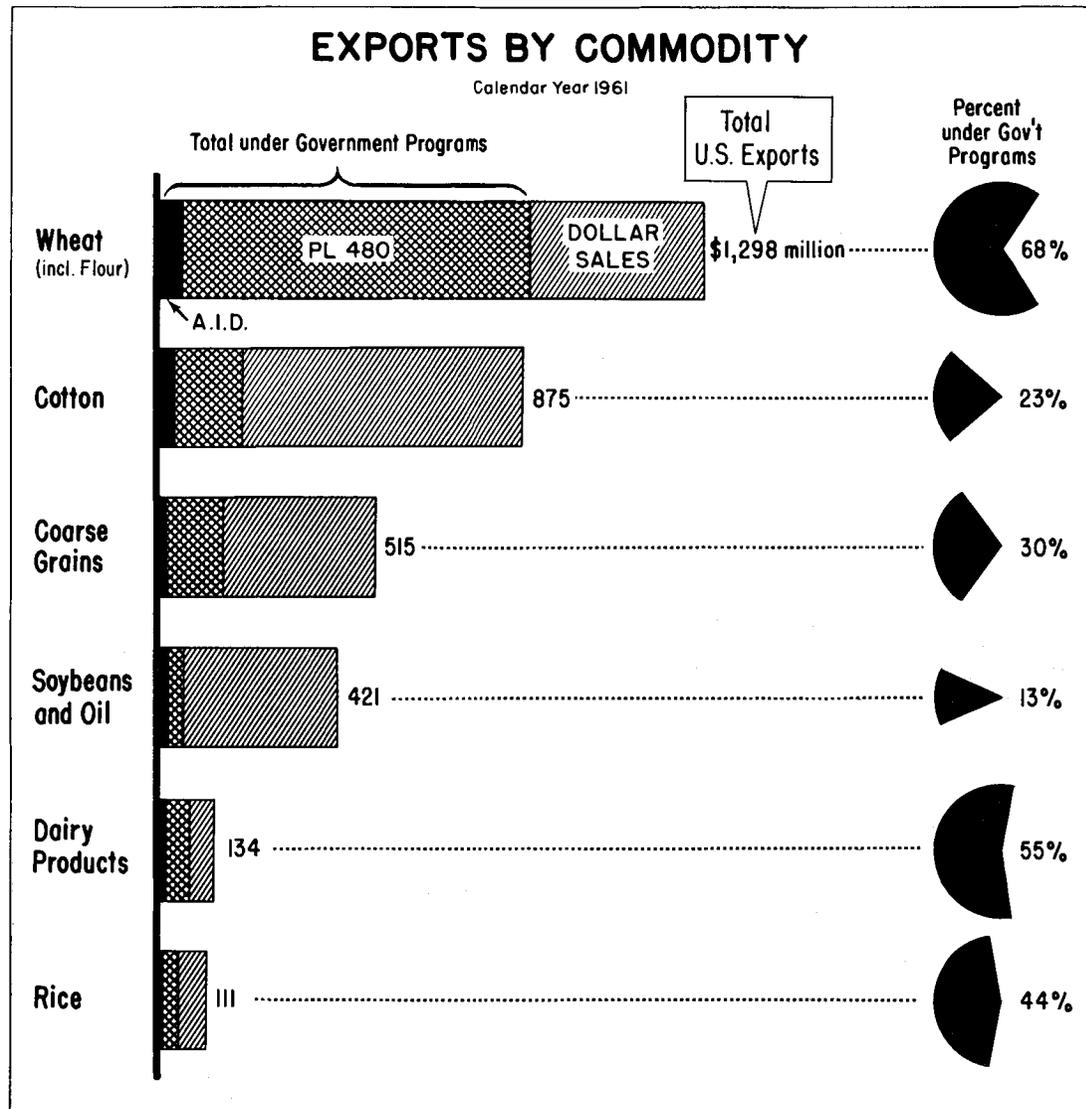
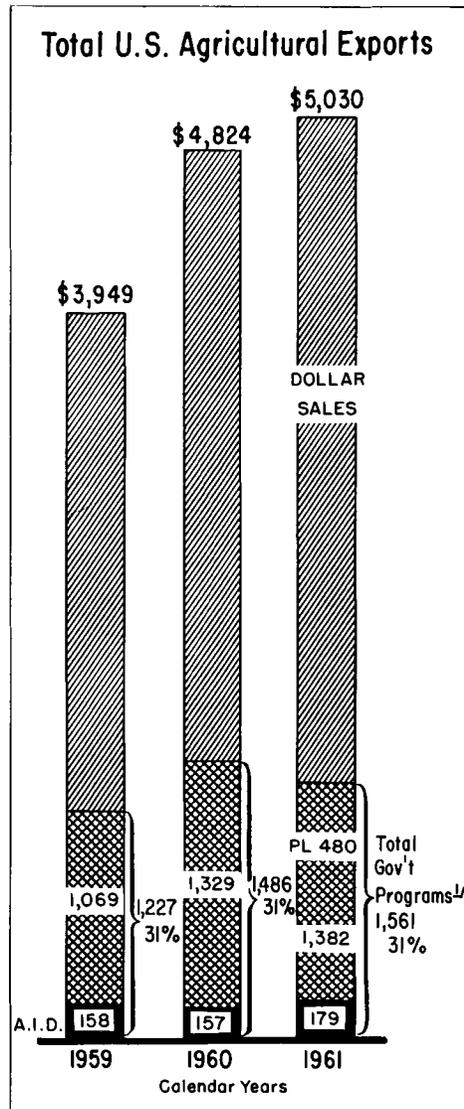
Vigorous efforts will be made to shift from Title I to Title IV programs in countries whose financial condition has improved sufficiently to warrant a transition to the harder terms of Title IV. In addition, it is expected that Title IV programs can be developed with countries which have not been eligible for Title I and where there are opportunities for sales of surplus agricultural commodities.

These estimates are based on the assumption that all agricultural commodities eligible for sale under P.L. 480 and needed for foreign assistance purposes will be provided under P.L. 480 to the extent compatible with the legislation. The Agency for International Development (AID) estimates, particularly for Supporting Assistance, have been prepared on this basis. Where these needs cannot be met under P.L. 480, requested appropriations for Supporting Assistance would be inadequate to meet the requirements of the program.

Local currency proceeds of Title I sales may be used by the United States for several purposes. Up to 25% may be used for loans to private, primarily U.S., business firms for various purposes.

# THE FINANCING OF U.S. AGRICULTURAL EXPORTS

(Millions of Dollars)



∨ Excludes Ex-Im Bank loans and Commodity Corporation credits; Includes barter transactions under PL 480, Title III

## THE PEACE CORPS

Loans and grants may be made to foreign governments for the common defense and to promote economic development. As a matter of policy, 25% of the proceeds of each sale are reserved for U.S. expenses in the country except in those instances in which the United States has or expects to accumulate currencies in excess of its requirements or where other considerations justify a reduction in the U.S. share. The same policy is applicable to amounts set aside for loans to private enterprise. Funds made available to foreign countries for economic development under P.L. 480 are provided on a loan basis unless it is determined that there is a substantial advantage to the United States in making a grant instead of a loan.

The full amount of local currencies resulting from the sale of Title IV commodities within the purchasing countries is available to the governments for economic development. Where appropriate, understandings are reached at the time Title IV agreements are signed to assure that these funds will be used for purposes consistent with the objectives of the aid program.

Title II child feeding and economic development programs are projected at \$86 million at export market value for FY 1963. This compares with about \$73 million at market value in FY 1962. The long-term authority of Title II has enhanced opportunities for undertaking economic development programs in cooperation with U.S. voluntary agencies, as well as with friendly governments. Major emphasis is placed upon use of commodities for part payment of wages in kind to needy people employed on simple improvement projects. Some expansion in child feeding programs is expected, both under Title II and III. There are, however, certain limiting factors in the expansion of these types of programs, including scarcity of administrative capacity in most less developed countries and lack of local funds needed to cover non-food costs.

The market value of commodities expected to be made available to voluntary agencies in FY 1963 is estimated at \$230 million, compared to \$165 million during FY 1962. It is estimated that 65 million people will benefit from the program, which will be carried out in 110 countries and areas.

The Peace Corps has put into operation a new concept of U.S. Government activity abroad. Its purpose, as stated by the Congress, is threefold: "to help the peoples of interested countries and areas in meeting their needs for trained manpower, and to help promote a better understanding of the American people on the part of the peoples served and a better understanding of other peoples on the part of the American people."

To meet these ends, the Peace Corps provides carefully selected and trained men and women of the United States who have volunteered their services to perform needed jobs in other countries. The work of the Peace Corps is quite distinct from that of AID. The Peace Corps provides "middle level manpower" rather than capital goods or high level "experts." Its contribution is made in the form of "human resources," i.e., people made available to less developed areas where, through working, teaching, or surveying, they can help the peoples of interested countries to help themselves.

The Peace Corps consists of volunteer personnel rather than career employees. It aims at filling the existing gap in the less developed countries between the usually abundant supply of unskilled labor and high-level advisors and technicians from both indigenous and foreign assistance sources.

Peace Corps volunteers are not advisors but workers and doers filling a manpower need. They work within the structure of the host country's government or private institutions, frequently as subordinates to host country nationals and subject to host country administrative and disciplinary procedures. Whether they teach, survey, or engage in community development programs their work is always under or alongside host country advisors or co-workers. They receive no diplomatic immunities or privileges.

As of February 15, 1962, 11-1/2 months after the establishment of the Peace Corps and seven and a half months after the first candidates entered training, the Peace Corps had some 888 volunteers in

service or in training for 13 countries. Since the first volunteers went overseas in August 1961 to take up their duties as teachers in Ghana, members of the Peace Corps have been following in increasing numbers to host countries on three continents.

The range of fields in which the Peace Corps has been asked to help is both vast and challenging. In Thailand, 45 professionally qualified volunteers will work this year as teachers in that country's badly-understaffed educational system and as entomologists and laboratory technicians assisting in a nationwide campaign to eradicate malaria. Some 26 Peace Corps volunteers are in the Punjab State of India at work on an agricultural project to increase food production for that country's expanding population of 440 million people. On the West Indian island of St. Lucia, a team of 15 Peace Corps volunteers are engaged in a rural development project which, through increasing agricultural yields by modernizing methods, may serve as a pilot program for other islands in the region. Thirty-five engineers, surveyors and geologists compose another Peace Corps team which will survey and build roads into Tanganyika's back country while performing preliminary geological mapping for exploration of mineral resources. Other Peace Corps teams are currently at work or on their way to assignments in other countries including: Nigeria, Colombia, Ghana, Malaya, the Philippines, Chile, Pakistan, Brazil and Sierra Leone.

The majority of Peace Corps volunteers at present are teachers with experience at every academic level from elementary school to specialized university post-graduate instruction. While their native command of English qualifies them as both teachers and examples in the eyes and ears of the indigenous populations, Peace Corps volunteers make every effort to communicate in the language of the host country. To this end, Peace Corps Americans are studying and acquiring familiarity with languages ranging from Thai and Bengali to the Twi of Ghana and Krio, a tongue of the Sierra Leone hinterland.

#### AID FROM OTHERS

Industrialized countries which share membership with the United States in the Organization for Economic Cooperation and Development (OECD) and its Development Assistance Committee (DAC) have markedly increased their aid efforts in the past few years. The total net capital flow (public and private) from these countries to less developed areas increased about 40% over the period 1956-1960, from \$3 billion in 1956 to \$4.2 billion in 1960. Part of this increase is attributable to greater participation by countries which have only recently developed assistance programs. Another part is attributable to growing contributions to international organizations.

But growing volume tells only part of the story. Each dollar of assistance is now making a greater contribution to economic development because terms of assistance have been significantly liberalized by many donors and are better adapted to different situations in recipient countries. Duplication is less and coordination greater because of increasing consultation in the Development Assistance Committee, at capitals, and in the field.

Between 1956 and 1960 the flow of assistance to less developed areas from the OECD and DAC industrialized countries, other than the United States, in official grants, loans of greater than five years, and contributions to international organizations rose from \$1 billion to \$1.9 billion. If reparations, refinancing of loans, and purchases of short-term International Bank for Reconstruction & Development (IBRD) notes are also included, these types of government disbursements in 1956 would have represented .45% of gross national product (GNP) at market price of the donor countries. By 1960 the figure had risen to .62%.

Grants rose about 67% over this five-year period, accounting for \$1 billion in 1960. Loans over five years (excluding refinancings) rose by 86% totaling about half a billion in 1960, while contributions to multilateral agencies, including IBRD note purchase, more than tripled, and reached almost one-half billion dollars in 1960.

#### Coordination of Assistance

Not only have the flows of assistance from Free World countries increased and the terms of aid improved, but efforts to coordinate this assistance among donor countries and international financial institutions have also grown. The DAC of the OECD, made up of Belgium, Canada, France, West Germany, Italy, Japan, the Netherlands, Portugal, United Kingdom, United States, and European

## AID FROM OTHERS (Continued)

Economic Community (Common Market), has made substantial progress in this area in a variety of ways.

An annual review by DAC of the over-all aid effort of each DAC country is a major step forward. The purpose of these reviews will be to assess each donor program with a view to increasing the magnitude and improving the terms and programming of aid, and to promoting greater coordination of aid activities among all DAC countries. The conclusions of these examinations will permit each to ascertain more precisely where specific coordination may be required.

Agreement has also been reached that special coordinating teams might be established at the suggestion of any member to exchange information and coordinate aid projects or programs for specific priority recipient countries. A team could, for example, be formed to discuss a particular project, the financing of a broader program, or the formation of a consortium to help finance the development plan of a country of importance to several members of DAC. The Chairman of DAC will play a leading role in the operation of these consulting groups.

The IBRD has also taken the lead in the coordination of international financing activities. Under the Bank's auspices, for example, consortia were formed for India and Pakistan and coordinated financing for the Indus River Settlement Plan was initiated.

The India consortium has met a number of times. The last formal meetings, at which aid contributions were discussed, took place in May and June 1961. At the June meeting, the members undertook commitments of aid to India totaling over \$2 billion for the first two years of India's Third Five-Year Plan (March 1961-April 1963). The United States has indicated willingness to commit \$1,045 million, of which \$500 million is contingent on further contributions of others. With these large commitments, India was able to launch its Third Five-Year Plan of economic development with confidence. The present members of the India consortium are the United States, the United Kingdom, Germany, Canada, France, Japan, and the IBRD. The consortium met in January 1962 to review the progress and is scheduled to meet again in May 1962.

The third meeting of the consortium for Pakistan was held in January 1962, at which time agreement was reached to provide \$945 million in support of the second and third years (July 1, 1961-June 30, 1963) of Pakistan's Second Five-Year Plan. The U.S. portion of this commitment was \$500 million. Members of the Pakistan Consortium are the same as for India.

The IBRD has also taken the lead in arranging international financing of the Indus Waters Development Plan. This includes agreement on plans and financing by India and Pakistan and assistance by other donors, including the IBRD. The total cost of the project was originally estimated at about \$900 million, but is now expected to exceed this sum by a substantial amount. In addition to the IBRD, the United States, United Kingdom, Germany, Australia, and New Zealand are making contributions to the Indus Plan.

### Contributions of International Organizations

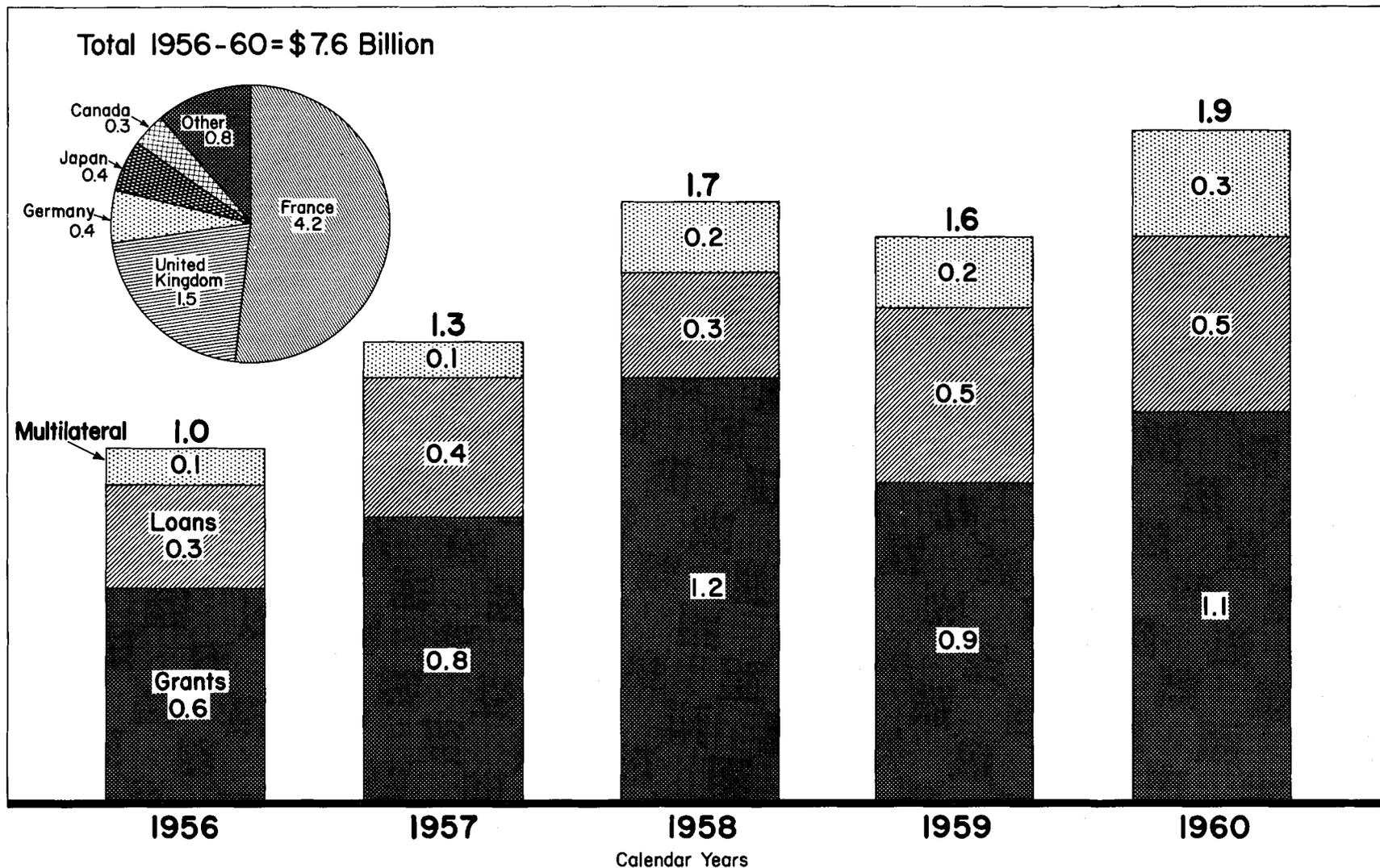
The IBRD, in addition, has made substantial contributions in other areas of the world. Twenty-seven new loans amounting to \$610 million were made during FY 1961 (ending June 1961). From July to December 1961, an additional \$400 million of lending brought the total value of commitments to \$6.1 billion. About two-thirds of the Bank's lending is for basic investment in transportation and electric power. In the past few years loans for transportation have been slowly drawing ahead. Current IBRD operations are entirely financed by repayments, by sale of bonds abroad or to private investors in the United States, or by drawing on the subscriptions of other member governments.

In September 1960 the Bank itself was joined by a new affiliate, the International Development Association (IDA), designed to aid economic growth with credits bearing less heavily on the balance of payments of less developed countries than more conventional terms. As of December 31, 1961, IDA had loaned the equivalent of \$181 million in the form of 50-year credits free of interest, but carrying a small service charge, to ten countries. The IDA has a capital of \$1 billion of which \$320 million was subscribed by the United States, over \$400 million by other industrialized countries, and the remainder by other members.

The Inter-American Development Bank (IDB), also a newcomer to the field of international financing, made its first loan on February 3, 1961 to Peru. As of December 31, 1961, the IDB had authorized, in U.S. dollars and member currencies, loans totaling the equivalent of \$178 million from its own resources. The Bank is making capital available in many fields, including agriculture, industry, transportation, irrigation, land settlement, and housing. The IDB also has a capital of \$1 billion, of which the U.S. subscription is \$450 million, consisting of \$350 million toward the Bank's capital stock (of which \$150 million will be paid in and \$200 million will remain as a contingent liability)

# OTHER FREE WORLD ASSISTANCE TO UNDERDEVELOPED COUNTRIES\*

1956 - 1960  
(Billions of Dollars)



\* Excludes loans of from 1-5 years, consolidation credits, reparations, and purchases of IBRD loans and bonds.

## AID FROM OTHERS (Continued)

and \$100 million toward the Fund for Special Operations. Central and South American countries have subscribed the remainder of the IDB funds.

The International Finance Corporation (IFC), formed in 1956, is meant to further economic development by encouraging growth of investment in productive private enterprise in its member countries, particularly in the less developed areas. Loans and equity capital committed through December 1961 totaled \$58 million, of which \$38 million has been disbursed. The IFC has an authorized capital of \$100 million, of which the United States subscribed 35%.

The interest rate charged by the IFC ranges from 5 to 10%, plus conditional payments dependent on earnings and options on shares. Investments have been mainly in manufacturing, processing and mining enterprises, with the majority of the funds going to Latin America.

The United Nations (U.N.), through its Special Fund and regular and expanded programs of technical assistance, is also making resources available for development in many parts of the world. The Special Fund provides assistance in the form of demonstration and pilot projects, preinvestment surveys, and aid to training, research and planning institutions. During calendar year 1961, 90 projects were approved involving Special Fund allocations of \$77 million. This brought total allocations to \$169 million.

During 1960 total program of the U.N. expanded program for technical assistance amounted to \$34 million. The 1961 program, planned at \$44 million, emphasizes education and training in all areas of activity and allocates a much higher proportion of funds to Africa. These programs are financed by voluntary contributions of U.N. member nations. The United States has pledged it will match contributions of other countries up to 40% of the total program.

In addition to its role in U.N. activities, as noted elsewhere, the United States participated actively in the economic programs of such regional organizations as the Colombo Plan and the Organization of American States (OAS).

## The International Development Organization Staff

AID has recently activated a new staff to provide a focus within the agency on the aid efforts of other governments and multilateral organizations and on the needs for coordination of these efforts with our own. This unit, called the International Development Organizations Staff (IDOS), is headed by a top level career officer who reports to the Deputy Administrator. IDOS is responsible for U.S. efforts to secure larger and more effective development aid contributions from other industrialized countries, a more equitable sharing of the burden of foreign aid, and a better coordination of bilateral and multilateral aid efforts. It pursues these objectives with regard both to economic and technical assistance to less developed countries. For this purpose, IDOS will backstop U.S. participation in the DAC of the OECD and will coordinate U.S. aid efforts with those of other bilateral donors and the U.N., the IBRD, IDA, IFC and the Colombo Plan. Administratively, the setting up of IDOS also represents a streamlining of organization inasmuch as it centralizes in AID multilateral development functions that heretofore have been partially located in the diplomatic side of the Department and partially dispersed among the geographical bureaus of AID.

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**MILITARY  
ASSISTANCE**

MILITARY  
ASSISTANCE

## MILITARY ASSISTANCE PROGRAM

The Military Assistance Program (MAP) is an important and integral part of the U.S. total defense effort. It is the vehicle of U.S. participation in the Free World collective security undertaking which allies the United States with more than 40 independent nations.

Through the Military Assistance Program, and in accordance with the terms and conditions of mutual defense agreements entered into by the United States with individual governments and with regional organizations, such as NATO, the Southeast Asia Treaty Organization (SEATO), and the Organization of American States (OAS), the United States provides military equipment and related training on a grant aid, credit assistance or sales basis.

### National and Collective Security

The relationship between the national security of the United States and the collective security of the Free World was clearly described by the Chairman of the Joint Chiefs of Staff when, in June 1961, he told the Senate Foreign Relations Committee that: "I look upon military assistance to our allies as adding strength and depth to the military posture of the United States. It enables our allies to organize, train and equip units which enhance the capability of the Free World to meet the challenge of Communist aggression and subversion. No amount of money spent on our forces could give the United States a comparable asset of trained, well-equipped forces, familiar with the terrain, and in suitable position for immediate resistance to local aggression." General Lemnitzer also said: "I am speaking not only for myself, but also on behalf of all the members of the Joint Chiefs of Staff. They join me in unanimously endorsing the essentiality of the Military Assistance Program."

With the same unanimity, the Joint Chiefs have stated on the record that they would not want one dollar added to the budgets of their respective services if that dollar had to come out of the Military Assistance Program. The statement reflects the clearly documented fact that our investment in military assistance is one which pays high dividends in Free World defensive strength. While it is impossible to estimate the cost to the United States of providing the military strength currently contributed by allied forces which the Military Assistance Program has helped to train and equip, it is a fact that a comparable increase in our own armed forces would be vastly more expensive than our annual investment in MAP. For example, the cost of FY 1962 Army appropriations for the maintenance of the two National Guard divisions called up in connection

with the Berlin crisis and supporting units (73,000 men) has been estimated at \$300 million. This amount is \$70 million more than the military assistance provided to maintain the Republic of Korea forces (including more than 15 divisions, over 50 vessels and almost a dozen squadrons or aircraft) in the preceding fiscal year. This same \$300 million is \$77 million more than the sum of economic and military aid required to support the Turkish armed forces (including over 12 infantry divisions, more than 50 vessels and over a dozen squadrons of aircraft) in FY 1961.

Comparative cost is, however, only one measure of the productivity of the U.S. investment in military assistance. Equally important are savings in American manpower and benefits of allied solidarity and cooperation. If combat-effective local forces were not available to man the frontiers of freedom, many more American servicemen would be deployed overseas. Such a drain on our manpower reserves would have a serious adverse effect on the national economy and an equally undesirable impact on American family and community life. Hardships and dislocations involved in the recent call-up of two National Guard divisions would be many times multiplied and magnified if the U.S. military establishment were called upon to assume responsibilities now being discharged by allied nations to which the United States is providing military assistance.

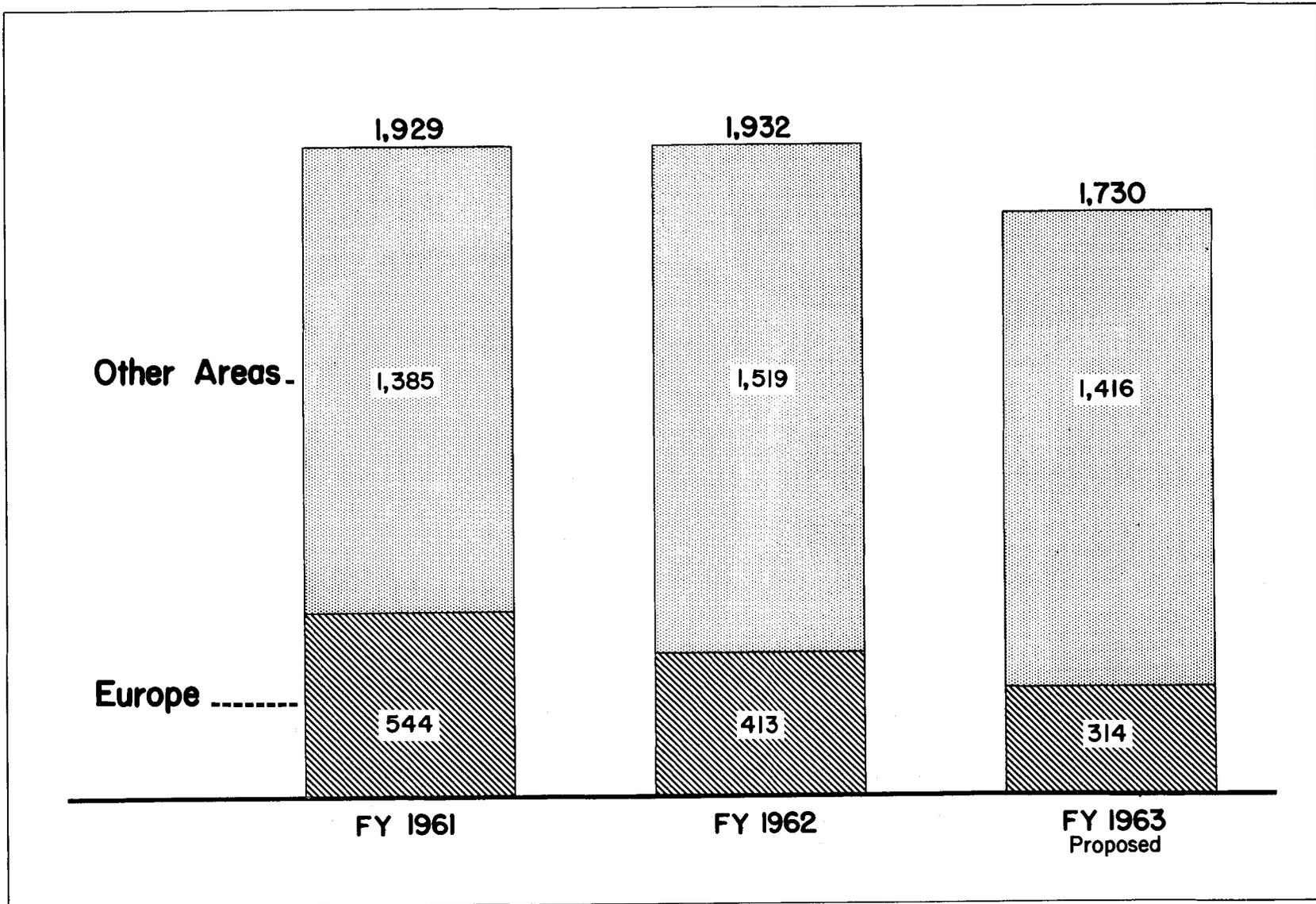
The by-products of that assistance are as important as its function in facilitating maintenance of effectively trained and equipped allied forces. Because the delivery of military equipment and the training of allied officers and men, both in the field and at service schools in the United States, are tangible evidence of U.S. commitment to the principle of Free World collective security, it encourages the self-defense efforts of Free World nations and strengthens both their will and ability to resist Communist threats and blandishments. Time and again the self-confidence developed as a result of our assistance and moral support has been put to the test, and country after country has demonstrated inflexible courage against Communist pressure.

### Military Aid and Economic Development

Direct benefits to the military posture, the civilian economy and the alliance system of the United States are not, however, the only important products of the Military Assistance Program. It is also a vitally important element of the comprehensive program of foreign assistance through which the President seeks to make the 1960s a Decade of Development in a world at peace.

# TREND OF MILITARY ASSISTANCE PROGRAMS

\$ Millions



## MILITARY ASSISTANCE PROGRAM (Continued)

Military assistance provides the security which is indispensable to sound economic growth. The training and equipment furnished to the armed forces of underdeveloped countries is not designed to promote an arms race, to give unpopular regimes the means of entrenching themselves, or to establish military dictatorships. It is designed to help constitutional governments maintain an adequate defense against external aggression and internal subversion, and to create a climate of stability and confidence prerequisite to economic and social progress.

Both as an adjunct of foreign policy and as an integral part of our total defense effort, military assistance has proven its effectiveness over a period of almost 13 years. During that time, while the major emphasis in the U.S. defense establishment has been on increasing its capability for nuclear retaliation, MAP-supported allied forces have steadily grown in both qualitative and quantitative conventional strength to the point where they now represent a substantial and reliable element of the Free World's total capability for limited war. These forces reflect the crucial importance of military assistance to national and collective security.

### Alliances at Work

The NATO forces which represent the major element of allied strength in dealing with the Berlin crisis are perhaps the most striking example of the achievement of the Military Assistance Program. When the NATO military build-up began, shortly after enactment of the Mutual Defense Assistance Act in 1949, Western Europe had practically no defense capability or mobilization base. Now, little more than a decade later, the NATO forces which MAP has helped substantially to equip and train have proved and continue to demonstrate their effectiveness as a deterrent of paramount importance. The degree to which they frustrate Communist objectives is repeatedly revealed by the intensity of continuing Communist efforts to divide and undermine the NATO alliance. Their relationship to our own national defense was strongly emphasized by the Secretary of Defense when he recently told the Senate Armed Services Committee that NATO represents the balance of power in the struggle against communism. Considerations such as these fully justify our past investment in military assistance to NATO allies.

The requirement for increased aid to strengthen the defense of less developed countries of the Free World is rising. Fortunately, the Western European NATO countries are, at the same time, fast approaching military self-sufficiency. Apart from modest training

necessary to insure most effective use and maintenance of equipment previously provided by the United States under the Military Assistance Program, and the fulfillment of prior commitments, no new grant aid materiel programs are planned for France, Germany, Luxembourg and the United Kingdom. Grant aid programs for several other NATO nations have been sharply reduced because the economies of these countries are recovering so rapidly from the drastic setbacks of World War II. The present focus of military assistance to NATO is on multilateral projects which promise the greatest strengthening of alliance defense and which are directly related to the rapidly changing nature of the military threat.

On the other side of the globe, Japan, like our NATO partners, has developed a strong self-defense capability and mobilization base. Military Assistance Program support has enabled the Japanese to build from a token force in 1954 to the present Ground Self-Defense Force strength of six modern divisions and one airborne brigade, a Maritime Self-Defense Force of over 50 combat ships, several hundred miscellaneous craft plus a growing antisubmarine warfare patrol aircraft capability, and an Air Self-Defense Force largely equipped with jet fighters. The 1961 Military Assistance Program for Japan made possible: continued cost-shared production in Japan of F-104 aircraft, to the total cost of which the United States contributes approximately 25% (an amount more than offset by Japanese purchases in the United States in connection with the production of these aircraft); the improvement of Japan's military posture with other air defense equipment; and continued delivery of American electronic and ordnance equipment for the Japanese shipbuilding program. The latter included fire-control equipment, antisubmarine warfare gear, radars, and antiaircraft equipment. This enabled Japan to equip the antisubmarine warfare ships she is building to protect vital sea approaches to Japan.

Throughout the Free World the nature and amount of U.S. military assistance varies with a number of pertinent factors. Each country program is carefully designed to provide only such equipment and training as is necessary to fill the gap between what that country is doing for itself and what must be done to protect it from external aggression and internal subversion. The premise of such decisions is that Free World security is indivisible. The loss of any non-Communist nation, whether by subversion or military conquest, is unacceptable because it not only weakens the entire Free World but encourages further aggression and adds to the collective strength of the Sino-Soviet bloc what it subtracts from the non-Communist community.

MILITARY ASSISTANCE PROGRAM (Continued)

For this reason alone, it is clearly and urgently in the best interests of the United States to assure Free World nations the means to defend themselves and to make the contribution to Free World collective security on which we may count as an element of the total military strength available for prompt and appropriate response to any aggression at any time or place. Therefore, while

we continue to press our allies to make maximum effort on their own behalf, prudent provision for our own security clearly supports the wisdom of filling the gap between what our allies contribute and what a strong defense requires. The Military Assistance Program is both the product and the instrument of that wisdom. It has fully proved its effectiveness as a tool of U.S. military and foreign policy.

VOLUME 11  
REGIONAL



## VOLUME II

### REGIONAL PROGRAMS

Volume II contains an unclassified presentation of regional and country programs. The entire FY 1963 presentation cannot be shown herein for security reasons. However, statements for each region, as well as selective and illustrative programs for several countries in each region, have been included. The country statements give historical program material, a current country analysis and a description of the proposed FY 1963 program. The length of treatment of each country is also merely illustrative.

More detailed information on each of these countries, as on all countries to which the Agency for International Development (AID) gives assistance, is given in the classified presentation volumes.

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ALLIANCE  
FOR PROGRESS

## ALLIANCE FOR PROGRESS

### Economic Assistance to Latin America

(In millions of dollars)

	FY 1961 <u>Actual</u>	FY 1962 <sup>a/</sup> <u>Estimated</u>	FY 1963 <u>Proposed</u>
Alliance for Progress Grants	68.6	109.3 <sup>b/</sup>	100.0
Alliance for Progress Loans	133.3	188.4 <sup>c/</sup>	510.4
Supporting Assistance	55.8	112.8	15.0

<sup>a/</sup> Exclusive of special earthquake relief assistance to Chile.

<sup>b/</sup> Including IAPSP funds.

<sup>c/</sup> Loans approved as of February 28, 1962. Excludes loans from the Inter-American Development Bank Trust Fund.

### Political Conditions in Latin America

President Kennedy's proclamation of the Alliance for Progress, on March 13, 1961 stated the purpose of the Alliance to be:

" . . . to demonstrate . . . that man's unsatisfied aspiration for economic progress and social justice can best be achieved by free men working within a framework of democratic institutions."

The proclamation forcefully called attention to the fact that an insistent and effective demand for change is the dominant political keynote of the Western Hemisphere. It is in this demand for change that the opportunity lies to accomplish the purpose of the Alliance for Progress.

The economic and social ills which it is the purpose of the Alliance to overcome are not new. However, both the prospects for overcoming them and the dangers of not facing them have increased.

The opportunity for political expression in Latin America has moved forward rapidly and steadily during the past decade. During the past year, for example, the 31-year old Trujillo tyranny in the Dominican Republic has given way to a new Council of Government which is providing the Dominican people once again with the opportunity for political expression. The tragic example of Cuba

stands out, in fact, as almost the only area of the continent where retrogression rather than progress toward democratic opportunity is the order of the day.

It is undeniable, however, that the progress toward freer expression, and the intensified determination of large sectors of the population to use this freedom to achieve change from the conditions of poverty, disease, lack of education and lack of economic opportunity, also offer an area into which the exploiters of discontent are moving. Castro-communism and its Sino-Soviet manipulators, although clearly and unanimously repudiated by the governments at the recent meeting of Foreign Ministers at Punta del Este, seek to spread their subversive doctrine and to take advantage of every nationalistic or local prejudice in doing so. Likewise, there are in some places blind forces of reaction seeking opportunities to bring about stagnation -- a serious challenge to measures of self-help which are essential to attaining the goals of the Alliance.

In the Charter of Punta del Este, agreed upon in August by all the governments of the American Republics except Cuba, the goals and framework for the vast cooperative effort were laid down. The cooperative nature of this program has been recognized by the steps which have been accomplished or initiated by all of the governments. The incompatibility of communism -- the Marxist-Leninism which is trying to portray the Cuban tragedy as the only valid method of achieving the goals of the Alliance for Progress -- with the cooperative program of the Americas was affirmed by the American Governments at the January Punta del Este meeting.

The governments have begun to act to demonstrate that democratic regimes "can encompass all the efforts for economic advancement and all the measures for improvement and social progress without sacrificing the fundamental values of the human being." As demonstrated by the almost unbounded enthusiasm with which President Kennedy was received by the people of Venezuela and Colombia in December, these are basic goals and programs in which the peoples of the Americas are prepared to join. Leadership, courage and capacity, which are increasingly present in their governments, must ensure that the forces of obstruction and subversion do not undermine or destroy the common effort.

## ALLIANCE FOR PROGRESS (Continued)

### Economic Conditions

The average yearly increase of gross regional product of about 4% between 1948 and 1961 has permitted only a very small rise in per capita income for the Latin American population of 210 million, which has been growing at a rate of 2-1/2% per year. Furthermore, the pace of development has slackened in recent years. It is estimated that in 1961 the regional gross product was approximately \$62 billion; in other words, per capita GNP was less than \$300. Of course, the regional averages conceal considerable variants among the different economies. In some, production is expanding at a rate sufficient to raise living standards, while in others per capita incomes have actually been declining. Moreover, the average figures conceal the vast differences in income between privileged groups and the majority of the people.

There is a need for planned and determined action to promote more rapid economic growth. The need arises because of present low levels, the explosive growth of the population, expected to average 3% per year during the sixties, and from the unfavorable trends and outlook for exports. World demand for primary products, which make up the bulk of Latin America's exports, has not increased rapidly and does not appear likely to do so. In fact, total export earnings of Latin American Republics (not including Cuba and Venezuela) in dollar values were actually lower in 1960 than in 1951.

With the export sector a shrinking proportion of their economy and with world markets for their traditional exports unlikely to expand rapidly, Latin American countries are forced to look to the development of their domestic markets to provide the base for acceleration of economic growth.

In terms of manpower utilization, Latin America is predominantly agricultural, with about half of the labor force in that sector. However, agriculture represents a much smaller share of gross product, due to the low labor productivity, which is in turn a result of an antiquated agrarian structure and technology.

In Latin America 1961 was a year of mixed results. Some countries, such as Argentina and Venezuela, showed strong advances in production and employment. On the other hand, balance of payments and inflation problems became more prevalent in the area, as for example in Brazil, Argentina, Chile and Colombia.

### Critical Needs for Growth

If the relative stagnation of the fifties is to be converted into rapid economic growth and social progress in the sixties, a number of far-reaching changes are essential. An increased flow of capital from outside can be important, both in itself and as a stimulus to other actions. But the needs for institutional change and reform and improved allocation of resources by the Latin American countries themselves are critical.

The importance of self-help and reform measures can scarcely be overemphasized. While the particular measures needed will vary from one country to another, all need institutional and structural changes to facilitate more rapid economic and social growth and to achieve a self-sustaining rate of growth.

In all countries increased public revenues are essential. This must be achieved both through improvements in tax administration and collection and through judicious increases in the tax rates. In many countries the tax systems are regressive to an extreme degree and successful tax reforms will often include the change to a more progressive system. In few instances do existing tax systems contain effective incentive features. As tax reforms are developed they should include incentives to encourage savings and productive investment.

In all countries improvement in agriculture is needed. Greatly improved facilities for agricultural credit for small-scale farmers coupled with extension services would contribute significantly to increased agricultural productivity and output and to improved opportunities and better lives for such farmers. In a number of areas redistribution of large estates, often inefficiently used, to those who cultivate the land would bring far greater political stability. Reclamation and settlement programs on presently unused land, the building of roads into inaccessible areas, and other programs to make agriculture more productive would also provide valuable contributions to political stability and enlarged opportunities for the large rural populations.

In the field of education expanded facilities in the form of classrooms, trained teachers and materials are needed on a massive scale. Human resources can best be improved through education; its contribution to long-run economic growth has no parallel. The annual costs of maintaining such a program, however, will place a heavy burden on the public budget and this points up the essentiality of increasing government revenues.

ALLIANCE FOR PROGRESS (Continued)

Other major fields in which significant requirements exist for self-help and reform measures include government administration, financial stabilization policy and treatment of private enterprise.

Measures Initiated

A number of steps have already been taken, particularly since the Act of Bogota in 1960, which demonstrate the growing realization among Latin American countries of the nature of the problem and a determination to move. Some countries, of course, are moving faster than others. Moreover, most of the measures which have been initiated will require further modification before reaching a wholly effective stage.

Examples of self-help and reform measures are indicated below:

- (1) Argentina, reversing the trend of the Peron era, in 1958 opened up the oil resources of the country to foreign exploration. As a result Argentina is now substantially self-sufficient in oil, saving about \$280 million annually in foreign exchange.
- (2) Bolivia has improved its revenue collection and administration, resulting in an increase of 30% in customs collections and 10% in other taxes.
- (3) Since August 1960, in a step-up of the agrarian reform program, Bolivia granted 71,000 land titles to small-scale farmers.
- (4) In Brazil, a comprehensive five-year development plan for the depressed Northeast region has been completed and the Brazilian Congress has appropriated funds for the first year equivalent to \$100 million.
- (5) Over-all development plans of at least a preliminary nature have been prepared and submitted to international machinery for review by the Governments of Chile, Colombia and Bolivia. It is expected that Venezuela will submit its plan soon. Other countries are in the process of developing long-term plans or organizing machinery to do so.
- (6) In November 1960 Colombia enacted an agrarian reform law providing for the redistribution of inadequately used land. Compensation would depend upon the size and present use of landholdings and would vary from 20% cash plus five-year bonds to 25-year 2% interest bonds for large unused estates.

- (7) In El Salvador, a bloodless coup d'etat established a civilian-military Directorate in January 1961 which pledged itself to holding free elections and to instituting a social reform program in line with the principles of the Act of Bogota. A number of reforms were put into effect including increased income taxes, minimum wage legislation both for urban and farm workers, establishment of minimum dietary standards to be provided farm workers, and adoption and implementation of a financial stabilization program in cooperation with the IMF. In December 1961 the free election pledge was fulfilled. In this election the candidates supporting the government and its reform program won all of the seats in the 54-man Assembly.
- (8) Effective July 1, 1961, Uruguay adopted an income tax with a base of 10% plus a progressive rate ranging up to 30%. This is the first income tax law in the country's history.
- (9) In 1960 Venezuela adopted a land reform program and has already resettled 40,000 families on 3,000,000 acres of land. During his visit to Venezuela, President Kennedy distributed land titles under this program.
- (10) Since 1958, in Venezuela primary school enrollment has increased well over 50%; secondary school enrollment has doubled; teacher training enrollment has quadrupled.

Evaluation of the significance of a specific measure must take into account improvements in comparison with past efforts as well as a comparison of the effort with the need; the evaluation must be relative as well as absolute. Evaluation of a country's resolution as well as its progress must not only be in terms of specific measures but also in terms of over-all effort as reflected in changing attitudes and approaches.

External aid will be most effective if it is made available at the optimum time to support national plans and programs -- not just made available later as a reward for national accomplishment. It will thus not be easy to strike a proper balance between avoiding inadequate assurance of self-help on the one hand and over-insistence on performance in advance on the other. Yet either extreme can seriously reduce the effectiveness of the program.

The adoption of self-help and reform measures is a complex and often lengthy process. If, for example, a specific tax reform measure should be proposed, it must (1) be prepared and approved by the government administration, (2) introduced and debated in Congress, (3) very probably revised in the Congress, (4) after passage by the Congress, enforced and administered by the

## ALLIANCE FOR PROGRESS (Continued)

government. From the beginning to the completion of this process a great deal of time may be required in a country where democratic processes are followed.

The need for specific self-help and reform measures must be judged in terms of the economic situation in the particular country, the probable effects of the measure and its potential contribution to growth as well as the strength and nature of the political forces concerned with it.

### Development Planning

In the past, much investment in Latin America has been misdirected. Low priority activities have been undertaken while urgent needs went unmet; construction has often been initiated and then delayed for years for lack of funds; plants have frequently been partially idle for lack of markets or lack of raw materials or power. And the total effort has generally been improperly related, or not related at all, to fiscal and balance of payments considerations.

In the Charter of Punta del Este it was agreed that national development plans would be valuable guides to countries in directing the use of available resources and in developing measures to make the national effort more effective. The general content of a development plan was specified in the Charter.

In the public sector, programs and projects, which have an impact upon the government budget, would be specified and developed in detail, their priorities indicated, and their financing provided for. In the private sector much less specific treatment of programs and projects could be included, except insofar as private investors have presented their own plans. For the private sector the principal elements in the national plan would concern governmental policies and measures designed to encourage and influence investment.

International assistance as well as assistance from other governments would be offered countries in creating their planning agencies and training staff and in the formulation of plans.

A panel of nine experts was created and attached to the Pan American Union for the purpose of reviewing plans, which are submitted to it, and offering suggestions to the government for modifying and strengthening the plan. After being satisfied with the results, the panel would be prepared to offer comments and recommendations concerning the plan to appropriate financing sources.

At the request of a government, and after an adequate review has been made of the plan, a financing institution, such as the IBRD or the IDB, might be prepared to organize a group of international institutions and interested governments to consider coordinated arrangements to assist in financing the external resources needed to implement the plan.

### Proposed Program for FY 1963

Lending for Economic and Social Development. In FY 1963 some major countries may reach the stage with evaluated comprehensive development plans when it will be in the U.S. interest to make a long-range development financing commitment together with other industrialized countries and international financial institutions. This support might in some cases encompass both general program support -- that is, capital goods and industrial raw materials -- and funding for particular development projects. For other countries it will be necessary to provide development financing projects that will fit into future development plans of the country. In FY 1961 development lending commitments totaled \$133 million, in FY 1962 the level of lending from the IDB Social Progress Trust Fund, Development Lending and other sources will be up substantially; the FY 1963 level is an estimated \$685 million (\$510 million requested for FY 1963 and \$175 million IDB Trust Fund).

Grants for Development. The \$100 million grant program requested for FY 1963 for assistance to educational development, planning and better government administration and improved rural institutions is slightly below the estimated FY 1962 level. These activities, which are individually not massive, are vital ingredients to the development of human skills and institutions necessary to successful development. However, it is planned to keep all these activities under review as to their effectiveness in light of the new criteria and the ability to accelerate the shift to reliance on development lending.

Supporting Assistance. A \$15 million program of supporting assistance is proposed for FY 1963, a major reduction from FY 1961 and FY 1962 levels. This is based on favorable assumptions that development aid will provide an adequate substitute and bring about the necessary growth. However, there remains a continuing need for supporting aid aimed at political and economic stability which may need to be supplemented at any time given the ever-changing picture in the Latin American scene.

ALLIANCE FOR PROGRESS (Continued)

Machinery for Administration of Programs in Latin America. As our programs are in the first phase of major reorientation, so are the various mechanisms established and available to administer assistance programs. The United States has placed major emphasis on strengthening the Latin American institutions, both national and multilateral. As an important objective of the Alliance for Progress this has been expressed through various forms of U.S. support to the Inter-American Development Bank (IDB), the Organization of American States (OAS), the U.N. Economic Commission for Latin America (UN-ECLA) and the Panel of Experts.

The Inter-American Development Bank is currently administering a Social Progress Trust Fund established by the United States with a contribution of \$394 million. Under the Agreement between the United States and the Bank loans are made from the Trust for the following four activities: (1) land settlement and full land-use; (2) low income housing; (3) community water supplies and sanitation, and (4) advanced education and training. It is estimated that in the first year of operation the Bank will have committed \$225 million.

Under a contract with the U.S. Government the Organization of American States has undertaken efforts which are aimed at strengthening national and regional development planning in Latin America, including the fields of education, public health, and public administration. The techniques employed by the OAS include special missions, seminars, and training programs. Under the auspices of the OAS and the terms of the Charter at Punta del Este a nine-man panel of experts has been organized to review and analyze the comprehensive plans as submitted by governments. This panel consists of outstanding Latin American and U.S. experts in the field of development planning.

The U.N. Economic Commission for Latin America also plans an important role in conducting economic studies useful in the development process. It has organized an Economic Development Institute in Santiago to provide top level training for persons engaged in national decision-making processes on the utilization of available resources.

The FY 1963 program does not presently contemplate a supplementation of the resources available to the multilateral institutions for their planned activities. The Agency for International Development is the principal instrument to administer U.S. assistance in FY 1963. Its focus will be primarily on the development plans which are being analyzed and reviewed through multilateral channels

of the OAS panel of experts, the IDB, the World Bank, or the Organization for European Economic Cooperation and Development. In addition, it will continue to provide financing for development loans and grants.

In this first year of utilizing multilateral machinery, it has become evident that hard and fast delineation of responsibilities between the various institutions is not practicable. The work of the financing institutions and the U.S. own bilateral efforts must complement each other and must operate in a framework of close coordination. There has to be a recognition of each other's role but this cannot be confined to individual function tasks or activities.

Both the multilateral institutions and the U.S. agencies engaged in providing assistance have agreed that there is no substitute for close working relationships in bringing about effective administration. This has been encouraged within the U.S. Government through an Alliance for Progress Committee, headed by the U.S. Coordinator for the Alliance, with membership from the various U.S. Government agencies concerned with the economic and social development of Latin America, and the U.S. representatives to the multilateral agencies. In addition to the day-to-day working relationships with the international institutions, there are existing formal mechanisms which consider the various activities on a country-by-country basis.

All of the organizational arrangements and working relationships have yet to be fully tested and improvements will take place in their evolution. Advances are being made both in Washington and abroad by increasing authority and responsibilities of the officials charged with carrying out the Alliance for Progress.

New Directions in AID Programs. In the Latin American region a drastic and dramatic change is taking place in the programs of assistance. A small bilateral program primarily emphasizing individual forms of technical assistance has been changed to a major cooperative effort which makes the United States a partner, through development lending, in long-term programs of economic development keyed to steady progress in making vital social and economic reforms.

ALLIANCE FOR PROGRESS (Continued)

Various facets of this changed direction are reflected in (1) emphasis on specific reforms, (2) development of sound plans and programs, (3) elimination of multitudinous minor activities, (4) involvement of other industrialized nations, other financial institutions and U.S. land-grant universities of the United States, (5) adaptation of program to major goals such as economic integration, (6) relating assistance programs to commodity and trade problems, and (7) reorientation of field missions.

Recognizing that the type of self-help measure which is feasible or desirable in each country will vary, U.S. assistance strategy now attempts to identify the kinds of reform or improvement which will contribute most toward growth, and what specific steps the country is able to take; efforts are then concentrated on helping the cooperating governments to bring about such measures. The U.S. Country Teams in Latin America will play an important role in this process.

A major portion of the proposed aid program is keyed to development plans which will have as their objective rapid growth to the point of self-sustainment. Recognition is also given to the short-term and the desirability of supporting projects which can eventually become part of a long-range plan.

During the current fiscal year U.S. AID missions in Latin America have re-evaluated their programs in an effort to achieve greater concentration. The first steps taken have been the phasing out of activities which are not closely related to long-range development goals. In some cases the elimination of such projects required lengthy negotiations with the national governments concerned because they resulted in closing down cooperative programs of many years' standing. But many such projects are being eliminated, and negotiations are continuing for the termination of others.

Our program in Northeast Brazil is a reflection of joint U.S.-Brazilian effort to deal with the priority political, economic and social problems in the context of a well-conceived plan on more than a one-year basis. As part of this effort, participation is anticipated by other industrialized nations and international financial institutions.

The proposed program for Central America is another step forward to the goal of economic integration. All the individual country programs were examined in the light of regional requirements. In addition, specific programs are requested which will aid the furtherance of the goal of integration.

Other efforts under way include a program to improve training to increase the availability of scarce human skills through the OAS, Latin American countries, the OECD and its members, and the United States.

**Country: BRAZIL**

In terms of population (67 million), area (almost as large as the United States; one-half of South America) and economic potential, Brazil stands in the front rank of the nations of the world. Rampant inflation, rapid population growth, recurrent balance of payments crises, political problems, and social and economic disparities among the people, combine to make Brazil the greatest challenge as well as the greatest opportunity for the Alliance for Progress. But despite Brazil's political and economic ills, its gross national product (GNP) is growing at the rate of 3.3% per capita per year.

Northeast Brazil, where 25,000,000 people are crowded along the coastline, is the largest area of extreme poverty in all Latin America and a center of serious political and social unrest.

In Brazil are represented all of the political, economic and strategic problems to which the Alliance for Progress is a response. The United States seeks a stable, progressive government capable of moving forward rapidly with economic and social development and thereby avoiding revolution and possible domination by the extreme right or the extreme left. The same conditions are required if the United States and its largest Latin neighbor are to have normal and mutually beneficial commercial relations.

Country Background

Political. The resignation of President Quadros in August 1961 provoked a major political crisis in Brazil. In spite of this, an Alliance for Progress program was formulated. The "Program of Action" presented by the Neves Cabinet when it took office last October, and approved by the Chamber of Deputies, reflects both comprehension of Brazil's obligations under the Charter of Punta del Este and the desire to undertake a series of essential administrative and legislative actions. It fixes as objectives, among others, an economic growth target of 7.5% a year, productive absorption of underemployed labor, provision of minimal conditions of housing and sanitation to alleviate social tensions, reasonable stability of prices, and reduction of imbalance in Brazil's external accounts.

Economic. Brazil's average annual growth in GNP over the past decade has been 5.8% - the highest in Latin America - but the growth of population has reduced this to 3.3% per capita. This progress, however, has increasingly depended upon external public assistance and foreign private investment. Moreover, growth has been greatest in industry, with little improvement of agriculture (51% of the labor force is engaged in agriculture), transportation

or education. Regionally, the northeast area, with a population of 25 million and a per capita income of less than \$100, has not shared in the growth of GNP and has consequently become a center of unrest and agitation.

Inflation has been endemic for many years, with the cost of living rising almost 45% in 1961. The principal cause of inflation has been a series of large budget deficits (which resulted in an increase of cruzeiro debt from 29 billion to 293 billion over the past decade) and accompanying expansion of the money supply (from 90 billion to 950 billion cruzeiros over the same period). In 1961 the budget deficit was the equivalent of \$579 million out of a total budget of \$2,081 billion. Inflation has been accompanied by periodic balance of payments crises and a large increase in external debt, which reached \$2 billion in 1961. With the aid of substantial assistance from the United States, the International Monetary Fund (IMF) and European countries, financial collapse was averted in 1961 by new credits totaling over \$600 million and by rescheduling the existing external debt over a longer period.

Brazil's budget revenues are derived mainly from indirect taxes. In 1960, the income tax yield was only 30% of total budget revenues, while consumption taxes were 40%, customs duties 10% and other indirect taxes and fees 20% of the total. Personal income tax rates in Brazil, however, are relatively high and equal to those in the United States in the medium income tax brackets. The relatively low yield from income taxes reflects collection difficulties rather than the level of tax rates.

Part of Brazil's external financial difficulties reflects a decline in annual exports from \$1.7 billion to \$1.3 billion over the past decade. Coffee exports represented 56% of total exports of \$1.3 billion in 1960. Efforts to diversify exports so as to decrease reliance upon coffee have thus far not been sufficient to offset the decline in the value of coffee exports to a little over \$700 million in 1960 from the peak level of \$1 billion reached in 1956 and earlier years.

Brazil's development potential is enormous. There have been substantial investments by European and Japanese as well as U.S. private investors. U.S. private investments alone total almost \$1 billion. The rapidly growing population affords a large market. Rich deposits of minerals, including iron ore and bauxite, remain to be developed.

**Country:** BRAZIL

### Self-Help and Reform

In certain restricted areas of social reform and self-help, some steps have been taken by the federal government. In addition, under Brazil's federal system much planning and development work is carried on by the states, with progress varying widely from state to state.

Federal progress includes:

Planning. While a national development plan is not completed, substantial planning has been undertaken on a functional and regional basis. In August 1961 President Quadros established a National Planning Commission which the present government is reactivating and giving the task of drawing up a long-term development plan. A draft of a five-year plan for agriculture has been prepared by the Ministry of Agriculture, and the preparation of a five-year plan for education is well under way.

Northeast. Probably the most significant reform measure taken by the Brazilian Government has been the recognition of the plight of the northeast area, with the establishment of SUDENE (Northeast Development Agency) and approval of its five-year, \$900 million, development plan. More than \$500 million of the necessary resources will be provided by Brazil. Last December the Brazilian Congress appropriated the cruzeiro equivalent of \$100 million for the first year of the plan.

The United States has agreed with the Government of Brazil on both immediate and long-range development programs in the northeast, part of which will be undertaken by SUDENE.

The short-range program will include small community water supply systems, rural electrification and mobile and permanent health units. In addition, community self-help projects will be developed to improve general living conditions, and an immediate program of elementary education and vocational training is being inaugurated.

The long-range program will concentrate on irrigation, rural roads, small power plants, elementary education, increasing food supplies and additional water supply systems.

The United States has offered to make available dollar loans and grants and local currency in support of these programs, subject to the development of satisfactory, soundly engineered project proposals and other conditions.

Agrarian Reform. A new agrarian reform plan has just been completed, has been approved by the Brazilian Cabinet, and is now before the Congress.

Tax Reform. In November 1961 Prime Minister Neves proposed new income tax legislation to the Congress designed to increase revenues by \$70 million a year and to increase the tax burden on the wealthy taxpayers while reducing indirect taxes. Stricter penalties for tax evasion are also proposed. The bill is still before the Congress.

Housing. The Ministry of Labor has prepared a 10-year low-cost housing program calling for the construction of 3,810,000 self-help housing units. Several of the state governments are already implementing low-cost housing and slum clearance programs.

Education. Congress passed a special school bill in December 1961 creating the organization needed to carry out the national educational program drawn up by the Cabinet in September 1961. Congress also trebled the budget of COSUPI, an agency to improve higher education.

Malaria Eradication. The government has committed the local currency financing required for effective prosecution of the malaria eradication program.

### U.S. Assistance Plans

U.S. aid strategy in Brazil will be to encourage and support Brazilian efforts to maintain rapid economic development, to distribute the economic gains equitably, and to strengthen social development. This strategy will encourage political and economic stability and progress.

Thus, five principal purposes will guide U.S. aid policies:

- (1) The United States will initiate programs that will demonstrate the continued interest of the United States in promoting the economic and social development of Brazil. Large-scale aid will depend upon sound development programming and substantial progress in achieving essential reforms.
- (2) The United States will work with the Government of Brazil to formulate and carry out a sound development program and basic reforms.

**Country:** BRAZIL

- (3) The United States will try to strengthen the forces which stand for sound long-term economic and social growth.
- (4) Where sound programming has been completed -- as in the northeast -- the United States will participate with the Brazilians in long-range development efforts.
- (5) The United States will continue to encourage the Government of Brazil to initiate an effective stabilization program.

The United States and other potential sources of aid are prepared to contribute the amounts required to supplement Brazilian investment, but only as the Brazilian authorities themselves undertake the essential and practicable measures necessary to make foreign assistance effective.

We will continue to urge, both directly and in the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), the governments of Western Europe and Japan to improve the terms and the magnitude of their assistance to Brazil.

#### Proposed AID Program for FY 1963

In line with U.S. basic strategy, the program for FY 1963 will have three parts.

First, in northeast Brazil -- where a five-year plan has been prepared, Brazilian resources have been committed, and a development institution is in operation -- the United States will cooperate in immediate and long-range development efforts.

An emergency program of dollar and cruzeiro grants and loans totaling the equivalent of \$33 million is now being negotiated. It will be financed in part from FY 1962 funds. The United States also plans to contribute dollar grants and loans and U.S.-owned cruzeiros generated from P.L. 480 sales to the first two years of the long-range program.

Second, additional amounts in grants would be available for other projects including:

Agriculture. To strengthen agricultural institutions and extension services and to encourage diversification to decrease dependence on coffee.

Education. Projects include teacher training, aid to school construction, adult education and preparation of teaching materials.

Public Health. For malaria eradication and community water supply systems. These systems will be developed jointly with the Inter-American Development Bank, with the Bank providing loans and the U.S. technical assistance for development of the institutional structures to operate numerous small community water supply systems.

The third part of our program for FY 1963 would be contingent upon the Brazilian Government providing concrete evidence of determined effort in three directions: (a) adoption of a reasonable and appropriate stabilization program; (b) adequate self-help and social reform measures; and (c) progress in the preparation of a sound long-term development plan.

Upon satisfaction of these conditions, development lending will be considered. This lending would include the activities in the northeast. It would involve four priority sectors for development identified in the Program of Action of the present government: transportation, communications, electric power and land use particularly in crop diversification.

#### Accomplishments

AID programs in Brazil under the Alliance for Progress will be drastically shifted from traditional technical assistance to development lending which will focus on the limited number of priority objectives outlined in the preceding section.

Before 1961, U.S. development assistance, other than from the Export-Import Bank, was negligible. Recognizing the needs for technical skills to staff and manage a successful development program, the AID enlarged its participant program and over 350 Brazilians were scheduled for training in the United States for FY 1962.

Among the most effective accomplishments in the technical assistance program are:

- (1) The use of SESP, an organization originally established by the United States and now wholly-financed by Brazil, to develop over 100 community water supply systems throughout the rural areas of Brazil.

## FINANCIAL DATA

Country: BRAZIL

- (2) The AID program has helped make the Getulio Vargas Foundation one of the outstanding educational institutions in Latin America. Its school of business administration in Sao Paulo is currently being duplicated by universities in Rio de Janeiro, Salvador and Porto Alegre. Graduates of the Sao Paulo school are eagerly sought by both foreign and domestically owned private enterprises.
- (3) Aided by U.S. technical assistance over a 15-year period, an adequate public health service has been brought into being. As a result, it is now considered practicable to terminate further technical assistance in this sector, except for malaria eradication and community water supplies.
- (4) A public safety program which has been most effective for a large number of years will be largely terminated by 1964. The program is making a major contribution toward increasing the morale and efficiency of local police forces.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1940-1961	FY 1961	FY 1962
<u>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</u>	53.5	7.5	b/
<u>Alliance for Progress:</u>			
Loans (DLF prior to 1962).....	0.2	-	b/
I.D.B. Trust Fund Loans.....	-	-	4.1
Grants (T.C. prior to 1961).....	50.9	7.5	20.1
Supporting Asst.(DS/SA prior to 1961)	2.4	-	-
Other MSP Economic.....	-	-	-
<u>FOOD FOR PEACE (P.L. 480)</u>			
Title I, Country Uses.....	236.9	88.8	
(Sales Agreements).....	(282.9)	(104.5)	
Title II.....	-	-	b/
Title III.....	21.4	3.2	
Title IV.....	-	-	-
<u>EX-IM BANK LONG-TERM LOANS.....</u>	1,178.4	204.9	a/
<u>OTHER U.S. ECONOMIC PROGRAMS.....</u>	45.5	-	-
<u>MILITARY ASSISTANCE (Programs)</u>			
M.A.P. - Grant Aid.....	148.7	24.2	23.7
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	26.8	-	-
<u>ASSISTANCE FROM INT'L AGENCIES</u>			
IBRD - World Bank.....	267.1	-	a/
Internat'l.Finance Corp. ....	10.1	-	a/
Inter-American Develop. Bank .....	15.5	15.5	12.0 <sup>a/</sup>
UN Tech.Assist. - CY ending in FY ...	6.0	0.6	0.5
UN Special Fund .....	2.3	1.3	1.3 <sup>a/</sup>
<u>OTHER FREE WORLD ASSISTANCE .....</u>	-	-	-
<u>SINO-SOVIET BLOC ASSISTANCE .....</u>	4.0	-	a/
<u>U.S. DOLLAR LOAN REPAYMENTS</u>			
MSP and P.L. 480 Loans .....	-	-	-
Export-Import Bank .....	649.0	61.8	30.4 <sup>a/</sup>
Other Government Loans .....	NA	6.4	13.4
a/ July-December, 1961.			
b/ Data classified.			

# BRAZIL

Country: BRAZIL

## GENERAL ECONOMIC DATA

BASIC DATA			
	Unit	BRAZIL	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	3,280	xxx
Population (1961) ...	Mil.	67.4	xxx
Annual Growth .....	%	2.5	2.4
Density per sq.mi.	No.	21	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	15	25
Per Capita .....	Acres	5	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	352	80
<u>EDUCATION</u>			
Literacy Rate .....	%	50	35
Pupils as % of Pop. (Prim. & Sec.) .....	%	10	9
Pupils per Teacher (Prim. only) .....	No.	32	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	45	40
People per Doctor ...	No.	2,100	7,000

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	12,153	12,916	13,500
Per Capita GNP .....	Dollars	189	196	200
Investment as Percent of GNP .....	Percent	16	15	n.a.
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	143	140	151
Rice, rough .....	1,000 MT	4,915	5,384	5,800
<u>ELECTRIC POWER PRODUCTION</u> .....				
	Mill. KWH	21,108	23,500	25,000
<u>COST OF LIVING INDEX (Sao Paulo)</u> .....				
	1953=100	325	438	596
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) .....	\$ Millions	1,282	1,269	1,380
Coffee .....	"	733	713	690
Total Imports (c.i.f.) .....	"	1,374	1,462	1,570
Trade Balance .....	"	-92	-193	-190
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	628	570	546
Imports from U.S. (f.o.b.) .....	"	413	427	496
Trade Balance .....	"	215	143	50
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....				
	"	457	442	524 (Oct)
- Million Dollar Equivalents -				
<u>CENTRAL GOVERNMENT FINANCES*</u> <sup>a</sup> FY ending Dec. 31				
		1959	1960	1961 (Bud)
Total Expenditures .....		1,015	1,558	2,081
(Defense Expenditures) .....		(232)	(310)	(316)
(Capital Outlays) .....		(n.a.)	(302)	(394)
Domestic Revenues .....		801	1,225	1,502
Budget Receipts from Non-U.S. Foreign Aid <sup>a</sup> .....				
Budget Receipts from U.S. Aid (Grants & Loans) <sup>a</sup> .....				
Remaining Deficit (-) or Surplus (+) .....		-214	-333	-579

\* - Converted at 190 Cruzieros per U.S. \$.

a - General budget only. Does not cover extrabudgetary accounts, semi-autonomous agencies and foreign aid which goes directly to the semi-autonomous agencies.

**Country:** CHILE

Chile, a long narrow coastal strip between the Andes and the Pacific, is 2,600 miles long with a maximum width of 220 miles. Its population, now about 7.8 million, increases at an annual rate of 2.6%. With the longest democratic tradition of any Latin American country, Chile is regarded as a political and cultural leader. Private U.S. investments of over \$700 million -- particularly in copper mining (the principal source of Chile's foreign exchange earnings) but also in iron mining, electric power and telecommunications -- make an important contribution to the Chilean economy.

The expansion of Chile's basic economic and social services must be accomplished soon if political extremism is to be avoided. It must be undertaken against the backdrop of an economic austerity program.

Country Background

After a long history of inflation, relative economic and financial stability was achieved under an economic stabilization program supported by the International Monetary Fund (IMF), until about the time of the disastrous earthquakes of May 1960. Price rises, which had amounted to slightly over 30% in 1958 and 1959, were held to 6% in 1960, and 10% in 1961. Until the last few months of 1961, the escudo remained firm at the rate pegged in 1958 of 1.05 to the dollar. Beginning last August, work was started on tax and land reform measures. Despite this measure of progress, Chile's present situation requires stimulation because the economy has failed to grow.

Per capita gross national product (GNP) has declined steadily since 1950. Thus continual deterioration of economic activity in relation to population growth will call for energetic measures to increase output and set the stage for long-term development.

Agricultural production has not kept up with the population increase and the country must import 20% of its food needs. The deficit in housing units is estimated to be around 400,000, and is increasing by 38,000 units per year. Development capital is almost unavailable and interest rates of 20%-25% are customary.

Chile's imports in 1961 rose to \$550 million, \$50 million over the 1960 level. Exports remained constant at about \$480 million. This imbalance and a flight of capital almost exhausted the country's foreign exchange reserves. The government's borrowing from the Central Bank toward the end of 1961 exceeded the level agreed upon with the IMF by \$70 million and resulted in the IMF suspending

its January 1961 support arrangement. Wage and salary raises of 16.6% enacted late in 1961 are bringing on price rises.

The government stopped sales of foreign exchange on December 27, 1961, and instituted a dual system using the official rate for essential imports and a fluctuating free-market rate for all other transactions. Foreign exchange sales began again January 15 of this year. Since then, the free-market price of dollars has gone as high as 1.60 escudos (compared with the official rate of 1.05 to the dollar) and has recently steadied at about 1.40.

Self-Help and Reform

Planning. In the latter part of 1961 Chile submitted a ten-year plan of national development which calls for investments of about \$1 billion a year, of which about 80% is expected to come from internal resources. The International Bank for Reconstruction and Development (IBRD) has been studying the Chilean plan with a view to organizing a consortium of industrialized countries to provide the necessary external resources. The plan has been submitted for review and evaluation to the panel of experts of the Organization of American States (OAS). The plan's targets are a 2.9% average annual per capita increase in gross domestic product and an increase in investment from the existing 10% rate to 17.9% in the final year of the plan.

Agrarian Reform. An amendment to the constitution permitting agrarian reform was presented to the Chilean Congress on January 16. The proposed legislation would permit the government to stretch out over a ten-year period its payments to owners of certain expropriated land. Only abandoned and poorly-worked land would be subject to this measure. However, if the expropriation of poorly worked land is vigorously carried forward the law could encompass large amounts of the country's crop land.

Housing. Chile set up in 1961 a nationwide savings and home loan association system. Fifteen associations are already in existence, and 11 have authorization to make loans. More than \$500,000 in loans for home constructions have already been made by associations in various parts of the country.

The Chilean housing corporation built almost 70,000 housing units during the 1959-1961 period.

Public Administration. The Chilean internal tax service started a tax administration school in August 1961 to train inspectors in tax laws and in accounting and auditing procedures. One hundred officials will complete training by the summer of 1962.

**Country:** CHILE

Tax Reform. A tax reform bill is now being studied by the Chilean Government with the intention of introducing it in the next session of Congress. The government expects to receive additional revenues of \$48 million as a result of improved tax collection and enforcement and the provisions of the new tax bill.

U.S. Assistance Plans

U.S. policy is to press for acceleration of Chile's development to assure maintenance of the country's democratic tradition. It is especially urgent that Chile adopt the self-help measures essential to achieve this development.

U.S. participation in Chile's Ten-Year Plan of Economic Development is subject to adequate self-help on Chile's part. In recent discussions with the Chilean Government, a long-range U.S. assistance was considered as part of a proposed international consortium drawing on public funds from other countries. U.S. participation, which could amount to as much as \$350 million over the first five years of the plan, would be contingent on Chile's making steady and substantial progress in solving basic problems, as agreed by Chile at Punta del Este. Performance in self-help would be determined mainly on the basis of an annual progress review of Chile's Ten-Year Plan.

In addition to the domestic and external resources required for implementation of the public sector projects included in the national development plan, Chile needs to achieve and to maintain financial stability and create the proper climate to assure the direct private investment goals.

Grant assistance through the Agency for International Development (AID) program is proposed to assist the Chilean Government in the improvement of social and economic services essential to carrying out the Ten-Year Plan. Goals have been established for the grant program in rural improvement, educational systems reforms, public administration, and financial and credit institutional improvement. More immediate human needs will be met, preferably through loan assistance by the appropriate credit agency or agencies, in water supply, housing, and agricultural credit projects.

The United States is also supporting the program of earthquake reconstruction. In May 1960, Chile suffered a series of disastrous earthquakes which caused damage estimated at \$372 million. To assist in the reconstruction and rehabilitation of Chile, the United States loaned \$100 million on August 3, 1961, and an advance of \$30 million was made on that date. Project agreements for

reconstruction work covering the entire \$100 million have now been signed, and about \$20 million of actual expenditures have been approved by our AID mission.

Proposed AID Program for FY 1963

Development loan assistance for FY 1963 is planned on three assumptions: That by early FY 1963 fiscal and financial measures designed to stabilize the economy will be in effect; that progress will have been made on tax, land, customs and administrative reforms; and that a consortium will be organized to meet the external resource requirements for Chile's Ten-Year Plan.

AID's contribution to this consortium is based on the assumption that other sources - industrialized countries and international lending agencies - will provide somewhat more than half the financing required. A substantial part of our participation will go towards support of the institutional framework needed to implement the plan, such as an industrial development bank and a cooperative bank. Loans for social progress such as school construction are similarly envisaged. Funds would also be provided for specific development projects such as one now under consideration, costing \$10 million, to provide port facilities for Concepcion - Chile's largest industrial complex. Program support for capital imports might be provided. Funds are also planned for feasibility and engineering studies necessary to translate the broad investment-production goals of the program into projects suitable for loans.

Grants, primarily for technical assistance, are proposed in FY 1963. These would concentrate on helping improve conditions for people in rural Chile who lack schools, do not have proper housing with water and sanitary facilities, lack knowledge of modern agricultural methods, and who, in general, are economically underprivileged; fostering and assisting a reform of Chile's educational system with emphasis on improving primary education; improving Chile's administrative machinery for development planning and operations with emphasis on tax administration; and assisting in the establishment of credit and financial institutions necessary for development, with emphasis on institutions providing medium and long-term credits to small and medium-sized business enterprises.

Accomplishments

Our program in Chile represents a drastic shift in emphasis from technical assistance to participation through development lending

FINANCIAL DATA

Country: CHILE

in a long-term program of economic development keyed to steady progress in making vital social and economic reforms.

Housing. U.S. assistance has enabled Chile to set up a nationwide savings and home loan association system. To date, 15 savings and loan associations have been established in various parts of the country and 11 have already been authorized to make loans. To regulate this system a central savings and loan association regulatory authority and mortgage bank has been established. More than \$500,000 in loans for home construction have already been made through the savings and loan system in various parts of the country.

Rural Improvement. The Institute of Rural Education is making a dedicated effort to improve the social and economic condition of farm people through rural education programs. The Institute now has 12 training centers in operation; five more are under construction. More than 4,000 rural youths have received instruction at these centers. More than 1,250 rural schools are enrolled in radio school program that it conducts. Teachers from 400 of these schools have participated in leadership training courses given by the Institute. It also has printed and circulated 48,000 copies of 70 instructional bulletins on matters of concern to the rural population. Rural leaders from the Institute have organized over 400 farm community groups to attack cooperatively rural problems that cannot be solved on an individual basis.

Fast U.S. assistance has enabled the Institute to increase its training capacities and improve the quality of its educational programs. U.S. assistance to it is continuing.

Economic Training. A U.S.-financed contract between the University of Chicago and Catholic University of Santiago resulted in the establishment of a modern School of Economics. The school, with one of the best libraries on economic subjects in Chile, has recently been enlarged and a postgraduate school added.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1940-1961	FY 1961	FY 1962
<u>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</u>	76.3	31.2	117.4
<u>Alliance for Progress:</u>			
Loans (DLF prior to 1962).....	19.0	8.2	0.4
I.D.B. Trust Fund Loans.....	-	-	13.7
Grants (T.C. prior to 1961).....	41.2	23.0	3.3
Reconstruction Loan.....	-	-	100.0
Supporting Asst. (DS/SA prior to 1961)	5.7	-	-
Other MSP Economic .....	10.5	-	-
<u>FOOD FOR PEACE (P.L. 480)</u>			
Title I, Country Uses.....	56.6	23.3	
(Sales Agreements).....	(71.2)	(29.2)	
Title II.....	-	-	b/
Title III.....	42.5	7.1	
Title IV.....	-	-	
<u>EX-IM BANK LONG-TERM LOANS.....</u>	283.1	77.0	a/
<u>OTHER U.S. ECONOMIC PROGRAMS.....</u>	5.2	0.1	-
<u>MILITARY ASSISTANCE (Programs)</u>			
M.A.P. - Grant Aid.....	48.6	7.6	8.6
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	5.0	5.0	NA
<u>ASSISTANCE FROM INT'L AGENCIES</u>			
IBRD - World Bank.....	112.2	6.0	-
International Finance Corp. ....	5.8	0.2	-
International Develop. Assn. ....	19.0	19.0	5.5
Inter-American Development Bank ....	6.0	6.0	13.4
UN Tech. Assist.-CY ending in FY.....	4.3	0.8	0.9
UN Special Fund.....	5.1	3.5	1.4a/
<u>OTHER FREE WORLD ASSISTANCE.....</u>	-	-	-
<u>SINO-SOVIET BLOC ASSISTANCE.....</u>	-	-	-
<u>U.S. DOLLAR LOAN REPAYMENTS</u>			
MSP and P.L. 480 Loans.....	1.9	0.9	0.9
Export-Import Bank.....	156.2	13.8	6.6a/
Other Government Loans.....	-	-	-

a/ July-Dec. 1961.

b/ Data classified.

Country: CHILE

BASIC DATA			
	Unit	CHILE	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	286	xxx
Population (1961) ...	Mil.	7.8	xxx
Annual Growth .....	%	2.6	2.4
Density per sq.mi.	No.	27	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	18	25
Per Capita .....	Acres	5	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	590	80
<u>EDUCATION</u>			
Literacy Rate .....	%	80	35
Pupils as % of Pop. (Prim. & Sec.) .....	%	15	9
Pupils per Teacher (Prim. only) .....	No.	42	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	52	40
People per Doctor ...	No.	2,000	7,000

## GENERAL ECONOMIC DATA

CHILE

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	4,356	4,465	4,565
Per Capita GNP .....	Dollars	584	585	585
Investment as Percent of GNP .....	Percent	11	9	n.a.
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	122	120	119
Wheat .....	1,000 MT	1,177	1,105	1,100
<u>INDUSTRIAL PRODUCTION INDEX</u> .....				
	1953=100	124	121	124
<u>COST OF LIVING INDEX (Santiago)</u> .....				
	1953=100	1,040	1,160	1,252
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) .....	\$ Millions	495	488	475
Copper bars, ores, concentrates .....	"	322	344	320
Total Imports (c.i.f.) .....	"	413	500	550
Trade Balance .....	"	+82	-12	-75
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	202	193	176
Imports from U.S. (f.o.b.) .....	"	137	195	226
Trade Balance .....	"	+65	-2	-50
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....				
	"	145.9	129.8	91.9 (Nov)
- Million Dollar Equivalents -				
<u>CENTRAL GOVERNMENT FINANCES*</u> FY ending Dec. 31				
		1960	1961(Prel)	1962(Bud)
Total Expenditures .....		802	929	1,230
(Defense Expenditures) .....		(125)	(135)	(170)
(Capital Outlays) .....		(196)	(242)	(310)
Domestic Revenues .....		674	773	890
Budget Receipts from Non-U.S. Foreign Aid .....		-14	17	130
Budget Receipts from U.S. Aid (Grants & Loans) ....		12	55	92
Remaining Deficit (-) or Surplus (+) .....		-130	-84	-118

\* - Converted at 1.05 Escudos per U.S. \$.

## Country: COLOMBIA

Colombia, with more than 15 million people, is the fourth most populous country in Latin America. Colombia's democratic government has stressed the country's active allegiance to western traditions and values. As the only Latin American country to send troops to Korea, Colombia has taken constructive initiative in the Organization of American States (OAS) and in the United Nations (U.N.) on many occasions. It continues to emphasize its allegiance to and positive role in the Alliance for Progress.

U.S. exports to Colombia in recent years have totaled about \$240 million annually and direct U.S. investment in the country exceeds \$400 million.

### County Background

As indicated above the present government of Colombia, which replaced a military dictatorship four years ago, has caught the main spirit and adopted the aims of the Alliance for Progress.

The March 1962 elections returned a majority to both chambers of the legislature in support of the present government. A new president will take office in August.

Obstacles to Colombia's economic and social progress include problems of land use and tenure, insufficient productive investment, an illiteracy rate of 38% combined with serious shortages of schools, violence and banditry in certain rural areas, and overcrowded cities. The average increase of 3% in the Colombian Gross National Product (GNP) has barely exceeded the population growth rate of 2.8%. The rate of increase in agricultural production, which was only 2% in 1960, has lagged behind the rate of population growth.

Coffee provides an average of 75% of Colombia's export earnings. Overdependence on coffee and a weakening of world coffee prices have resulted in declining earnings of foreign exchange while import needs have risen. A relaxation of previous austere import restrictions was an added factor in bringing about a deterioration of Colombia's balance of payments position during 1961. Colombia is now dealing firmly with this situation. A need still remains for increased expenditures and for the importation of goods and technical services in connection with the government's development program.

### Self-Help and Social Reform

The Colombian Government's National Economic Planning Council submitted a comprehensive 10-year development plan for review by the

OAS Panel of Experts in December 1961. Portions of this plan are already being implemented. For example, the education budget for 1962 is higher than the military budget for the first time in recent history.

A tax reform law was passed in December 1960. Colombia now obtains almost 50% of its federal budget from personal and corporate income taxes -- a high percentage for a developing country. A low-cost housing construction program has been launched to meet mounting needs for urban housing. In 1959 housing starts were 3,000. In 1960 starts had risen to 10,000. For 1963, 40,000 are planned. An agrarian reform law, passed in November 1961, seeks to promote wider land ownership, homesteading, and increased agricultural productivity. The availability of good undeveloped land will facilitate the implementation of the law.

### U.S. Assistance Plans

Colombia's economic potential, its progressive attitude toward social and economic matters, and the state of its national planning, mean that there is a real possibility of significant progress under the Alliance for Progress.

During the next year, however, Colombia is faced with significant problems. It must deal realistically and firmly with the severe balance of payments situation. It must vigorously implement the recently enacted tax and land reform laws to achieve the benefit these progressive measures promise. Its development plan will be reviewed and evaluated by the International Bank for Reconstruction and Development (IBRD) and the OAS Panel of Experts.

If Colombia can meet these problems and challenges, the Agency for International Development (AID) should join IBRD, IDB, and other lending sources to provide increased external loan support for the 10-Year Plan. Additional assistance under Food-for-Peace programs is anticipated.

### Proposed AID Program for FY 1963

If there is general agreement on the goals and procedures of Colombia's 10-year development plan, the country will be eligible for development loans. Specific development proposals and projects must await the review of Colombia's development plan and will then be related to it.

Loans could assist further development of Colombia's agricultural and mineral resources. This development is being promoted through autonomous government corporations, the Cauca Valley

**Country:** COLOMBIA

Authority and the Magdalena Valley Authority, whose integrated approach to regional development is similar to that of the Tennessee Valley Authority. Their programs include the construction of rural penetration roads to incorporate a larger part of rural Colombia into the Colombian economy.

Loans funds will be needed to finance a plan for the construction of 40 rural health centers to serve four million Colombians living in rural areas currently lacking basic health services.

Colombia's massive primary education campaign also needs further assistance. This program promises to reduce the illiteracy rate and to provide the primary education which will be the basis for the expansion of modernization of the nation's economy. It calls for building 22,000 primary classrooms and training 16,200 teachers over a four-year period. Colombia plans to spend over \$59 million on this program. AID made a grant of \$3,770,000 in FY 1962 to this program and additional assistance through loan or grant is under consideration for future years.

Colombia's economic development will require feasibility and engineering studies to convert broad sector development plans into projects suitable for loans.

The United States expects to provide in FY 1963 technical assistance in support of Colombia's development goals in agricultural production, housing, industrial training, primary education, and rural health.

Accomplishments

Technical cooperation has been the chief form of help provided Colombia in the past.

AID is now shifting from an emphasis on technical assistance to development loans. These loans are given to support Alliance for Progress development objectives, related to long-range priority goals.

AID is also extending a grant for a basic resources survey to provide data essential to effective implementation of the program. An \$8 million loan (August 1961) from the Development Loan Fund for agricultural credit will also facilitate enlarged agricultural production.

A development grant of \$500,000 made in early 1961 for a pilot project in self-help housing has stimulated progress in constructing middle and low-cost housing. Colombia has now expanded its housing program, financed partly from its own funds and partly by loans from the Development Loan Fund (DLF) and the Social Progress Trust Fund of the Inter-American Development Bank (IDB). Colombian sources are providing about \$51 million, the DLF loan was \$12 million, and the IDB loan was \$15 million. Through the Institute de Credito Territorial, the principal Colombian housing agency, 13,500 family units were constructed in 1961, and 30,000 and 40,000 units respectively are expected in 1962 and 1963.

U.S. assistance in malaria control has aided in the reduction of the number of cases from 80,000 in 1958 to about 25,000 in 1961.

Country: COLOMBIA

GENERAL ECONOMIC DATA

BASIC DATA			
	Unit	COLOMBIA	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	440	xxx
Population (1961) ...	Mil.	15.2	xxx
Annual Growth .....	%	2.8	2.4
Density per sq.mi.	No.	35	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	36	25
Per Capita .....	Acres	7	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	230	80
<u>EDUCATION</u>			
Literacy Rate .....	%	62	35
Pupils as % of Pop. . (Prim. & Sec.) .....	%	11	9
Pupils per Teacher (Prim. only) .....	No.	39	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	46	40
People per Doctor ...	No.	2,900	7,000

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	3,754	3,850	3,960
Per Capita GNP .....	Dollars	261	261	261
Investment as Percent of GNP .....	Percent	21	23	n.a.
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	132	135	139
Rice .....	"	112	111	111
	1,000 MT	422	450	460
<u>PETROLEUM PRODUCTION (crude)</u> .....				
	"	7,410	7,713	7,465
<u>COST OF LIVING INDEX (Bogota)</u> .....				
	1953=100	162	169	185
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) .....	\$ Millions	474	465	455
Coffee .....	"	363	334	320
Total Imports (c.i.f.) .....	"	416	519	505
Trade Balance .....	"	+58	-54	-50
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	340	300	277
Imports from U.S. (f.o.b.) .....	"	206	246	239
Trade Balance .....	"	+134	+54	+38
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....				
(Central Bank only)	"	212	153	144 (Oct)
-Million Dollar Equivalents -				
<u>CENTRAL GOVERNMENT FINANCES*</u> <sup>a</sup> FY ending Dec. 31				
		1959	1960	1961(Bud)
Total Expenditures .....		345	392	466
(Defense Expenditures) .....		(47)	(52)	(56)
(Capital Outlays) .....		(109)	(126)	(190)
Domestic Revenues .....		318	365	416
Budget Receipts from Non-U.S. Foreign Aid .....	}	-15	-3	13
Budget Receipts from U.S. Aid (Grants & Loans) ....			1	31
Remaining Deficit (-) or Surplus (+) .....		-42	-29	-6

\* - Converted at 6.7 Pesos per U.S. \$.

a - Includes Central Government and "Decentralized Agencies" of the Central Government.

## FINANCIAL DATA

Country: COLOMBIA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY (1946-61)	FY 1961	FY 1962
<u>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</u>	40.5	28.2	60.9
<u>Alliance for Progress:</u>			
Loans (DLF prior to 1962).....	25.0	25.0	-
I.D.B. Trust Fund Loans.....	-	-	22.8
Grants (T.C. prior to 1961).....	15.3	3.2	8.1
Supporting Asst.(DS/SA prior to 1961)	0.2	-	30.0
Other MSP Economic.....	-	-	-
<u>FOOD FOR PEACE (P.L. 480)</u>			
Title I, Country Uses.....	51.0	-	a/
(Sales Agreements).....	(69.5)	-	
Title II.....	-	-	
Title III.....	26.1	4.9	10.0
Title IV.....	-	-	-
<u>EX-IM BANK LONG-TERM LOANS.....</u>	169.0	56.6	NA b/
<u>OTHER U.S. ECONOMIC PROGRAMS.....</u>	2.8	0.2	-
<u>MILITARY ASSISTANCE (Programs)</u>			
M.A.P. - Grant Aid.....	29.8	3.8	10.1
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	8.0	8.0	-
<u>ASSISTANCE FROM INT'L AGENCIES</u>			
IBRD - World Bank.....	200.6	27.4	19.5 b/
International Finance Corp.....	2.9	1.4	4.0 b/
International Develop. Assn.....	-	-	19.5 b/
Inter-American Develop. Bank.....	13.1	13.1	0.5 b/
UN Tech. Assist.-CY ending in FY....	3.5	0.6	0.4
UN Special Fund.....	3.9	3.0	-
<u>OTHER FREE WORLD ASSISTANCE.....</u>	-	-	-
<u>SINO-SOVIET BLOC ASSISTANCE.....</u>	-	-	-
<u>U.S. DOLLAR LOAN REPAYMENTS</u>			
MSP & P.L. 480 Loans.....	-	-	-
Export-Import Bank.....	76.6	7.5	1.3 b/
Other Government Loans.....	NA	-	-
a/ Data classified.			
b/ July-Dec. 1961.			

## Country: PANAMA

Panama is an isthmus connecting the continents of North and South America, with a population of 1.1 million and an area of 29,100 square miles, slightly smaller than the State of South Carolina.

The Panama Canal is the basis for the unique relationship between Panama and the United States and is the dominant feature of the political and economic life of Panama. Historically, the United States has been committed to the efficient operation and defense of the Canal.

### Country Background

The present government draws support from a number of loosely joined political forces. The administration publicly endorses the Alliance for Progress and can be expected to provide the country with political stability, if progress can be demonstrated with its five-year economic development program.

Economic growth in Panama has been good in recent years. The Gross National Product (GNP) has risen at an average rate of 5.4% annually since 1951, or at an annual increment of 2.6% on a per capita basis. Such growth has been due largely to private investment, income from the Canal Zone, and expanding tourist trade. The average per capita GNP is \$410.

Growth has, however, been uneven. Fifty-five percent of the workers in Panama are in agriculture and receive but 25% of the national income. The average per capita income of the rural population is about \$80 per year. Thirty percent of the population is illiterate, and 30% of the children of school age do not have facilities for schooling. Infant mortality is 57 per 1,000 live births.

Panama has a university, but it does not produce qualified graduates needed for development in such fields as agriculture and public administration.

There is one modern hospital in the country. Two-thirds of the population live in housing deemed sub-standard.

Although there is an abundance of good agricultural land, Panama is not self-sufficient in the production of foodstuffs. If properly used, the land and human resources potential exists to increase the production of basic food crops and meet domestic requirements by 1967.

### Self-Help and Social Reform

The principal self-help steps taken by Panama thus far have been in the fields of taxation and planning. In December 1960 income tax rates were raised, a move designed to increase revenues from \$4 to \$5 million for each of the years 1961 and 1962. In May 1961 the new Bureau of Planning and Administration, established in the President's office, developed a five-year sectoral investment plan which emphasizes agrarian reform, public health, housing, road and school construction, and electrification. A comprehensive long-range country plan has not yet been developed.

In October 1960 the government established an Agricultural Credit Bank. An Investment Guaranty Agreement with the United States was ratified in January 1962 and is expected to improve further the already favorable climate for foreign private investment.

### U. S. Assistance Plans

The Agency for International Development (AID) emphasizes encouragement of the preparation of a long-range development plan, with adequate priorities, to serve as a guide for investment. Such a plan should give priority to the development of the interior provinces and to the lessening of Panama's dependence on income generated by the Canal operation.

Until such a plan is perfected, we are supporting projects which will have the greatest benefit to low-income groups and which would probably have a high priority in any long-range plan. Examples are schools, health centers, and self-help housing. In addition, we are assisting Panama to carry out surveys of basic resources and studies required for development planning. An immediate U. S. objective is to encourage the adoption of further self-help measures and reforms which Panama requires for the effective use of its own resources.

We anticipate that, when Panama recasts its long-term development plan in a comprehensive framework, additional projects will become eligible for development lending. This should permit a continual reduction of grants in favor of loans.

### Proposed AID Program for FY 1963

The FY 1963 program must be viewed in the light of the assistance made available to Panama in FY 1962. In that year Panama

FINANCIAL DATA

Country: PANAMA

received a special grant of \$9.9 million designed to give an initial impetus to a number of projects included in key sectors of Panama's five-year investment program.

Because of the substantial assistance already made available to Panama, it is proposed to reduce the FY 1963 grant program. The new program will concentrate on a few key social projects in the fields of education, health and housing, and will support programs to stimulate agricultural production and improve government management.

Accomplishments

Five experimental units have been established in important agricultural areas working with fruits, vegetables and livestock, both with and without irrigation. Last year, farmers in four communities were organized to put more than 1,000 acres of land under irrigation.

The United States has assisted in establishing a School of Agriculture in the University from which the first class of 14 will graduate in 1963. There are now 72 students enrolled in this school.

As an adjunct to increased farm production, a dual-purpose project provides on-the-job training for road construction equipment operators and maintenance men while building farm-to-market roads. Providing isolated farmers access to markets has encouraged them to increase production beyond their own consumption needs. In the year and a half since its inception, 42 men have been trained or are in training and 45 miles of road have been constructed.

Construction of classroom facilities to enable all children to receive a minimum of six years schooling is underway. An aided self-help program--to which the local communities are expected to contribute at least 25% of the costs in labor and materials--has been started.

During the past year, a joint project by AID and the Government of Panama resulted in constructing and equipping of 82 schoolrooms in 17 rural communities.

In addition, new buildings and equipment or expansions of existing facilities have been completed for six vocational and industrial arts schools.

A self-help housing project conducted jointly by the Panama Housing Institute and AID has established a pattern for similar housing projects. Nineteen home owners have completed construction of their own houses and 40 additional, costing \$1,800 each, are almost finished.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY (1946-61)	FY 1961	FY 1962
<u>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</u>	28.6	15.7	20.0
<u>Alliance for Progress:</u>			
Loans (DLF prior to 1962).....	7.8	7.8	-
I.D.B. Trust Fund Loans.....	-	-	7.6
Grants (T.C. prior to 1961).....	13.8	2.9	2.5
Supporting Asst.(DS/SA prior to 1961)	7.0	5.0	9.9
Other MSP Economic.....	-	-	-
<u>FOOD FOR PEACE (P.L. 480)</u>			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	5.7	0.4	0.4
Title IV.....	-	-	-
<u>EX-IM BANK LONG-TERM LOANS.....</u>	17.2	-	- a/
<u>OTHER U.S. ECONOMIC PROGRAMS.....</u>	23.3	0.1	-
<u>MILITARY ASSISTANCE (Programs)</u>			
M.A.P. - Grant Aid.....	0.1	0.1	0.8
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
<u>ASSISTANCE FROM INT'L AGENCIES</u>			
IBRD - World Bank .....	14.0	7.2	- a/
Inter-American Develop. Bank .....	-	-	2.9a/
UN Tech. Assist.-CY ending in FY ...	1.1	0.1	0.1
<u>OTHER FREE WORLD ASSISTANCE .....</u>	-	-	-
<u>SINO-SOVIET BLOC ASSISTANCE .....</u>	-	-	-
<u>U.S. DOLLAR LOAN REPAYMENTS</u>			
MSP and P.L. 480 Loans .....	0.1	0.1	0.1
Export-Import Bank .....	5.0	0.4	0.3a/
Other Government Loans .....	-	-	-
a/ July-Dec. 1961			

Country: PANAMA

BASIC DATA			
	Unit	PANAMA	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	29.1	xxx
Population (1961) ...	Mil.	1.1	xxx
Annual Growth .....	%	3.0	2.4
Density per sq.mi.	No.	37	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	13	25
Per Capita .....	Acres	2.3	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	247	80
<u>EDUCATION</u>			
Literacy Rate .....	%	70	35
Pupils as % of Pop. (Prim. & Sec.) .....	%	16	9
Pupils per Teacher (Prim. only) .....	No.	29	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	62	40
People per Doctor ...	No.	2,780	7,000

GENERAL ECONOMIC DATA

PANAMA

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	400	418	445
Per Capita GNP .....	Dollars	389	396	410
Investment as Percent of GNP .....	Percent	15	17	n.a.
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	124	123	127
Rice, rough .....	"	104	100	102
	1,000 MT	119	114	118
<u>ELECTRIC POWER PRODUCTION</u> .....				
	Mill. KWH	242	260	297
<u>COST OF LIVING INDEX (Panama City)</u> .....				
	Dec.1953=100	99	99	n.a.
<u>FOREIGN TRADE<sup>a</sup></u>				
Total Exports (f.o.b.) .....	\$ Millions	92	100	115
Bananas (Excl. C.F.Z.) .....	"	24	18	17
Total Imports (c.i.f.) .....	"	155	174	198
Trade Balance .....	"	-63	-74	-83
Trade with United States (Excl. C.F.Z.)				
Exports to U.S. (f.o.b.) .....	\$ Millions	25	24	22
Imports from U.S. (f.o.b.) .....	"	90	89	106
Trade Balance .....	"	-65	-65	-84
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....				
(Deposit Money Banks)	"	40.2	34.5	29.0 (Sep)
- Million Dollar Equivalents -				
<u>CENTRAL GOVERNMENT FINANCES* FY ending Dec. 31</u>				
Total Expenditures .....		66.6	66.6	71.6
(Defense Expenditures) .....		(1.1)	(1.1)	(1.1)
(Capital Outlays) .....		(9.6)	(9.0)	(13.0)
Domestic Revenues .....		51.6	58.0	61.2
Budget Receipts from Non-U.S. Foreign Aid .....		0.5	-0.4	1.6
Budget Receipts from U.S. Aid (Grants & Loans) ....		9.4	8.0	5.4
Remaining Deficit (-) or Surplus (+) .....		-5.1	-1.0	-3.4

\* - Converted at 1 Balboa per U.S. \$.

a - Includes Colon Free Zone.

b - Revised.

## Country: VENEZUELA

Situated on the northern coast of South America, Venezuela is about a third larger than Texas in size and has a population of approximately 6,900,000. After years of dictatorship, Venezuela now has a democratically elected constitutional government headed by President Romulo Betancourt.

Venezuela has been an outstanding leader in the Alliance for Progress. The concrete steps already taken under the Betancourt administration to promote social reforms and economic development along the lines envisioned by the Alliance are considerable.

In the economic realm, U.S. total trade with Venezuela is greater than with any other country in Latin America. It supplies the United States with approximately 60% of our oil imports and 30% of our iron ore imports. United States private investment of about \$2.6 billion is greater in Venezuela than in any other country in the world except Canada.

### Country Background

Venezuela's history has been characterized by a rule of dictators. Basic needs of the people were largely ignored. The present Betancourt coalition government, which came to office in February 1959, represents the longest democratic era in Venezuela history. Since that date, it has initiated a series of progressive social reform and economic development measures.

Venezuela is a country which has an extraordinary growth potential. During the 1950's, intensive exploitation of its petroleum and iron ore resources, together with substantial growth in manufacturing and commerce produced remarkable economic growth, averaging 8% per annum.

Despite the highest per capita income in Latin America, the pattern of income distribution is extremely uneven. By 1958 about 10% of the income earners received one-half of the total national income. At the other extreme, about 50% received only about one-tenth of the income. Even today, the poorer half of the population is living close to subsistence levels with per capita income of about \$150 per year. In the countryside, the average income of 400,000 families is around \$300 a year. The conditions in rural areas have caused a rapid shift of population to the cities where economic opportunities appear better. In the ten-year period ending 1960, cities increased in size by 50% while the rural areas grew in population by only 14%. At present, 70% of the Venezuelan people live in urban areas. This urbanization has created tremendous social and economic problems.

The housing shortage is estimated at about 800,000 units - an immense figure for a population of seven million. As of 1959-1960 about 600,000 families were without potable water supply and over 700,000 families lacked sanitation facilities. In 1958 half of the adult population was estimated to be illiterate and 40% of the school-age children were not attending school. Of those who attended, the majority did not complete the first three grades of primary school.

During the past several years, Venezuela has been in a serious economic recession. Since Venezuela is the world's largest oil exporter, the growing world oil surplus, with consequent price reductions, has seriously damaged the economy, which is heavily dependent upon such income. In addition, widespread apprehension over political changes in Venezuela since 1958 has caused a drastic reduction in new foreign investment and a serious flight of capital. Venezuela's second industry - construction - has also declined markedly due to sharp curtailment of monumental public works and a reduction in private housing starts. Unemployment has risen steadily and now stands at 12% of the labor force. The serious lack of growth is indicated by the fact that in 1960 and 1961, Gross National Product (GNP) grew only 1% per annum while population grew a little more than 3% resulting in an actual decline of about 2% in per capita GNP.

### Self-Help and Social Reform

Confronted with social and economic problems of such staggering proportions, the Betancourt Government has moved vigorously to improve the general welfare and stimulate basic economic development. It initiated a comprehensive agrarian reform program in March 1960, and greatly expanded the education system. Moreover, the Government established a development plan which is revised annually to cover the succeeding four years. The following measures have been taken as a part of President Betancourt's progressive program:

Agrarian Reform. In March 1960 Venezuela adopted a land reform program which has already resettled 40,000 families on 3,000,000 acres of land. This comprehensive program is a model for all Latin America. During his trip to Venezuela, President Kennedy distributed land titles under this program.

Development Planning. In 1961 Venezuela completed a comprehensive, four-year national development plan. It is expected that this plan will be presented to the Organization of American States (OAS) panel for review in the next few months. It calls for GNP increase of 7% - 8% per year.

**Country:** VENEZUELA

Public Administration. In July 1961 the salaries of the government officials were cut 5%.

Education. Since 1958 primary school enrollment has increased well over 50%; secondary school enrollment has doubled; teacher training enrollment has quadrupled. Primary school enrollment has increased from 751,561 to 1,223,314; secondary school enrollment from 55,194 to 105,000; teacher training enrollment from 8,260 to 31,641; vocational school enrollment from 19,357 to 41,419; teachers in service increased from 26,230 to 45,132.

Tax Reform. In February 1961 tax rates were raised and an estimated annual increase of \$60 million in revenues is projected.

Housing. In November 1961 savings and loan associations and an Urban Mortgage Bank were established to assist in the housing effort.

Free World Assistance. Current prospects are for significant amounts of assistance during 1962-1963 from Western European and Japanese public and private sources.

U.S. Assistance Plans

The Agency for International Development (AID) program proposes to join with other Free World sources of assistance in order to enable the Venezuelan Government to continue important social development projects such as housing, education, land reform and agriculture. These projects are vital to improved political stability and confidence in the Venezuelan economy, essential conditions of development. Venezuela is making impressive advances along the path of the social reforms called for by the Alliance for Progress. The United States will work with the Venezuelans to improve these programs and institute other self-help measures with public administration reform.

Proposed AID Program for FY 1963

Following are examples of the highest priority activities to which AID will attempt to address itself during FY 1963, through loans and grants. Approval of specific loans will depend on the completion of feasibility and engineering studies and the meeting of other conditions.

Agrarian Reform. A community development loan, designed to help improve living conditions and stabilize the population in rural areas.

Venezuelan Development Corporation. A loan to the Venezuelan Development Corporation for reloan to private industry.

Commerical Agricultural Development. Development grant assistance for establishing a comprehensive land-use system, for substantially increasing agricultural extension offices, and for encouraging large-scale production of rice, corn, fruit and coffee.

Vocational Education. Development grant funds to provide large-scale training of skilled industrial workers, teacher training in vocational education and special on-the-job training courses.

Economic Planning. U.S. economic advisers and short-term consultants to assist the Government of Venezuela's Economic Coordination and Planning Office in problem areas of national planning, to train necessary technicians and to help improve intra-government liaison.

Public Administration. Development grant funds to assist the Government of Venezuela Public Administration Commission to develop a cadre of Venezuelan administrators and instructors to train annually 400 lower and middle echelon public servants in certain specialized fields.

Labor Programs. Under a three-year program initiated in FY 1962, technical training for 1,000 Government of Venezuela labor officials. In addition an effort will be made to assist in improving the skills of 50,000 urban workers and in training labor officials in both leadership and labor-management government relations.

Accomplishments

The program in Venezuela will be concentrated on selected social development projects designed to improve political stability and move Venezuela toward the day when restored confidence in the economy will permit it to finance all development from its own resources.

To assure that any assistance to Venezuela conforms to criteria established by Congress and the new administration, a special U.S. Team worked intensively for three months with Venezuelan Federal and State planning and operating officials to define key development problem areas and develop proposals for priority assistance. The US AID Mission, working with the Venezuelan Government, then formulated a cooperative developmental program.

FINANCIAL DATA

Country: VENEZUELA

The success of U.S. efforts thus far, particularly those of an advisory nature, has been reflected in significant policy changes of the Venezuelan Government in areas related directly to AID objectives.

As a practical matter, advice by U.S. officials has played a large part in effecting these necessary changes. Due in large part to U.S. efforts, the Government of Venezuela now recognizes that agrarian reform can be fully effective only if coupled with agricultural credit to farmers and adequate technical assistance designed to provide training in technical schools aimed at increasing agricultural production and establishing a comprehensive land-use system; the Ministry of Education now has come to accept the concept of developing multi-purpose secondary schools which would include vocational training in their regular curricula; and the president of the Agricultural Bank, working with AID, the Rockefeller Foundation and the Council of Rural Welfare, has developed a sound program for supervised agricultural credit.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
<u>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</u>	16.3	15.2	b/
<u>Alliance for Progress:</u>			
Loans (DLF prior to 1962).....	15.0	15.0	b/
I.D.B. Trust Fund Loans.....	-	-	32.0
Grants (T.C. prior to 1961).....	1.3	0.2	1.7
Supporting Asst.(DS/SA prior to 1961)	-	-	-
Other MSP Economic.....	-	-	-
<u>FOOD FOR PEACE (P.L. 480)</u>			
Title I, Country Uses.....	-	-	-
(Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	-	-	b/
Title IV.....	-	-	-
<u>EX-IM BANK LONG-TERM LOANS.....</u>	136.4	104.4	a/
<u>OTHER U.S. ECONOMIC PROGRAMS.....</u>	1.5	-	-
<u>MILITARY ASSISTANCE (Programs)</u>			
M.A.P. - Grant Aid.....	0.1	*	1.5
M.A.P. - Credit Assistance.....	41.4	2.0	10.0
Non-M.A.P. Military Assistance.....	-	-	-
<u>ASSISTANCE FROM INT'L AGENCIES</u>			
IBRD - World Bank .....	-	-	45.0 <sup>a</sup>
International Finance Corporation .	3.5	0.5	a/
Inter-American Develop. Bank .....	10.0	10.0	a/
UN Tech.Assist.-CY ending in FY ...	2.1	0.5	0.3
UN Special Fund .....	0.8	0.8	1.3 <sup>a</sup>
<u>OTHER FREE WORLD ASSISTANCE .....</u>	-	-	-
<u>SINO-SOVIET BLOC ASSISTANCE .....</u>	-	-	-
<u>U.S. DOLLAR LOAN REPAYMENTS</u>			
MSP and P.L. 480 Loans .....	-	-	*
Export-Import Bank .....	16.7	1.2	0.6 <sup>a</sup>
Other Government Loans .....	NA	-	-
a/ July-December, 1961.			
b/ Data classified.			
* Less than \$50,000.			

Country: VENEZUELA

## GENERAL ECONOMIC DATA

## VENEZUELA

BASIC DATA			
	Unit	VENEZUELA	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	352	xxx
Population (1961) ...	Mil.	6.9	xxx
Annual Growth .....	%	3.2	2.4
Density per sq.mi.	No.	20	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	17	25
Per Capita .....	Acres	6	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	671	80
<u>EDUCATION</u>			
Literacy Rate .....	%	51	35
Pupils as % of Pop. . (Prim. & Sec.) .....	%	12	9
Pupils per Teacher (Prim. only) .....	No.	37	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	n.a.	40
People per Doctor ...	No.	1,295	7,000

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	7,053	7,152	7,200
Per Capita GNP .....	Dollars	1,083	1,066	1,040
Investment as Percent of GNP .....	Percent	n.a.	n.a.	n.a.
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	131	142	148
Corn .....	"	109	115	117
	1,000 MT	335	399	439
<u>MINING PRODUCTION INDEX</u> .....				
	1953=100	179	192	193
<u>COST OF LIVING INDEX (Caracas)</u> .....				
	1953=100	108	112	110
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) .....	\$ Millions	2,369	2,432	2,400
Petroleum and products .....	"	2,174	2,210	2,230
Total Imports (c.i.f.) .....	"	1,577	1,188	1,020
Trade Balance .....	"	+792	+1,244	+1,380
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	890	948	893
Imports from U.S. (f.o.b.) .....	"	739	550	492
Trade Balance .....	"	+151	+398	+401
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....				
	"	741	586	667 (Nov)
- Million Dollar Equivalents - Cal. year				
<u>CENTRAL GOVERNMENT FINANCES*</u>				
		1958/59 <sup>a</sup>	1959/60 <sup>a</sup>	1962 (Bud)
Total Expenditures .....		1,863	1,844	1,900
(Defense Expenditures) .....		(178)	(180)	(165)
(Capital Outlays) .....		(n.a.)	(n.a.)	(742)
Domestic Revenues .....		1,584	1,524	1,590
Budget Receipts from Non-U.S. Foreign Aid .....		n.a.	140	177
Budget Receipts from U.S. Aid (Grants & Loans) ....		--	--	45
Remaining Deficit (-) or Surplus (+) .....		n.a.	-180	-88

\* - Converted at 3.35 Bolivares per U.S. \$.

a - FY ending June 30.

NEAR EAST AND  
SOUTH ASIA

NEAR EAST AND  
SOUTH ASIA

## NEAR EAST AND SOUTH ASIA

The United States has major lasting interests in the Near East and South Asia. Of first importance, this region has the world's largest non-Communist population and it is rising to the challenge of economic development. The area supplies much of the oil essential to Free World economic strength. Vital trade routes and lines of communication cross it. It is an object of major Sino-Soviet bloc efforts to expand into the Mediterranean countries, South Asia and Africa.

Throughout this diverse area U.S. objectives can be achieved over the long haul only if the challenge of the Decade of Development is successfully met. Economic progress will not only reduce the need for short-run support programs but will more surely promote our essential political and military interests in the region. If progressive changes initiated by governments of the Near East and South Asia can be continued and in some cases advanced, a major shift can occur toward truly long-range development.

Both the current and proposed U.S. aid programs reflect this desired shift. A large volume of supporting grants may now be eliminated or sharply reduced. Development lending should be further increased. In the past year AID has used to good effect its authority to make long-term commitments and intends to rely upon it further in the coming fiscal year.

### Economic Assistance to Near East and South Asia Region

(in millions of dollars)

	<u>FY 1961</u> <u>Actual</u>	<u>FY 1962</u> <u>Estimated</u>	<u>FY 1963</u> <u>Proposed</u>
Development Grants	68.6	63.5	78.0
Development Loans	377.5	634.1	850.0 - 950.0
Supporting Assistance	284.1	206.9	100.1

### The Need for Development

The goal of both the United States and of the peoples of the area is to build strong, stable governments throughout the entire region -- governments capable of achieving economic progress and of preserving their own political independence. In these days no government dependent on popular support can long survive unless it is able to assure its people that they can raise their low standards of life.

Although living standards vary, the majority of people live at the edge of subsistence. In virtually all these countries, the leaders intend to -- and indeed must -- take an increasing interest in expanding their economies. Growing numbers now hold the conviction that better things can and should be theirs. This conviction has been fed by new world-wide contacts and by the stimulation of national independence.

The pressure for progress is, of course, stronger in certain countries than in others, but it is important in all the major countries of the area. In the face of the Communist drive for world domination, the need to take effective action is urgent. The area's progress must be real, and it should be clear that it has genuine western support. Independent governments -- both those oriented to the West and those that are not -- must offer convincing assurance that their people's basic aspirations will be satisfied. If not, dangerous experiments will find favor.

This is not remote. Within democratic India, during the Second Five-Year Plan, the State of Kerala was governed for a time by a Communist cabinet. In a subsequent election the Communists were defeated only narrowly. There is abundant proof that without achievement by non-Communist programs, support for radical and tyrannous systems can come swiftly. Such forces are clearly at work in at least three countries. While not overtly active in several others, they are known to exist. It is a dangerous mistake to underestimate the potential appeal of radical measures in the absence of effective programs for progress from established regimes.

## NEAR EAST AND SOUTH ASIA (Continued)

The Sino-Soviet bloc, recognizing the great appeal of economic development, has directed about three-fifths of its economic aid to this part of the world.

### Prospects for Progress in the Decade of Development

Achievements of the recent past hold considerable promise for the sixties being a real decade of development. Fortunately, the major countries of the Near East and South Asia have all shown that they understand what is required of them to start down the road of progress. In varying degree, these governments have undertaken the difficult measures needed to accelerate social and economic change.

All need comprehensive programs capable of increasing investment and of sustaining rising per capita income. Particular attention must be paid to education, to training of technical and managerial personnel, to reform and to development of economic institutions.

Few countries of the region have the resources to mount an adequate development effort without some outside assistance. Per capita output in most averages below \$150 per year -- in some cases well below \$100. It is particularly difficult to raise these figures when the population is growing rapidly, as it is in most of these countries, and when subsistence agriculture is the source of income of a majority of the population. The people are often unwilling to depress their very limited consumption further in order to finance national investment.

To compound the difficulty, investment must often compete with substantial military establishments for limited government revenues. As incomes actually rise it should be possible to mobilize increasing sums for development, so that ultimately growth can be self-sustaining.

Some countries in the region began their drive for progress several years ago and can now report substantial accomplishments. India and Pakistan have carried out land reforms, and raised the

level of tax revenue by 115% and 37% respectively, in the past five years alone. Turkey has increased its tax revenue by 131%, Israel by 151%, Greece by 54% and Iran by 187%. In most cases the increases exceed the growth of the economy by a wide margin.

Both India and Pakistan have limited their military expenditures in order to expand development. Between 1956 and 1961, India's military budget fell from 20% of total government outlay to 15%. Development expenditures remained at 44% of the rising total. In Pakistan the military dropped over the same period, from 38% to 28% of the total, as development rose from 37% to 41%. Pakistan has adopted a number of measures to stimulate private development activity. The government has liberalized price and material controls, granted tax concessions to domestic and foreign investors, reduced subsidies and controls, and adopted export incentives. Turkey has carried out a drastic currency reform and stabilization program, laying firm foundations for sound expansion of development activity. In Iran a start has been made toward stabilization and budget reform.

Much remains to be done -- more in some countries than in others. Still, the actions taken to date are impressive. They give hope for steady progress over a period of years.

Several countries of the region have worked through the medium of comprehensive, long-term plans. Others -- and Israel is an outstanding example -- have achieved great consistency and effectiveness through their annual budgetary processes, careful planning of individual programs and a continuously evolving economic policy.

In practice, many countries have found it useful to use a plan framework projecting ahead for several years in order to focus national attention on the merits of the goals proposed and on the relationship between the domestic measures needed and the achievements sought. Such a plan also provides a convenient framework for considering the country's needs for external assistance and the adequacy and realism of its tax, investment, and other self-help measures.

## NEAR EAST AND SOUTH ASIA (Continued)

Virtually all of the larger countries now have multi-year development plans either under way or in draft. Both India and Pakistan are carrying out five-year plans which have been reviewed and generally endorsed by consortia of several Free World developed nations, under leadership of the International Bank for Reconstruction and Development. We have made commitments to India and Pakistan going beyond one year, and we expect to make similar commitments to other countries. In both India and Pakistan, our ability to do so provides a more adequate basis for orderly planning and phasing of their development. It contributed to our success in securing maximum contributions from other developed countries now aiding both. To date our commitments, and those of other lending countries, have been for two-year periods only.

Turkey and Iran are now preparing comprehensive development plans, both of which are to start in the coming year. The two governments have identified important reforms which must be made. Both recognize the need to further mobilize their own resources for development. There is reason to expect that the two programs will provide proper frameworks for outside support, and that Turkey and Iran will be able to carry on their work effectively if given assistance and encouragement.

Greece and Israel have not adopted detailed long-run plans but both are making good use of the resources available to them and both are achieving progress. Israel is increasing its output as fast as almost any country in the world, with the help of a large inflow of capital.

Egypt has an elaborate and ambitious development plan. However, it is to a considerable extent based on nationalized enterprise and is very large in relation to resources available.

In other countries of the region, organized economic development efforts are less advanced, but progress is seen in some important areas. Afghanistan -- with extensive outside help -- is drafting a proposed second Five-Year Plan. Jordan, too, has drawn up a Five-Year Plan with the help of outside advisors, largely from the United States. Since withdrawing from the UAR, Syria is taking measures to liberalize financial and trade policy. Syria plans to restore the private sector to a greater role than it played during the country's former association with the UAR. Other area nations giving increased attention to development needs are Cyprus and Nepal.

## Increased AID Emphasis on Development

FY 1963 will see further steps in the transition from short-run military and political support to an emphasis on long-term development. This changing emphasis is summarized by the reduction in proposed Supporting Assistance to \$100 million, less than half the \$206.9 million level of FY 1962, and the proposed increase in Development Lending from \$634 million to a range of \$850 - \$950 million.

Up to now, U.S. grants of Supporting Assistance have been needed in Greece, Turkey, Iran and Pakistan to maintain the military forces to meet the threat of aggression and to assist those nations' economies to bear the extra burden.

The strengthening of the economy of Greece in the past few years, the organization of a successful consortium in support of the Pakistan development effort, and the start of a new plan period for Iran create the opportunities to shift on a sound basis from supporting assistance to development aid during FY 1963. Similarly, planning being done in Turkey raises a like possibility for some future date.

While we are determined to increase emphasis on long-run economic development and reduce the short-term military and political support as quickly as possible, we cannot ignore immediate military and political threats. Military forces in some countries form a part of our collective security alliances. In others, such as Iran, a constant threat is obvious.

It is imperative that the shifts in emphasis do not disturb either our close relations with these countries or their confidence. Changes from grant assistance, in fact, can best be made where sound development programs are involved and sufficient development lending is available.

## Conflicts Between Countries in NESEA

Within the region there are a number of disturbing political disputes that cause national treasure and energies to be diverted to military uses. Each offers the Sino-Soviet bloc opportunities to realize strategic advantage.

The most pressing conflicts are those between Israel and its  
97 Arab neighbors, between India and Pakistan over Kashmir, and

### NEAR EAST AND SOUTH ASIA (Continued)

Afghanistan's dispute with Pakistan over the status of the Pushtun tribal area.

The Arab-Israel hostility has drained resources of both sides and has distorted the region's potential for economic interdependence. The Soviets have seized on the issue, posing as friends of the Arab world.

Hostility between India and Pakistan centers around which country should govern Kashmir. While the Ten-Year Indus Basin Project may resolve the two countries' serious dispute over irrigation water, Kashmir remains a major source of contention.

The Afghan-Pakistan dispute took a turn for the worse last Fall, when the border between the two countries was closed. Not only did this cut off Afghanistan's significant trade, but it became almost impossible to deliver U.S. aid supplies to Afghanistan.

Our main means for attempting to resolve these issues remain diplomatic. We seek through all possible channels and at every opportunity to persuade Israel and the Arab countries to resolve their specific issues and arrive at a stable acceptance of their respective status. We have extended good offices to Afghanistan and Pakistan in an effort to work out agreement on a formula for reopening the border and restoration of normal relations. We have repeatedly and at the highest levels urged the leaders of India and Pakistan to work out a reasonable agreement on the status of Kashmir.

#### The Sino-Soviet Bloc Economic Offensive

Since the Soviet bloc economic aid offensive was launched in 1955, it has been heavily concentrated in the Near East and South Asia. The total committed in this region to date by the bloc is about \$2.6 billion, representing about 60% of all Soviet foreign economic aid. This bloc assistance is concentrated in amounts and times to produce the maximum political effect.

In India, the aid from Russia and the satellites has been considerable. However, it has been used to a large extent to meet important planned needs. It has, therefore, tended to reduce the level of aid which might have been required from the Free World for India. Although bloc aid has afforded a focus for effective propaganda, it has not been sufficient to create the prospect of Communist domination.

In Nepal, Ceylon and the UAR bloc programs have been larger in relation to the size of the economies than in India, in the last two cases having significantly altered trade patterns. Heaviest relative concentration of bloc aid in the region has gone to Afghanistan and Yemen. In all such cases U.S. aid programs take into consideration the desirability of keeping alternative sources of assistance open or of forestalling virtual loss of a country to Soviet domination.

#### Proposed Program for FY 1963

The major countries in the Near East and South Asia have made serious efforts this year toward their own economic development, encouraged in part by President Kennedy's proclamation of the Decade of Development. Consequently, the United States must be prepared to join with other developed countries to support effectively those serious economic development programs that are underway or will be launched during 1963.

In FY 1962, U.S. development lending, largely in support of such programs, is expected to nearly double the 1961 figure, \$669.1 million compared to \$377.5 million. For FY 1963 it is proposed that the development lending level be increased to between \$850 and \$950 million.

Development Grant programs of \$78 million are proposed for the coming fiscal year, an increase over FY 1962 of \$14.5 million.

Generally, Supporting Assistance may be reduced as development programs make themselves felt. Thus it is proposed that in FY 1963 this category of help be reduced from the \$207 million level of FY 1962 to about \$100 million, in some cases being terminated altogether.

#### Development Lending

In general the major countries of the Near East-South Asia region are either well along in development programs or are closely approaching the transition to major development financing, in both cases with the United States acting in concert with other industrialized countries and with financing institutions. Although predictions carry their hazards, the situation is sufficiently promising that it is in the U.S. interest to be in a position to act on a substantial volume of loans to such nations. On the other hand, it is not in the U.S. interest to omit attention to the whole range of country prospects in the area. Accordingly it is necessary to plan on a number of meritorious requests for

## NEAR EAST AND SOUTH ASIA (Continued)

loans from countries which justify them on various grounds, in almost all cases for specific development projects. Occasionally, program loans -- those used to finance imports needed in development programs -- may be used where sound development will thereby be fostered.

### Development Grants

Although several nations have developed extensive domestic technical skills and can now provide for such outside technical assistance as is needed from their own budgets without grant aid, the proposed total for FY 1963 is greater than for FY 1962. The difference represents promising new programs in some countries, continuance in others, and shifting of emphasis from Supporting Assistance.

Throughout the region it is our goal to eliminate all grant projects that will not make truly substantial contributions to the economies and to national independence of the countries involved. All projects will be under continuous review to make certain that they meet the new criteria. Some projects cannot be terminated immediately, but any projects not meeting the criteria will be eliminated as soon as possible. AID mission directors know that they will be held responsible for the quality of every activity.

The main purposes of our Development Grant programs are to assist the host governments in planning development programs, economic policies, and important sector programs; to establish educational institutions adequate to meet future needs for technical and managerial personnel; and to train and advise present technical and managerial personnel responsible for important activities. A well planned and executed grant program is an important precursor and complement to the loan program in most countries.

### Supporting Assistance

As already noted, Supporting Assistance grants for this region are expected to be sharply reduced in FY 1963, in fact by more than half and including some terminations. It is plain, however, that reduction would be unwise if countries affected were not prepared

to make real progress in their own development. The end of Supporting Assistance represents graduation to a status more nearly approaching self-sustaining capability but in which loans or development grants are still required to foster sounder economic growth. In all cases, of course, shift to loans instead of grants is a prime objective. The proposed amounts for Supporting Assistance in FY 1963 are considered minimal in terms of U.S. interests in the region.

### Aid From Other Developed Free World Countries

Other developed countries of the Free World and international financing institutions have greatly increased their aid in this region. Their initial commitments to India's new Five-Year Plan almost equal their total contributions to India's two earlier plans, and commitments made to date are only for the new plan's first two years. Their commitment to earlier plans was \$1,322 million and to the first two years of the new plan \$1,241 million. A similar pattern is true of pledges to Pakistan, with \$445 million pledged for FY's 1962 and 1963. In addition, ten-year commitments have been made to the Indus River Basin program.

As additional countries evolve sound development programs, larger contributions can be expected. The consortia sponsored by the IERD for India and Pakistan have resulted in increased contributions to those two countries. It is anticipated that the OECD will lead efforts for similar help to others in the area.

Various nations have offered other aid on their own which furthers U.S. interests. German assistance to Afghanistan and to the Euphrates Dam in Syria is particularly helpful. The past year's achievements, then, inspire confidence that the Free World's other developed countries will play increasing roles in Near Eastern and South Asian development.

## Country: INDIA

India is not only the second most populous nation, it is one of mankind's oldest civilizations. Yet the land area is only a little more than one-third that of the United States. This means that India has an average of almost 350 persons per square mile, compared with 55 in the United States. Nevertheless, during the 10 years between 1951 and 1961, per capita income has been raised slowly but steadily.

The major reason is that India has made monumental efforts to achieve rapid economic development. The country has worked within a parliamentary framework, and its accomplishments hold major importance for the United States and the Free World.

Present day India is a mixture of the old and the new. After 10 years of strong effort in development, India's economic situation is also a mixture of progress and promise. Although 83% of the population live in some 550,000 villages, India has a great urban population and a sizable industrial establishment. In industrial output India ranks among the top 10 nations. It is a major iron and steel producer, and is expanding in these fields. Manufacture of cotton textiles is the nation's largest single industry. Jute products and tea are principal exports in dollar value. Fertilizers, chemicals and pharmaceuticals are also important industries. Indian railways comprise the fourth longest system in the world.

In languages, religions and culture India has greater diversity than all of western Europe. Fourteen main languages and several hundred dialects are spoken. Hindus constitute about 85% of the population, Muslims 10% and there are significant minorities of Christians, Sikhs and Buddhists. Partition of the subcontinent into India and Pakistan was largely along religious lines.

While it is true that India's labor force includes a vast surplus of unskilled labor and that there is an acute shortage of technical and managerial talent, it is also true that new ideas are taking hold and a new class of educated people is emerging. Shortages in a number of categories of trained manpower hamper rapid economic development, but at the same time developmental efforts have demonstrated skill and determination.

Because of India's size and the relative success of her economic development program, there are real prospects for greatly expanded trade and investment between our two countries. Should India fail, hopes for success through parliamentary means would be dimmed throughout the entire underdeveloped world. Viewed against the staggering problems which confronted India at the time of partition, the gains made since then are both impressive

and of major importance to the United States and to all those who believe in democratic concepts.

From the population standpoint alone, India is the dominant country of South Asia; her people comprise 14% of the entire world population. Considering that the country contains the bulk of South Asian resources required for industrialization, India's advancement takes on added significance.

Politically, India is the most influential of the non-aligned nations. During the 14 years since its independence, India has been engaged in a massive struggle to create from its divided and polyglot population a unified modern state having a vigorous economy that will afford its hundreds of millions of people a better life. In a sense this struggle is an experiment. If India succeeds in building a modern state without resorting to authoritarian methods, the example will provide inspiration for other nations and peoples; if it fails, authoritarian government could offer the alternative.

U.S. goals in India are to help in the building of an economically viable, stable nation that can maintain its independence. Under those conditions, we are confident of a sympathetic understanding between the people of India and those of other free peoples.

### Country Background

During the past decade India has been making progress in developing its material and human resources. Two effective Five-Year Plans have been carried through, and while the average annual rate of per capita income increase has been only 1.6%, total national income has risen by 42%. India's industrial base has broadened, with capacity expanded in steel, power, transport, heavy machinery, and consumer industries. Despite a major effort to develop the heavily populated rural areas, agricultural production has lagged behind industrial growth. Social development has advanced -- particularly in education and health, although facilities are still behind the need.

Of \$8.4 billion in foreign aid commitments made to India in the period 1951-1961, more than 60% originated in the United States, including the financing of food and fiber imports and a substantial proportion of loans. Another 15% of the aid has come from the Soviet bloc, and the remainder from Free World countries and international agencies.

## Country: INDIA

Although there is a serious shortage of senior and middle management people, the government of India has shown a capacity to organize a complex economic development program and to start making effective use of its own resources and reserves. The Third Five-Year Plan calls for total development expenditures of \$24.4 billion. Of this, \$15.8 billion will be in the public sector and \$8.6 billion in the private sector. Plan targets include an annual 5% rise in national income, self-sufficiency in food grains, and expansion of heavy industry so that there will be increases in employment opportunities. The plan is a product of a sophisticated planning process, and represents a thoughtful approach to the social and economic problems of the country.

The effort to reach these targets will severely tax the country's resources, but if foreign exchange is available when needed and in adequate amounts, it should be generally successful. After allowing for a rise in export earnings to almost \$8 billion and repayment of debts on previous loans of some \$1 billion, capital and commodity assistance amounting to about \$6.7 billion will still be required if the goals of the plan are to be achieved.

The government of India hopes to disperse the benefits of development. It intends to accomplish this through land and tax reform measures, through community development schemes and establishment of cooperatives. Steps have been taken to accelerate gains for the broad mass of people through further expansion of health, education and social welfare programs. The government is strongly committed to the development program; it gives high priority to development in the allocation of India's resources. Despite many severe problems to be faced, the plan remains the best vehicle for the Indian efforts and for aid to India by other countries.

### U.S. Assistance Plans

India's commitment to massive development dominates the country's domestic and international policies. The United States is providing bilateral assistance and marshaling other Free World aid in support of the Third Five-Year Plan. In May-June of 1961, the World Bank (IBRD) sponsored the formation of a consortium of Free World countries which had been providing bilateral assistance to India. This consortium pledged considerable sums to help India place orders and make payments for the first two years of the Third Plan (1961/62 and 1962/63). A meeting to review the status of present commitments and disbursements was held in January 1962, and the consortium members will reconvene in May.

Prime Minister Nehru is the most influential leader of the Afro-Asian bloc. The United States hopes that he will understand and -- to the maximum extent possible -- support views on major international issues which we believe are not only just, but in the best traditions of democratic government. The United States believes that over the long run, Indian and American perspective on major world issues will very often coincide.

U.S. assistance takes several forms: long-term loans for capital projects and essential imports; grants for technical assistance in agriculture, industry, education and training, health, labor and other fields; and sales of surplus agricultural commodities for local currency under the Food for Peace program.

Other U.S. activities also contribute to India's development. Cultural exchange and informational activities, as well as Peace Corps projects are creating better mutual understanding of our different cultures.

India expects about \$900 million of disbursements from the Soviet bloc, and from commitments received outside of the group of Free World nations that is acting jointly to aid Indian development. All of this contributes to meeting financial requirements of the Third Plan. The Soviet bloc also conducts cultural exchanges and technical assistance programs. Since 1951 the Free World has provided about 85% of India's external financing; therefore, while Soviet bloc activities are important, they do not appear to be extensive enough to endanger India's independence.

India's self-help efforts have been impressive. Long-term planning is efficient and sophisticated. The administrative mechanism for planning and for implementing development programs is constantly being improved. Domestic savings and investment are increasing. Distribution of the country's new burdens and benefits is generally equitable. India has respect for law, and equality of political and economic opportunity.

India has acknowledged her need for greater national initiative. This idea extends to more realistic and effectively pursued export policies; higher proportionate increases in private investment, both foreign and domestic; a sound manpower policy, including educational reforms and organization and management measures; improved administration of the revenue system and enlargement of the tax base; increased employment opportunities, particularly among the rural population and the educated unemployed; and further progress in land reform.

**Country:** INDIA

Proposed AID Program for FY 1963

Funding proposed for FY 1963 will assist in implementing priority projects within the Third Plan. The contribution made by our programs toward attainment of particular goals is on a significant scale in some cases. In others, the amounts of aid are marginal. Assuming that the consortium meets a substantial level of funding, the U.S. commitment will make available loans from both AID development lending and from the Ex-Im Bank. Development loans will be used to finance priority projects in power, transportation, coal, fertilizer, development banks, important private sector projects and imports for general economic support. Food for Peace commodities will continue to be made available under a four-year sales agreement signed in 1960.

The proposed development grant program will concentrate on malaria eradication, on activities designed to help India train skilled manpower needed to raise agricultural and industrial production, and on public health. The development grant program plays an important role in enhancing effectiveness of capital assistance made available through U.S. development loans.

India plans to raise agricultural output by 30% and annual food-grain output from 80 million tons to 100 million tons by 1966. This is one of the major goals supported by U.S. assistance. It involves extensive growth in domestic fertilizer production, improved agricultural practices, greater availability of good seed, development of small irrigation works, and better credit and marketing facilities. Development grants will give technical help in introducing improved agricultural practices and upgrading agricultural education. Development loans are expected to finance fertilizer plants and fertilizer imports. Rupees from Food for Peace sales can help to finance development projects, including small irrigation works.

Other Indian programs call for a rise in power capacity from 5.7 million to 12.7 million KW by 1966, and for improvement of road, railroad and port facilities. Another goal is a major jump in industrial output. Advisory services to meet technical needs, and to improve productivity will be supported by development grants. Loans will continue to be allocated to major plants, credit institutions, supporting facilities, and for imports needed to maintain production and investment.

Substantial sums have been allocated to improve education and health. Emphasis is being placed on educating children below age

12, and on science, vocational, and engineering education as well as teacher training. To accommodate the expected growth in school population, a substantial Indian school construction program is envisioned. However, U.S. assistance in education is focused primarily on engineering and vocational education, and on teacher training.

New emphasis is to be placed on preventive public health services. A continuing major objective is to provide safe drinking water in villages. Meanwhile, the government of India will expand medical training facilities and family planning, and will endeavor to eradicate malaria and other diseases.

Accomplishments

U.S. aid programs are conducted within the context of India's development plan -- a phased program directed toward eventual attainment of self-sustaining economic growth. India's strategy of development recognizes the importance of conscious planning as the mechanism for fundamental social and economic changes. To attain plan goals, India has instituted land and tax reforms, has promoted the growth of cooperatives, and has given priority to development of public services. The major role which the United States can now play is to stimulate improvements in existing programs, and to bring about an awareness of the need for new measures. It is Indian initiative which lies at the base of true self-help. Through technical assistance, the United States can do much to further progress.

In view of limitations on U.S. resources and the almost limitless Indian needs, the development grant program has been adapted to concentrate on key sections of the development plan. A number of activities have ended, or will end during FY 1962. As a result, there will have been a substantial reduction in the number of development grant projects by the end of FY 1962. This is expected to result in some reductions in U.S. staff, and in placement of a higher proportion of personnel in field stations. The focus of the program will be on projects in food production, industry, and human resources development. More effective concentration on fewer activities is expected to result in greater impact.

The most significant program in stimulating food production is the Intensive Agricultural District Program being conducted in collaboration with the Ford Foundation. Under this program, pilot projects have been set up in seven districts of seven States. The

FINANCIAL DATA

Country: INDIA

projects cover over two million farmers. They will demonstrate how application of modern agricultural techniques -- plus improved marketing, fertilizer, credit and storage facilities -- can raise food production and increase farm income. This massive demonstration will continue through the Third Plan. Other significant activities which the United States will support include establishment of seed production farms and a seed certification service. This will help to increase crop yields, by making available high quality seeds to Indian cultivators. It will strengthen agricultural extension activities, and will improve soil and water management practices.

Our most significant education project is at the Indian Institute of Technology at Kanpur. The Institute is being developed into a principal training center. Assistance will be provided by a group of nine leading U.S. engineering institutions. This project is getting under way this year. The U.S. is also working to establish teacher training facilities for secondary schools, a crafts instructor training center, and improved nursing and medical education facilities.

Significant Indian efforts have been induced by such U.S. technical assistance projects. Through U.S. assistance, the first land grant agricultural university was established in Uttar Pradesh State, and now several other Indian States have taken steps to set up similar institutions. This can have a profound influence on future development of agricultural education. The training of 300 Indian engineering instructors in U.S. universities has enabled the Indians to provide faculty for Indian institutions, thus strengthening the base of engineering education. A U.S. demonstration program has stimulated recognition of the importance of fertilizer, and created new demands for this important commodity. The government is now proceeding with production facilities. We have also demonstrated feasibility of certain types of grain storage facilities, which the Indian Government expects to use in constructing its own storage. The malaria eradication program has reduced incidence of malaria in India by 80%, and deaths have dropped from two million to 80,000 a year. The success of the program is attested by the fact that it has become possible drastically to curtail spraying operations. A surveillance program recently organized by Indian technicians is now supplanting the eradication work. As U.S. assistance is phased out, this program will be continued by Indian personnel.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
<b>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</b>	1,021.9	201.6	403.3
Development Loans.....	546.4	180.1	388.1
Development Grants..... (T.C. prior to FY 1961)	133.5	21.5	15.2
Supporting Assistance..... (DS/SA prior to FY 1961).	342.0	-	-
Other MSP Economic.....	-	-	-
<b>FOOD FOR PEACE (P.L. 480)</b>			
Title I, Country Uses..... (Sales Agreements).....	1,467.4	368.8	298.2
Title II.....	(1,694.0)	(412.8)	(335.0)
Title III.....	5.2	0.3	2.6
Title IV.....	143.7	18.4	30.5
Title V.....	-	-	-
<b>EX-IM BANK LONG-TERM LOANS.....</b>	246.2	80.7	0.7 <sup>a/</sup>
<b>OTHER U.S. ECONOMIC PROGRAMS.....</b>	230.7	-	-
<b>MILITARY ASSISTANCE (Programs)</b>			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
<b>ASSISTANCE FROM INT'L AGENCIES</b>			
IBRD - World Bank.....	678.3	90.0	125.9 <sup>a/</sup>
Internat'l Finance Corp. ....	1.6	0.2	-
Internat'l Develop. Assoc. ....	60.0	60.0	28.5 <sup>a/</sup>
UN Tech.Assist. - CY ending in FY ...	19.4	3.0	2.1
UN Special Fund .....	13.7	5.2	2.0 <sup>a/</sup>
<b>OTHER FREE WORLD ASSISTANCE <sup>b/</sup></b>			
United Kingdom .....	368.4	182.0	68.0
Canada .....	180.6	28.0	28.0
Germany .....	384.5	225.0	139.0
Japan .....	108.0	50.0	30.0
Italy .....	100.0	100.0	-
All Other .....	62.9	62.9	15.0
<b>SINO-SOVIET BLOC ASSISTANCE .....</b>	945.0	139.0	37.2 <sup>a/</sup>
<b>U.S. DOLLAR LOAN REPAYMENTS</b>			
Export-Import Bank .....	2.1	1.7	2.5 <sup>a/</sup>
Other Government Loans .....	154.4	-	-
<sup>a/</sup> July-Dec.1961. <sup>b/</sup> Assist.extended prior to FY 1958 not known.			

Country: INDIA

BASIC DATA			
	Unit	INDIA	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	1,270	xxx
Population (1961) <sup>a</sup> ...	Mil.	440	xxx
Annual Growth .....	%	2.3	2.4
Density per sq.mi.	No.	347	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	52	25
Per Capita .....	Acres	1.0	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	38	80
<u>EDUCATION</u>			
Literacy Rate .....	%	24	35
Pupils as % of Pop. (Prim. & Sec.) .....	%	9	9
Pupils per Teacher (Prim. only) .....	No.	37	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	42	40
People per Doctor ...	No.	5,000	7,000

## GENERAL ECONOMIC DATA

## INDIA

	Unit	Calendar Years		
		1959	1960	1961 Est.
<b>GROSS NATIONAL PRODUCT*<sup>b</sup></b>				
Total GNP (in 1960 Prices) .....	\$ Billions	32.9	35.3	36.0
Per Capita GNP .....	Dollars	78	81	81
Investment as Percent of GNP .....	Percent	15.2	16.4	16.7
<b>AGRICULTURAL PRODUCTION INDEX - TOTAL</b> .....				
Index Per Capita .....	1952-54=100	116	125	123
Grains .....	Mill. MT	104	109	105
Grains .....	Mill. MT	75.9	80.5	77.0
<b>INDUSTRIAL PRODUCTION INDEX</b> .....				
	1953=100	144	161	175
<b>COST OF LIVING INDEX</b> .....				
	1953=100	115	117	119
<b>FOREIGN TRADE</b> <sup>b</sup>				
Total Exports (f.o.b.) (Payments Basis)...	\$ Millions	1,308	1,327	1,395
Tea (Customs Basis) .....	"	265	252	290
Total Imports <sup>b</sup> (c.i.f.) .....	"	1,949	2,304	2,295
Trade Balance .....	"	-641	-977	-900
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	207	228	245
Imports from U.S. (f.o.b.) .....	"	336	640	490
Trade Balance .....	"	-129	-412	-245
<b>GOLD &amp; FOREIGN EXCHANGE (end of year)</b> .....				
	"	853	709	670
-Million Dollar Equivalents -				
<b>CENTRAL GOVERNMENT FINANCES* FY ending Mar. 31</b>		1960	1961 <sup>c</sup>	1962 (Bud)
Total Expenditures .....		3,786	4,471	4,766
(Defense Expenditures) .....		(628)	(683)	(708)
(Capital Outlays) .....		(1,553)	(1,965)	(2,157)
Domestic Revenues .....		2,527	2,849	3,104
Budget Receipts from Non-U.S. Foreign Aid .....		292	327	439
Budget Receipts from U.S. Aid (Grants & Loans) ....		152	291	390
Remaining Deficit (-) or Surplus (+) .....		-815	-1,004	-833

\* - Converted at 4.762 Rupees per U.S. \$.

a - Includes Kashmir - Jammu.

b - FYs beginning April of year shown.

c - Revised budget estimates.

## Country: IRAN

Iran is both an important and strategically located ally of the United States and the Free World. Iran shares in both the military and economic assistance phases of the U.S. foreign assistance program.

The U.S. military aid program is designed to help Iran develop and maintain an armed force capable of protecting the country's internal security and of resisting external aggression. Economic assistance is designed to further the country's strong efforts in strengthening production, basic institutions and living standards.

Iran shares a 1,200 mile border with the Soviet Union, and is the geographic link between Turkey and Pakistan, its two partners in the Central Treaty Organization (CENTO) alliance. Iran's location and open association with the West gives the Free World a considerable stake in the security and integrity of this country of 21.1 million persons. In the face of heavy and continuing threats, radio propaganda, subversive efforts and diplomatic blandishments, Iran has maintained its independence.

In ancient times Iran was the heart of the Persian Empire, one of the greatest the world has ever known. Modern Iran has been a constitutional monarchy since 1906, and is both a country of great cultural and historical traditions, and the locus of impressive potentialities for the future.

Covering approximately 630,000 square miles in Western Asia, Iran encompasses a great deal of oil-rich land. It is situated on a plateau bordered by the Persian Gulf and the Gulf of Oman on the south, by the Caspian Sea and the Soviet Union on the north, on the east by Pakistan and Afghanistan, and by Turkey and Iraq on the west.

### Country Background

The political unrest which has characterized Iran's recent history has its origin in the social and economic evolution now under way in the country. A growing urban middle class is becoming increasingly effective in challenging the position of the traditional elite. Pressures for modernization of Iran's quasi-feudal social institutions, and protests against corruption and inefficiency in government are intense. The illiterate and poor peasantry continues to be under the domination of a relatively small group of landlords. Its members as yet have only limited perception of the possibility of improvement in their status and they remain politically apathetic.

The Shah has spoken frequently and publicly in favor of institutional reform and economic progress. For the first time, the Shah in May 1961 entrusted the governmental reins to a reformist Prime Minister, Ali Amini. Amini has been striving to establish a moderate political base and to institute long overdue reforms.

Iran has been trying to accelerate the pace of modernization through a national economic development plan; the Second Seven-Year Plan is now approaching completion. National output, despite recent poor crops, has increased in real terms by roughly 30% since the inauguration of this plan in 1955. The rapid advance of the petroleum sector since 1955 has been the major factor. The investment rate -- averaging 16-19% of Gross National Product (GNP) per year -- was made possible largely by a tripling of oil revenues (1955 - \$91 million; 1961 - \$294 million), and an inflow of foreign grants and loans amounting to more than \$400 million during the plan period.

Second Plan expenditures have not yet been adequately coordinated with the military build-up, and that fact coupled with private investment activities and public expenditures outside of the Third Plan, resulted in inflation and a rapid draw-down of foreign exchange reserves. This reached crisis proportions in the spring of 1960. The Iranian Government in the fall of 1960 agreed with the International Monetary Fund (IMF) on a stabilization program which restricted credit, budgetary expenditures and non-essential imports.

Prime Minister Amini has sought to adhere to the stabilization program in the face of opposition from the commercial community. Serious budgetary problems, partly inherited from the preceding government and partly aggravated by political concessions including pay increases for teachers, caused the Amini Government to seek new U.S. assistance commitments shortly after it came into office. To help prevent potentially grave political and economic consequences, in FY 1962 the United States provided \$15 million supporting assistance grants for general budgetary support. This was in addition to a \$15 million grant already provided to help finance the military budget. The United States also agreed to provide a loan of \$20 million, for work planned or in progress under the Second Seven-Year Plan.

The present government has been engaged in formulating its Third Plan, which calls for a total public and private outlay of approximately \$5 billion over a five and one-half year period. Its broad goals are: Six percent annual growth in GNP, creation of

**Country: IRAN**

new employment opportunities and a more equitable distribution of income. Although the established goals of the plan may be high, it provides a framework for effective action. The Third Plan is calculated to take advantage of the substantial momentum built up by investments made during the Second Plan Period. It calls for a more balanced program for the entire economy plus closer coordination between development objectives and national fiscal, budgetary, and monetary policies.

Preliminary analysis of the Third Plan indicates that under present projections of development expenditures, there will be a resource gap of about \$900 million. The Iranian Government is now defining more precisely the plan's content, its costs and foreign exchange requirements. It is considering what measures may be taken to increase Iranian developmental resources. Iran's foreign exchange needs over the Third Plan Period will be heavy.

U.S. Assistance Plans

Prospects for achievement of the Third Plan goals have been improved by policies of the present government. Prime Minister Amini has already demonstrated his intention of initiating the social, administrative, and economic reforms which are requisite to the success of the plan. Despite resistance of the powerful landlord class, he is proceeding vigorously to implement a pilot land reform project. This program is to serve as the guide for feasible national land reform.

The United States must employ an assistance program which:

- (a) Encourages the Iranian Government's efforts to utilize its own resources more effectively, and where appropriate, provides advice and assistance in this respect. We must continue to urge the Government of Iran to institute land and tax reform, and to improve administrative practices such as the consolidated budgetary procedure begun this year.
- (b) Shifts U.S. aid from supporting assistance grants for the Iranian military budget, to loans in support of economic development.
- (c) Supports the Iranian Third Plan. The World Bank contemplates a June meeting of nations that may be willing to jointly evaluate the plan and to implement a Free World program of support for it. The United States is now assessing total foreign assistance needed for the plan, along with steps which should be taken toward obtaining maximum contributions

from other members of the consortium. We must determine the magnitude of U.S. assistance that may be required. The possibility of a long-range U.S. commitment is also under consideration.

Proposed AID Program for FY 1963

The precise amount of Development Loans required from FY 1963 funds cannot be determined until a thorough analysis of the Third Plan has been completed by the Agency for International Development. The Government of Iran must also indicate what further self-help measures will be taken to marshal a greater portion of its own resources in support of the plan, and some more firm basis must exist for estimating the amount of support Iran can expect from other foreign lenders.

Specific FY 1963 program activities in Iran will be directed toward three goals in support of the Third Plan. These are:

To assist and encourage the government in action geared to sound, coordinated long-range economic, fiscal and social development planning. This is essential to mobilize effectively and use the country's resources. It will help the government to develop institutions, tools, and personnel effectively to implement the Third Plan

To aid the Government of Iran in planning and carrying through its educational and vocational development programs, so that both immediate manpower requirements resulting from development activities and anticipated longer-range educational needs can be met.

To assist the Iranians to develop agricultural and industrial production facilities, and ancillary services which together will expand national economic capacity, the objective here is that Third Plan goals for employment and income growth will be realized.

Accomplishments

AID in a cooperative effort with such organizations as the World Bank, the IMF, and the United Nations has played a significant part in inspiring, guiding, and assisting the Iranian development program.

In improving its economic planning capacity, Iran has made significant recent progress. It has developed mechanisms and

FINANCIAL DATA

Country: IRAN

institutions to influence the course of the economy. Evidence of progress achieved in the last two years includes establishment of a central bank, application of credit controls, and adoption of import restrictions to conserve foreign exchange. Iran has established a supervisory committee to limit uncontrolled borrowing of government agencies. It has issued for the first time a consolidated budget call. It has drafted a comprehensive Third Economic Development Plan, and established the Industrial and Mining Development Bank of Iran to promote greater investment in private productive enterprises. The Prime Minister recently announced his determination to establish a Central Budget Bureau. This will give Iran the administrative machinery to initiate reforms in the public revenue system. Action in both of these areas is an essential to firmer allocation of resources in support of Third Plan goals. He has already initiated a program of reform in land tenure.

The agricultural extension service is today one of Iran's most popular and powerful forces. It is hard at work to develop a better way of life for farm families in some 45,000 villages. These people make up about 80% of the population of the country. A rapidly growing staff of Iranian extension agents finds ready acceptance for new farming techniques. Already 60% of the farmers of Iran are estimated to planting improved seed wheat -- the principal crop. Wheat smut has been eradicated. Yields have been raised by much more widespread uses of commercial fertilizers in recent years.

U.S. AID has assisted the Agricultural Bank in developing agricultural cooperatives. The cooperatives act as rural units that obtain farm credit for purchasing, producing and marketing. Some 850 agricultural cooperatives have been developed. Development of another type of farm cooperative -- the local water society -- has been promoted by advisory assistance and guidance through Water Resources Management and Development. Training of technical personnel to expand the water societies and to improve their management and operations, is an objective of a third project.

The Ministry of Education has established a program and planning office staffed by U.S.-trained Iranian specialists. It will recommend improvements in both management and education programming. The first accomplishment of this group has been to bring about a basic reorganization of the vocational education program of the Ministry.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
<b>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</b>	515.2	63.3	54.2
Development Loans.....	114.8	37.2	6.0
Development Grants..... (T.C. prior to FY 1961)	64.7	4.3	5.2
Supporting Assistance..... (DS/SA prior to FY 1961).	335.6	21.8	44.0
Other MSP Economic.....	-	-	-
<b>FOOD FOR PEACE (P.L. 480)</b>			
Title I, Country Uses..... (Sales Agreements).....	24.4 (34.3)	16.0 (21.9)	6.8 (9.0)
Title II.....	15.2	11.8	c/
Title III.....	6.8	1.6	2.1
Title IV.....	-	-	-
<b>EX-IM BANK LONG-TERM LOANS.....</b>	75.1	22.1	-
<b>OTHER U.S. ECONOMIC PROGRAMS.....</b>	27.3	-	-
<b>MILITARY ASSISTANCE (Programs)</b>			
M.A.P. - Grant Aid.....	528.1	75.9	49.8
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
<b>ASSISTANCE FROM INT'L AGENCIES</b>			
IBRD (World Bank) .....	194.2	-	a/
International Finance Corp. ....	0.3	-	-
UN Tech. Assist.-CY ending in FY ....	10.3	1.2	1.0
UN Special Fund .....	5.1	3.2	a/
<b>OTHER FREE WORLD ASSISTANCE .....</b>	90.7 <sup>b/</sup>	30.0	50.0
<b>SINO-SOVIET BLOC ASSISTANCE .....</b>	6.0	-	a/
<b>U.S. DOLLAR LOAN REPAYMENTS</b>			
MSP and P.L. 480 Loans .....	10.3	4.9	5.2
Export-Import Bank .....	17.3	7.6	4.3 <sup>a/</sup>
Other Government Loans .....	NA	-	-
<p>a/ July-December 1961.  b/ Fiscal Years 1950 through 1961.  c/ Data classified.</p>			

Country: IRAN

BASIC DATA			
	Unit	IRAN	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	629	xxx
Population (1961) ...	Mil.	21.1	xxx
Annual Growth .....	%	2.5	2.4
Density per sq.mi.	No.	34	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	16	25
Per Capita .....	Acres	3.1	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	21	80
<u>EDUCATION</u>			
Literacy Rate .....	%	10-15	35
Pupils as % of Pop. (Prim. & Sec.) .....	%	7	9
Pupils per Teacher (Prim. only) .....	No.	32	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	n.a.	40
People per Doctor ...	No.	6,000	7,000

## GENERAL ECONOMIC DATA

IRAN

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*<sup>a</sup></u>				
Total GNP (in 1960 Prices) .....	\$ Millions	4,070	4,190	4,380
Per Capita GNP .....	Dollars	202	203	207
Investment as Percent of GNP .....	Percent	19.0	18.4	17.0
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	126	119	125
Wheat .....	1,000 MT	3,000	2,600	2,800
<u>PETROLEUM PRODUCTION</u> .....				
	Mill. MT	46	52	57
<u>COST OF LIVING INDEX</u> .....				
	1953=100	152	164	176
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) (Payments Basis) <sup>a</sup> ..	\$ Millions	785	830	880
Cotton .....	"	24	n.a.	n.a.
Total Imports (c.i.f.) <sup>a</sup> .....	"	587	600	580
Trade Balance <sup>b</sup> .....	"	+198	+230	+300
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	51	51	63
Imports from U.S. (f.o.b.) .....	"	114	117	95
Trade Balance .....	"	-63	-66	-32
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....				
	"	214	184	208
<i>Million Dollar Equivalents -</i>				
<u>CENTRAL GOVERNMENT FINANCES* FY ending Mar. 20</u>				
		1960	1961	1962 (Bud)
Total Expenditures .....		667	730	820
(Defense Expenditures) <sup>c</sup> .....		(170)	(174)	(186)
(Capital Outlays) .....		(239)	(241)	(275)
Domestic Revenues .....		605	664	707
Budget Receipts from Non-U.S. Foreign Aid .....		-13	-9	6
Budget Receipts from U.S. Aid (Grants & Loans) ....		92	42	70
Remaining Deficit (-) or Surplus (+) .....		+17	-33	-37

\* - Converted at 75 Rials per U.S. \$.

a - Years beginning March 21 of year shown.

b - Substantial offsetting deficits were incurred by the transfer abroad of oil company earnings.

c - Excludes military construction mostly financed by MAP.

## Country: PAKISTAN

Pakistan is a nation separated into two parts by a thousand miles of Indian territory, a separation which has added greatly to the normal problems confronting an underdeveloped country. The unique geographic division of the country has impeded political and economic integration and development, by cutting across the natural and traditional lines of communication and trade with India.

The two wings of the country are vastly different in area and population density, and they vary considerably in climate, geography and racial background. West Pakistan consists largely of barren mountains and desert plains, and is sustained by an intricate system of irrigation canals based on the rivers of the Indus Basin. Subtropical East Pakistan is one of the world's most densely populated regions. It has some forest-covered hills, but consists mostly of low-lying river flood plains which are wet and fertile during the monsoons. Essentially East Pakistan is a vast delta formed by the Ganges, Brahmaputra, and Meghna Rivers.

West Pakistan forms a bridge between the Near and Far East.

Pakistan as a country has a strong military tradition and is committed to defending itself against any form of external aggression. It is a vigorous member of both The Southeast Asia Treaty Organization (SEATO) and The Central Treaty Organization (CENTO), overtly anti-Communist and likely to remain so. Pakistan has a population of 95 million people.

### Country Background

In the years immediately following independence, Pakistan's economic progress was uneven. In 1955, however, the First Five-Year Plan was begun, and since that time a definite program of economic development has been initiated under direction of the Pakistan Planning Commission. From the start, the operations of the Commission have been assisted by an American advisory group financed by the Ford Foundation.

A substantial mobilization of resources was carried out under the First Five-Year Plan. A total of \$2.8 billion was expended, with priority being given to investment in irrigation, power and industry. Industrial production and infrastructure facilities expanded significantly. Effective measures of reform were carried out, inflation was brought under control and a foreign exchange crisis was ended. Corruption in government has been reduced, land reform extended, and local government procedures improved. Implementation of the plan was materially accelerated by the Ayub Government.

However, the plan gave insufficient attention to agriculture, and, as a result, production lagged in that very important sector of the country's economy. An effort to remedy this deficiency is now being made through the Second Five-Year Plan, under way since 1960. On the basis of a study made by the Pakistan Agricultural Commission, a major reorganization of government agricultural programs and agencies is in progress.

Expenditures under the Second Five-Year Plan are expected to total \$4.8 billion. This is predicated on estimated external aid requirements of \$2.3 billion, plus \$722 million in assistance from the United States under P.L. 480. It is estimated that over the full period of the plan, gross national product (GNP) will increase by 24%, resulting from increases of 14% and 15% in agricultural and industrial output. Achievement of this goal will mean an annual increase of nearly 2-1/2% in per capita income. Other goals of the Second Five-Year Plan are: Completion of one-third of the program to eradicate malaria, an increase to 60% in the proportion of children attending primary schools, and provision of electric power and safe drinking water to a large number of villages now lacking them.

Effective implementation of the Second Five-Year Plan was stimulated by the recent agreement of an international consortium. The group was organized by the International Bank for Reconstruction and Development (IBRD), and the International Development Association (IDA), to provide Pakistan with a total of \$945 million of assistance for carrying out the second and third years of the plan. The members of this consortium and the amounts pledged are: U.S. \$500 million, IBRD - IDA \$209.4 million, Germany \$80 million. The 1962 portion will consist of development loans, supporting assistance, and Export-Import (Ex-Im) Bank loans. The 1963 portion will consist of Ex-Im Bank loans and major amounts in development loans.

Before undertaking this large commitment, the consortium carefully reviewed Pakistan's development plans and its need for external aid. It sought and obtained assurances from the Pakistan Government that policies would be adopted to realize both the plans and the consortium aid. The aid will enable Pakistan to finance imports essential to maintain development momentum. Representing a commitment over a two-year period, it will also contribute significantly toward the coordinated planning which is so essential to sound, long-term development.

Another major example of coordinated international assistance to Pakistan is the Indus Basin development project. Outlays

**Country:** PAKISTAN

estimated for this project over the course of the Second Five-Year Plan should raise total investment in Pakistan for that period from all sources to more than \$5.5 billion, more than double the amount carried out under the first plan.

The only Soviet bloc aid accepted to date by Pakistan is a \$30 million loan for oil exploration.

To avoid inflation and assure the success of its development efforts, the government plans to forego deficit financing and impose new taxes calculated to yield about \$370 million during the second plan. The government is striving to control its military budget, which now accounts for about 25% of the total budget and 3% of GNP. This is essential if Pakistan's development is to be carried out as rapidly as now projected.

The Indus Basin Project has removed one irritant in relations with India, but the Kashmir question remains unsettled. In the case of Afghanistan, trouble arises from border and territorial questions involving the allegiance of Pushtu tribes.

U.S. Assistance Plans

Pakistan's substantial development effort is characterized by a realistic, carefully formulated plan and by domestic policies aimed at carrying out the plan. The United States wishes to support this effort and thereby demonstrate a willingness to aid those less-developed countries that truly help themselves. This policy should lead to the gradual extension of free institutions in Pakistan, and to the strengthening of the already strong ties Pakistan has with the West.

It is anticipated that supporting assistance will end during the current fiscal year. Assistance in FY 1963 and beyond will be on a development basis, closely supervised to assure maximum contribution to the country's economic progress. Whenever possible, our assistance will be geared to inducing further self-help measures.

Proposed AID Program for FY 1963

The Agency for International Development (AID) program proposed for FY 1963 in Pakistan consists of development loans to be extended pursuant to the consortium agreement and development grants. These are considered to be minimum levels consistent with U.S. goals.

Development loans will finance specific investment projects and commodity import programs essential to achieve Pakistan's goals under the Second Five-Year Plan. Development grants will concentrate on public administration, education and training, and agriculture. U.S. aid will be closely coordinated with that extended by other countries that are members of the consortium. It will be tied to activities that the United States is best equipped to support. Objectives of the Second Five-Year Plan are listed below, in order of priorities given them under our proposed program:

- (1) Government Management -- Government organization and administrative policies are increasingly adapted to economic development needs. AID is assisting by providing advisory services, training for the civil service at special institutes, and development of statistical services.
- (2) Agricultural Production -- Pakistan seeks to achieve self-sufficiency in food grains by 1970, and to improve dietary standards. AID programs include technical assistance in production methods and agricultural extension, capital projects to bring more water to the land, and fertilizer imports. The President's Science Advisor is conducting a study of most feasible methods of coping with excessive salinity and waterlogging of the soil.
- (3) Education -- The objective is to increase both technical education and enrollment in primary and secondary schools. The goal is eight million primary and one million secondary students by 1965. AID projects will help improve teacher training; skilled labor institutes and universities; and training programs in business administration, agriculture, and engineering.
- (4) Transport Capacity -- Rail, air, and water transport facilities must keep pace with economic growth. AID has undertaken transportation surveys in both East and West Pakistan and is considering further financing of locomotives and railroad cars.
- (5) Power Production and Distribution -- A 25% increase in power capacity (to 1.27 million KW) is planned by the end of the Second Five-Year Plan. AID is financing construction of a multipurpose dam, power stations, distribution lines, and technical assistance in power and electricity distribution.

FINANCIAL DATA

Country: PAKISTAN

- (6) Manufacturing Output -- A 10% annual increase in manufacturing production is foreseen. AID is financing raw materials, machinery and equipment. It is providing technical assistance in design and manufacturing methods.
- (7) Communications System -- While a basic communication system exists in West Pakistan and is capable of gradual improvement, the East Pakistan system is entirely inadequate. AID has been helping to finance surveys and is providing funds for equipment.
- (8) Health Services -- Pakistan intends to construct 300 additional rural health centers, install additional sanitary wells, train approximately 1,800 doctors, 1,200 nurses, 850 midwives, and 3,500 other technicians by 1965. AID is providing special training programs for doctors and nurses. It is helping to establish a network of rural health centers, and is financing engineering design work on urban water facilities.
- (9) Survey and Development of Mineral Resources -- Although only a small part of Pakistan territory has been explored for mineral resources, several significant finds have been made -- most notably gas. A search for minerals, solid fuel and oil is now being pushed. AID is helping the Pakistan Geological Survey to build its organization, and to demonstrate conduct of mapping and surveys in promising areas.

Accomplishments

The consortium agreement of January 1962 is both a notable achievement and a change. It has provided Pakistan's Second Five-Year Plan with a solid underpinning of external aid. For the first time, it has brought other advanced Free World nations into association on a substantial scale with the Pakistan development effort.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1951-1961	FY 1961	FY 1962
<b>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</b>	919.3	130.3	233.0
Development Loans.....	231.0	27.2	200.0
Development Grants..... (T.C. prior to FY 1961)	50.6	7.5	8.0
Supporting Assistance..... (DS/SA prior to FY 1961).	637.7	95.6	25.0
Other MSP Economic.....	-	-	-
<b>FOOD FOR PEACE (P.L. 480)</b>			
Title I, Country Uses..... (Sales Agreements).....	367.9 (429.9)	36.1 (45.2)	169.2 (180.0)
Title II.....	48.6	-	-
Title III.....	33.4	2.4	3.8
Title IV.....	-	-	-
<b>EX-IM BANK LONG-TERM LOANS.....</b>	13.6	6.4	12.1 <sup>a/</sup>
<b>OTHER U.S. ECONOMIC PROGRAMS.....</b>	67.9	-	-
<b>MILITARY ASSISTANCE (Programs)</b>			
M.A.P. - Grant Aid.....			
M.A.P. - Credit Assistance.....			Data Classified
Non-M.A.P. Military Assistance.....			
<b>ASSISTANCE FROM INT'L AGENCIES</b>			
IBRD (World Bank).....	256.3	105.0	<sup>a/</sup>
International Finance Corp. ....	1.4	-	4.0 <sup>a/</sup>
International Development Assoc. ....	-	-	3.0 <sup>a/</sup>
UN Tech. Assist. CY ending in FY ....	10.6	1.3	0.9
UN Special Fund.....	8.3	2.7	1.6
<b>OTHER FREE WORLD ASSISTANCE</b>			
Canada.....	123.4	19.9	18.0
France.....	-	-	10.0
Germany.....	90.4	37.8	25.0
Japan.....	48.3	19.9	20.0
United Kingdom.....	83.2	22.3	19.6
Other.....	90.1	9.9	NA
<b>SINO-SOVIET BLOC ASSISTANCE.....</b>	33.0	30.0	<sup>a/</sup>
<b>U.S. DOLLAR LOAN REPAYMENTS</b>			
MSP and P.L. 480 Loans.....	1.7	-	-
Export-Import Bank.....	2.3	0.7	0.4 <sup>a/</sup>
Other Government Loans.....	31.5	-	-
<sup>a/</sup> July through December 1961.			

Country: PAKISTAN

GENERAL ECONOMIC DATA

PAKISTAN

BASIC DATA			
	Unit	PAKISTAN	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	365	xxx
Population (1961) ...	Mil.	94.7	xxx
Annual Growth .....	%	2.2	2.4
Density per sq.mi.	No.	259	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	26	25
Per Capita .....	Acres	0.6	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	38	80
<u>EDUCATION</u>			
Literacy Rate .....	%	15	35
Pupils as % of Pop. (Prim. & Sec.) .....	%	6	9
Pupils per Teacher (Prim. only) .....	No.	36	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	30	40
People per Doctor ...	No.	10,000	7,000

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT* a</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	5,910	6,190	6,420
Per Capita GNP .....	Dollars	66	68	69
Investment as Percent of GNP .....	Percent	9.3	10.3	11.9
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	115	117	114
Jute .....	1,000 MT	973	802	1,250
<u>INDUSTRIAL PRODUCTION INDEX</u> .....				
	1953=100	232	261	270
<u>COST OF LIVING INDEX (Karachi)</u> .....				
	1953=100	106	113	115
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) .....	\$ Millions	321	393	405
Jute, raw and mfrs. ....	"	188	221	250
Total Imports (c.i.f.) .....	"	353	654 <sup>b</sup>	635 <sup>b</sup>
Trade Balance .....	"	-232	-261	-230
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	35	36	37
Imports from U.S. (f.o.b.) .....	"	104	169	182
Trade Balance .....	"	-69	-133	-145
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....				
	"	310	318	283
- Million Dollar Equivalents -				
<u>CENTRAL GOVERNMENT FINANCES* FY ending June 30</u>				
		1960	1961 <sup>c</sup>	1962 (Bud)
Total Expenditures .....		757	826	892
(Defense Expenditures) .....		(223)	(232)	(228)
(Capital Outlays) .....		(313)	(341)	(418)
Domestic Revenues .....		465	482	543
Budget Receipts from Non-U.S. Foreign Aid .....		20	25	64
Budget Receipts from U.S. Aid (Grants & Loans) ....		178	187	243
Remaining Deficit (-) or Surplus (+) .....		-94	-132	-42

\* - Converted at 4.762 Rupees per U.S. \$.

a - Fiscal year ending June 30 of year shown.

b - Higher level due primarily to liberalization of import licensing and accelerated development.

c - Revised budget estimate.

**Country: TURKEY**

Turkish foreign policy has been and remains strongly pro-Western. Occupying a strategically important position on the border of the USSR, Turkey has long been concerned by the external threat aimed directly at it by that country. It has sought to protect its security by maintaining a sizable military force and through participation in the North Atlantic Treaty Organization (NATO) and Central Treaty Organization (CENTO) alliances.

Since 1923 Turkey has been a republic. Lying between the Mediterranean and Black Seas, the country is in the region where Europe and Asia meet at the Bosphorus. It has an area of 300,000 square miles, of which some 9,000 miles are in Europe. It flanks the land routes from the Caucasus to the Iranian and Arabian oil fields and the Suez.

For more than 1,500 miles across its northern frontier Turkey adjoins Soviet Russia or faces it across the Black Sea. To the east, the country is bounded by Iran, to the south by Iraq and Syria, and to the west in Europe, by Greece and Bulgaria.

Turkey's principal crop is wheat, grown mainly on the Anatolian plateau. Illiteracy is probably as high as 70%, but Turkey is making excellent progress to overcome this.

In ancient times great civilizations grew up in Asia Minor, and they attracted powerful conquerors. The Greeks settled the region; Rome conquered it; and the Byzantine Empire ruled it for ten centuries. In 1453 the Ottoman Turks conquered Constantinople and established the Ottoman Empire under rule of a sultan. The Ottoman Empire dominated the Mediterranean and the Middle East in the 16th and 17th centuries.

But gradually the power of the Empire crumbled. In 1908 a group called the Young Turks seized power. Out of the confusion following World War I emerged Mustafa Kemal Ataturk, a new leader. In 1923 Turkey became a Republic, and Ataturk its first president. To transform the country into a modern state required monumental efforts, which are still going on.

The present coalition government assumed office in December, 1961, and has emphasized its intention to achieve a more rapid rate of economic growth within a framework of financial stability and democracy. Conscious of the obstacles which have to be overcome, Prime Minister Inonu has stated that 1962 would be a year of stock-taking and preparation of a Five-Year Plan.

A strong and growing economy is essential both to enable Turkey to support its military burden, and to offer convincing proof that living standards can be improved in a free and democratic society. The government has also recognized that while assistance from abroad will be needed, the success of Turkish policy will depend mainly on Turkey's own efforts.

Country Background

Turkey's ambitious development efforts brought a relatively high rate of growth in the decade preceding 1957. However, the growth was accompanied by severe problems of inflation and by balance of payments deficits. The major increase in output was in agriculture during 1952-53, when a program to expand the land area in cereals corresponded with favorable weather conditions. One-third of Turkey's 300,000 square mile land area is now cultivated, and this is believed to be the limit of arable land. The road and rail network is relatively complete. The growth rate of industry -- 50% of which is state owned -- has been slightly better than the average of the economy as a whole.

Much of Turkey's industrial capital is inefficiently used and poorly organized. Private industry exists mainly in small scale operations. Turkey's industrial and mineral potential is under-exploited, and has reasonable prospects for growth.

Although inflation has been checked during the past two years, the rate of economic growth has been negligible. The level of per capita Gross National Product (GNP) in 1961 was \$187. The provisional government which bridged the period between the overthrow of the Menderes government and the recently elected Inonu government, introduced budgetary reforms which for the first time brought the entire budget under review of the Minister of Finance. Tax rates were increased, new taxes instituted, and tax enforcement was generally tightened. Tax and other measures increased government revenues by about 30% in 1961. The provisional government also made an intensive study of state economic enterprises and prepared draft legislation to reform them. All government investment projects under way were reviewed; those judged uneconomic or of low priority were stopped.

In September 1960 State Planning Office was established to improve Turkey's evaluation of the country's needs and resources. This office is charged with the responsibility of preparing Turkey's first comprehensive long-term plan for economic growth. A draft of the Five-Year Plan is scheduled for completion in June 1962.

**Country:** TURKEY

Firm financial discipline and careful husbanding of economic resources through the planning mechanism are now integral parts of Turkish governmental policy. The Prime Minister appears to be taking a personal interest in the preparation of the Five-Year Plan. He has emphasized the need for national austerity if the plan is to succeed. He has also sought to impress upon the various economic ministries the need for thorough preparation of well conceived projects. If these policies are firmly adhered to, prospects for accelerated development will be enhanced.

U.S. Assistance Plans

For 1963 -- pending preparation, analysis and adoption of the Turkish development plan -- assistance from the U.S. and from Turkey's European allies will continue to provide support to meet urgent current economic problems as well as development assistance for priority projects essential to the country's further economic growth. Hopefully the Turkish development plan will permit later full transition to development assistance -- including both project loans and more general program loans. It is hoped that other lenders will also join in furnishing assistance to Turkey to enable it to carry out its five-year plan.

Turkey's Five Year Plan is not yet completely formulated; hence the magnitude of assistance that will be required is not yet clear. Substantial growth in production may be achieved during the early phase of the program through better use of the country's existing capital plant.

Proposed AID Program for FY 1963

For the coming year the United States will extend supporting assistance to Turkey to help finance imports essential to the maintenance of an acceptable level of economic activity. Development assistance will also be made available to permit the timely start of projects expected to be included in the Five Year Plan. It is assumed that other free world sources will also extend assistance to Turkey.

The development grant program has been redirected to concentrate on Turkey's major development needs. Further effort will be made to improve both the quantity and quality of exports so that Turkey's foreign exchange earnings may increase. Assistance to the Turkish planning effort will be of major importance. AID is providing advisors to the Plan Office of the Turkish Government, and to planning units in the Ministries of Industry, Agriculture and Transportation. These advisors will assist in developing statistics and in the analysis of economic Problems.

Assistance will be provided to survey development potential of a number of industries, and to select sites of new private industries for the Industrial Assistance Commission. In addition, the Ministry of Education will be given help to improve the quality of technical and vocational schools, and to increase literacy. Assistance will continue in development of forest and water resources, mining, and public administration, and in agriculture.

Accomplishments

Sixteen literacy training centers have been established in various towns of Turkey, to combat illiteracy among young adult men of the country. With nearly 100,000 illiterate men reaching military service age each year, the Turkish Armed Forces and their American military advisors have sought ways to train the recruits. The work began in 1957, with specialists from Georgetown University conducting the program. Present facilities provide the opportunity for approximately 50,000 young men each year to bridge the gap between illiteracy and the practical benefits of being able to read and write.

Forestry and forest products industries are now in a stronger position than at any time in history. The Turkish Forest Service has an excellent organization of about 1000 professional foresters, of whom 125 have been given special foreign training through U.S. economic aid.

The forest access road network has been increased significantly, and a forest access road network is planned that will help to provide proper protection, management and utilization of all remaining forests in Turkey. During the past decade there have been significant advances in forest products industries as well.

In 1960 a military excess equipment project was established, through which equipment and training aids are being transferred to Turkey.

During 1961, the U.S. AID mission agreed to assist in establishing a small business development loan fund in Turkey, with guaranty cooperatives being organized for a pooling of credit resources for small business men. Average loans are \$180, and the loans are made to such businesses as small carpentry shops, machine shops, and tinsmiths.

The Turkish highway system today is viewed in the Middle East as a model. It has reached into all areas, and has afforded access to some of the most modern means of land transportation. The highway was originally conceived in 1947 under a joint project of

FINANCIAL DATA

Country: TURKEY

Turkey and the U.S. aid mission. It got fully under way in 1950. Today American practices prevail throughout the highway department, and as a direct result of the roads program the interior of Turkey has been opened to commerce.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1946-1961	FY 1961	FY 1962
<b>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</b>	<b>1134.1</b>	<b>211.7</b>	<b>73.4</b>
Development Loans.....	170.8	117.3	10.0
Development Grants..... (T.C. prior to FY 1961)	33.0	4.4	5.4
Supporting Assistance..... (DS/SA prior to FY 1961).	930.3	90.0	58.0
Other MSP Economic.....	-	-	-
<b>FOOD FOR PEACE (P.L. 480)</b>			
Title I, Country Uses..... (Sales Agreements).....	149.4 (246.9)	20.3 (25.4)	87.6 (109.5)
Title II.....	12.2	-	-
Title III.....	4.5	1.0	3.2
Title IV.....	-	-	-
<b>EX-IM BANK LONG-TERM LOANS.....</b>	<b>79.1</b>	<b>-</b>	<b>-</b>
<b>OTHER U.S. ECONOMIC PROGRAMS.....</b>	<b>12.2</b>	<b>-</b>	<b>-</b>
<b>MILITARY ASSISTANCE (Programs)</b>			
M.A.P. - Grant Aid.....	1899.3	180.3	195.8
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	193.0	-	-
<b>ASSISTANCE FROM INT'L AGENCIES</b>			
IBRD - World Bank .....	60.7	-	a/
Intern'tl Monetary Fund .....	41.0	37.5	a/
European Monetary Agreement .....	-	50.0	a/
UN Tech. Assist.-CY ending in FY ....	5.1	0.7	0.7
UN Special Fund .....	2.0	-	0.6a/
<b>OTHER FREE WORLD ASSISTANCE</b>			
West. Germany .....	85.0	50.0	a/
<b>SINO-SOVIET BLOC ASSISTANCE .....</b>	<b>17.0</b>	<b>-</b>	<b>a/</b>
<b>U.S. DOLLAR LOAN REPAYMENTS</b>			
MSP and P.L. 480 Loans .....	6.5	-	-
Export-Import Bank .....	40.5	1.5	0.1a/
Other Government Loans .....	NA	0.8	0.4
a/ July-December 1961.			

Country: TURKEY

BASIC DATA			
	Unit	TURKEY	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	300	xxx
Population (1961) ...	Mil.	28.4	xxx
Annual Growth .....	%	2.9	2.4
Density per sq.mi.	No.	95	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	70	25
Per Capita .....	Acres	4.7	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	104	80
<u>EDUCATION</u>			
Literacy Rate .....	%	30	35
Pupils as % of Pop. (Prim. & Sec.) .....	%	10	9
Pupils per Teacher (Prim. only) .....	No.	48	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	n.a.	40
People per Doctor ...	No.	2,000	7,000

GENERAL ECONOMIC DATA

TURKEY

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	5,215	5,372	5,300
Per Capita GNP .....	Dollars	195	195	187
Investment as Percent of GNP .....	Percent	10.7	11.0	11.8
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	114	122	119
Wheat .....	"	97	101	95
	1,000 MT	5,800	7,000	6,000
<u>CEMENT OUTPUT</u> .....	"	1,728	2,040	2,050
<u>COST OF LIVING INDEX (Istanbul)</u> .....	1953=100	217	228	236
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) .....	\$ Millions	354	321	347
Tobacco .....	"	92	56	75
Total Imports (c.i.f.) .....	"	470	468	509
Trade Balance .....	"	-116	-147	-162
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	82	60	68
Imports from U.S. (f.o.b.) .....	"	126	125	136
Trade Balance .....	"	-44	-65	-68
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....	"	265	252	237
-Million Dollar Equivalents -				
<u>CENTRAL GOVERNMENT FINANCES*</u> FY ending Feb. 28		1960	1961	1962
Total Expenditures .....		804	862 <sup>a</sup>	1,047 <sup>a</sup>
(Defense Expenditures) .....		(256)	(271)	(302)
(Capital Outlays) .....		(261)	(265)	(339)
Domestic Revenues .....		675	696	893 <sup>a</sup>
Budget Receipts from Non-U.S. Foreign Aid .....		-9	-15	-9
Budget Receipts from U.S. Aid (Grants & Loans) ....		106	85	116
Remaining Deficit (-) or Surplus (+) .....		-32	-96	-47

\* - Converted at 9 Turkish Liras per U.S. \$.

a - Budget estimates.

**AFRICA**



## AFRICA

Africa, where most of the nations have become independent only within the past two years, is now entering a new phase in the drive for freedom and progress. Although questions of political independence still predominate in several areas, there is increasing concern on the part of the African leaders about economic and social problems inherent in the job of nation building with which these leaders are confronted. Africa (exclusive of the United Arab Republic and the Union of South Africa) encompasses 27 independent countries and over a dozen dependent territories. At least a few of these latter - Ruanda-Urandi, Kenya, and Uganda being the more likely candidates - probably will become independent before the close of FY 1963.

In most of Africa, where political independence has been achieved, the change in status has so far meant little or no increase in prosperity or personal opportunity for the average person. Unfulfilled aspirations are placing increasing public pressures on these new governments for programs of economic and social action. Such pressures take the form of demands for increased government efforts both to exploit local resources more fully and to obtain increased developmental assistance from abroad.

The attainment of self-sustaining development, for most countries in Africa, lies well beyond our present decade. African leaders are almost certain to face a short-fall in meeting rising African aspirations. However, some basis for political stability can be developed by establishing the foundations for economic and social growth, while at the same time providing a visible measure of achievement to give a sense of direction and accomplishment.

### Area Background

Economic Conditions. The Africa region has an area of some ten million square miles - over three times the size of the United States. This area has a population about 15% greater than that of the United States, but its total production is estimated to be only about 3% of the U.S. total. Tropical Africa, which forms the greater part of the area, has been described as "the largest understudied and under-developed area in the world." The annual average per capita GNP of Tropical Africa is \$80-\$90. Over-all literacy, averaging about 10%, is well below levels in other regions of the world, such as the Near East at 20-30% and the Far East at 35-40%. Tropical Africa accounts for only about 3% of

world exports, consisting almost entirely of minerals and agricultural commodities. Manufactured goods are just now beginning to enter the export trade.

### Economic Assistance to Africa (in millions of dollars)

	<u>FY 1961</u> (Actual)	<u>FY 1962</u> (Est.)	<u>FY 1963</u> (Proposed)
Development Grants	69.7	96.8	117.7
Development Loans	53.3	42.0a/	200-280
Supporting Assistance	81.8	61.0	32.5

a/ Approved as of February 28, 1962.

Population studies indicate that there are about 215 million people in underdeveloped Africa; the non-African population is about 2-1/2 million of which about four-fifths is European. Although most of the region is sparsely populated, the population is estimated to be growing at a rate of over 2%, or nearly 4.5 million, per year. At this rate, the total population would double in the next 30-35 years.

Although, when measured in terms of monetary value, its exports represent a small portion of the world's trade, Africa actually plays an important role in the world economy, particularly as a source of minerals for Western industry. Africa is a major exporter of agricultural commodities - coffee, cocoa, palm oil, sisal, peanuts, tea, hides and lumber. Most African economies are almost entirely dependent on one or two of these commodities for their foreign exchange and domestic revenues. For this reason, the wide fluctuations in world prices have caused serious foreign exchange problems.

Africa is a "mosaic" with widely varied political traditions and structures and wide diversity in economic and social conditions. In terms of 1960 estimates of per capita GNP, for example, Somali and Ethiopia at \$42 and \$44 respectively, contrast sharply with Ghana at \$175 and Senegal at \$190. Literacy ranges from 4-6% in Ethiopia and Sudan to 25% in Ghana and Uganda. Although a few countries earn significant foreign exchange from their exports, others are highly dependent on external aid to meet minimal

## AFRICA (Continued)

import requirements. Population densities vary widely with concurrent variations in pressures on land use. Mineral resources are abundant in such areas as the Congo, Ghana and Liberia, while many African countries have virtually no known assets of this kind. There are also wide divergencies in the effectiveness of governmental organization and leadership on which the development process is so dependent. Such countries as Tunisia, Nigeria, Ghana and Senegal have a nucleus of well-trained, experienced leadership, while others have almost none and lean heavily on foreign advisors and administrators.

Political Background. Considering that most African nations have gained their independence since 1960, the strides made toward developing workable government institutions, acceptable to the proud and nationalist-minded African people, have been striking. The generally responsible efforts toward the maintenance of economic stability, while planning for national development, have been heartening. Further changes in leadership and in political institutions are likely. Both leaders and institutions, however, are showing a greater durability than had generally been predicted.

This past year has been marked by turbulence in the Congo and unrest in some of the territories that have not yet attained independence. However, the vast majority of the independent nations have enjoyed relative peace and stability, and the Congo is now making significant progress along the road toward unity and stability.

The tendency throughout Africa has been to seek a political orientation of non-alignment with either the Soviet bloc or with the Western alliance. The fact that a few African leaders have made extreme statements more consistent with Communist dogma than true neutrality appears to have been occasioned primarily by the domestic political expediency of demonstrating their independence from colonialism. In a few instances, internal political oppression has been a problem also, caused in part by desires for personal power and the efforts of some leaders to break down local divisive forces seriously interfering with drives for nationhood. At the same time, there has been encouraging evidence of a greater appreciation of the true nature of Communist professions of disinterested friendship. The attitude of most African states toward thorny problems in the Congo, and the African vote in the United Nations on the Red Chinese representation issue reflect the increasing wariness in Africa toward the imperialistic threat of world communism.

The United States is generally highly regarded in Africa because of our history of demanding free institutions for ourselves and because

we have advocated such freedom for others. Most African leaders understand that we honestly support this same freedom for their newly independent countries. However, the Soviet bloc's anti-colonialist and anti-imperialist propaganda has had an effect, partly because of Africa's long domination by colonial powers.

Regional Cooperation. During the colonial era, each territory's external relationships were primarily with the metropole and only incidentally with neighboring countries. The lack of adequate transportation and a common language is still a barrier to African trade and economic integration. Markets are uneconomically small. However, the need for regional cooperation in both political and economic fields is being increasingly understood, and African leaders are devoting much time and effort to developing more effective intra-African relationships.

The African and Malgache Union (UAM) of 12 former French dependencies has been formally created, and its subsidiaries, the Organization of Economic Cooperation (OAMCE), an air transport company (Air Afrique) and a post and telecommunications body (UAMPT) have all begun to function. Two sub-regional groupings within the UAM membership - the Council of the Entente (Ivory Coast, Niger, Upper Volta, Dahomey) and the Association of Equatorial States (the ex-French Congo, Gabon, Central African Republic, Cameroon and Chad) continue to play constructive roles within these areas.

Meanwhile, a still larger organization, the Organization of African and Malagasy States, the "Monrovia Group," comprised of the members of the UAM and eight other African nations, was formed recently for purposes of furthering common political and economic aims. Another grouping consists of the six nations of the Casablanca Charter (Ghana, Guinea, Mali, UAR, Morocco, and the Provisional Algerian Government). Both groups have prepared proposals for the reduction of customs barriers, the harmonization of economic development, and the creation of closer relationships in the fields of finance, transportation and communications. An organization set up during the colonial period for providing technical information to the nations south of the Sahara (the CCTA) has largely completed its transition from a European instrumentality to a genuine African body and continues to engage in highly useful activities in the fields of education, agriculture, animal disease, fisheries, and public health. The UN Economic Commission for Africa provides a forum in which all African nations join in the discussion of common problems.

## AFRICA (continued)

Purpose of U.S. Assistance. The primary interest of the United States is the long-range process of nation building. Africa is confronted with this as its major task, and it is appropriate that the United States and other free world countries aid in its accomplishment. Economic growth and social advancement in Africa is inextricably related to the absence of disorder, political extremism and chaos. The United States and other developed countries can and should provide, through financial and technical assistance, a necessary supplement to the efforts of African countries to obtain development and status as truly free and independent nations.

Nation building, in both its political and economic aspects, is a goal which is not without complexities, as evidenced by our own U.S. history and by the history of other nations. There are a number of major impediments which are common to most of the countries of Africa. Tribal ties are still strong. The integration of tribal units with varying customs, languages and loyalties into cohesive governmental entities with common goals and purposes will not be easy. Present-day leaders are often inexperienced. Populations are not educated or trained. Domestic financial resources are limited. Natural resources have not been fully surveyed or exploited. Transportation, communication and power facilities are inadequate. The African countries lack organizations and institutions to promote industry and trade and there is an over-dependence on a few primary exports. All these problems must be addressed if economic and social development is to be fostered and if the process of nation building is to be successful. The challenge to both the African countries and the rest of the free world is great. Failure to recognize the problems and to assist in their solutions would result in disaster.

As this process goes forward the exercise of patience will be required. It must be remembered that African governments are only starting to develop the standards that are now traditional in western democracies, although many have developed systems of checks and balances and have provided for a degree of popular participation. It must also be recognized that African peoples are preoccupied with their own problems and are not as aware of or concerned about the conflict between the free world and the Communist bloc as we might wish. Nor do they always have a full understanding of the real nature and crucial seriousness of this conflict. We cannot expect these nations to be well versed in the intricacies of world politics and to side with the United States on each international issue with which this nation is

concerned. Short-term political developments or reverses should not, however, becloud the basic objective of the United States to assure the true independence of the African countries.

The Soviet bloc has scored some initial successes with its technique of making timely offers of substantial aid in troubled situations. The threat of bloc aid is that it appears to offer easy solutions to key African problems, such as current and future markets for agricultural surpluses and a lesser dependence upon former metropolises for aid, trade, and technical assistance. The bloc objective is, of course, to obtain a position of predominate influence over the domestic and foreign policies and actions of the African Governments. Some African leaders realize this, but the temptation to accept the aid and to ignore the possible consequences is strong. The hunger for development in the African countries may result in imprudent commitments to Communist countries. Although it is not proposed that U.S. assistance be used to match Soviet bloc offers, it is important to offer some alternative to complete economic dependence on the bloc.

### Approach to Use of U.S. Assistance

The amount of U.S. assistance, particularly in the development categories, to be extended to individual African countries will rest largely on a judgment of their relative ability to use aid effectively. The independent African governments, of course, bear the primary responsibility for achieving their long-term goals. They must provide the framework, the administration, the incentives, the security, and a very substantial part of the resources necessary for a broad attack on the numerous impediments to development. Although they have had only a limited opportunity to establish a performance record in these matters, forward motion is evident and there have been encouraging signs of interest in the principles of self-help and responsible governmental planning. Relative stability in governmental operations exists in most African countries. Leaders are acquiring a greater recognition of the problems involved in development and are making serious attempts to address them. Increased emphasis is being given to improving the standards of education and the development of trained manpower. Long-range plans, in those cases where they exist, vary widely in scope and quality, but they are indicative of attempts to bring more rational and systematic methods into the development process. Steps are being taken to improve both the plans and the implementing machinery. While there are definite economic limits to the self-help efforts African countries

## AFRICA (Continued)

can make, and while the real tests lie in the future, we can expect the African countries to devote a share of their resources to the specific projects or activities to which the United States proposes to contribute.

To permit orderly consideration of the wide variety of conditions and circumstances found in Africa, some form of judgment must be made as to the basis for determining the allocation of available U.S. resources. In the case of Supporting Assistance, strategic and political considerations will of course be taken into account. The allocation of U.S. resources for both Development Loans and Development Grants will be dependent upon a number of considerations including: (1) the available local resources, both human and material, for development; (2) the organization and leadership of the government, particularly its ability to enlist the energies and support of the people, to plan adequately for economic and social development and to ensure that the self-help and other measures essential to successful program implementation are taken; (3) the magnitude and type of resources being made available from other free world donors, including international organizations; (4) the extent to which a country's long-term political and economic aims are compatible with those of the free world; (5) the ability of the United States to provide the type of technical assistance and administrative supervision necessary to ensure effective use of aid funds.

On the basis of these considerations, the nations of Africa can generally be grouped into three categories for the purpose of determining the magnitude and type of developmental assistance to be made available from the United States. Although it is not always a simple matter to determine into which category a country should be placed, the decision is influenced primarily by an assessment of the ability of a country to use resources effectively. Countries in the first group would be given highest priority and allocated greater resources over an extended period of time than those in the second and third groups. However, in some instances a country in a lower category might receive more U.S. assistance than a country in a higher category in a particular time period. For example, the approval of a loan or a grant for a large project might well result in a relatively high aid total for a country in the year of approval, yet be offset in subsequent years.

The first category includes those nations which possess most of the prerequisites for development other than adequate external

assistance. These countries either have or soon will develop the ability to take the measures necessary to mobilize their resources. Public administration is relatively well advanced with a staff of well-trained local officials or a strong nucleus thereof. The long-term prospects for political stability in these countries appear to be better than average and the governments appear to be sincerely concerned with the welfare and freedom of the people. Countries in this grouping, such as Nigeria, Tanganyika and Tunisia, would generally receive priority attention in the allocation of U.S. developmental assistance. They would warrant consideration for assurance for help involving a substantial contribution of U.S. assistance over a period of years to be directed toward those needs which the United States could best meet. Assurances of development assistance for sound programs or activities over a period of years by the United States, subject to satisfactory performance by the aid recipient, will enable the leaders of these countries to plan the best use of their own resources and other foreign assistance with confidence for the future.

In countries of the first grouping, U.S. assistance may be the catalyst for obtaining additional external funds from Western sources, the U.N. and other international institutions, and private groups and foundations. Consultative arrangements for this purpose will be encouraged.

The second, and possibly the largest, category of countries includes nations possessing some prerequisites for development, although they might be seriously lacking in others. Material resources may be limited; trained manpower may exist but in inadequate numbers; leadership may not be adequate; planning may be deficient. Although some long-term development prospects may exist, U.S. assurances of financial assistance over an extended period of time would be considered premature for countries in this category. In a number of these countries U.S. aid programs have been in existence in the past. Assistance to such countries in FY 1962 and FY 1963 is proposed to be directed toward those economic sectors where the recipient country is itself making an effort and thus where additional U.S. financial and technical aid is most likely to make a significant contribution to economic growth and social advancement. Where inadequately trained manpower and a lack of basic economic facilities exist, U.S. assistance would be focused largely on the improvement of these essentials to growth.

## AFRICA (Continued)

There is a third group of newly independent countries and dependent territories which are not likely to reach the point of becoming self-sustaining for some time to come. They may represent trading or producing areas insufficiently large or integrated enough to facilitate the development of self-sustaining economic growth. A number of these countries are receiving substantial budgetary and capital assistance from the former colonial powers. The absence of trained manpower and facilities, such as roads, communications and power, limit the absorptive capacity for external assistance. On the other hand these countries want to be free to direct their own domestic affairs. The United States must support the aspirations of the leaders and peoples of these areas, providing some alternative to undue dependence on the former metropolises or on the Sino-Soviet bloc.

It will be necessary to adopt a flexible approach in providing assistance to this third group of countries and territories. In general, of course, the amounts will be less than for countries in the other categories. In many cases, programs will have to be experimental in nature, until more experience is gained. Because of their vast needs, it should be possible in most cases to respond to country requests by selecting projects or activities which require priority attention and which make a distinct contribution to social or economic growth. In other instances, it may be desirable to conduct surveys to determine which activities best make such a contribution. Caution must be exercised, of course, as in the case of countries in the other stages of development, to coordinate the various Western activities, to undertake activities for which the United States possesses special capabilities and to avoid implications of annual "aid levels." The United States must also be careful to select activities which do not require increased budget support by other aid donors or create a U.S. obligation to provide such support.

For many of these countries it is difficult to recruit qualified technicians who have an adequate command of the foreign language required, and who are willing to accept the hardships involved - poor housing, inadequate medical facilities, etc. It therefore will be important to select activities which do not require the provision of a heavy technician component or a large overhead of U.S. administrative personnel over an extended period of time to ensure their success. In a number of instances, activities in these areas may consist of specific and carefully chosen projects financed by development loans.

### Other External Assistance

It is neither necessary nor desirable that the United States provide all external financial and technical assistance required in Africa. Fortunately for the imposing task of constructing both economic and social foundations for future growth in Africa, aid from European and international sources is large and on the increase. The rate of annual economic aid obligations to African countries from other Free World sources has risen from about \$900 million in 1959 to nearly \$1.5 billion in FY 1962. If aid to Algeria and other African countries not currently receiving U.S. assistance is excluded, other Free World aid can be estimated at over \$1.0 billion - far more than expected U.S. aid. Attempts have been made and will continue to be made to maximize such aid from the U.K., France, Germany, Italy, Japan, Israel, and other developed nations. West Germany, for example, is expected to make available approximately \$200 million to African countries during FY 1962.

The role in Africa of international lending agencies - International Bank for Reconstruction and Development (IBRD), International Development Authority (IDA), and International Finance Corporation (IFC) - is becoming increasingly important. The IBRD recently established a new African Department. Commitments from these organizations to Africa amounted to \$186 million in 1960 and \$40 million in 1961. Export-Import (Ex-Im) Bank developmental lending activity in Africa (excluding UAR and the Union of South Africa) has increased from \$7 million in 1959 to nearly \$53 million in 1961. It is anticipated that the Bank will continue to expand its lending operations in Africa.

The role of the U.N. in African development has also been increasing. This organization, of course, is heavily involved in the Congo operation. U.N. Technical Assistance and Special Fund grants cover a variety of specialized fields and have expanded considerably in recent years. In 1960 such grants amounted to approximately \$23 million. Efforts are made to ensure that these programs do not overlap with U.S. assistance programs.

### Reassessment of U.S. Assistance Programs

Fiscal 1962 was foreseen as a transitional year as the new Agency for International Development applied new emphasis and concepts

## AFRICA (Continued)

including greater responsibility of recipient governments for establishing sound development priorities. Review and re-appraisal continue in parallel with the re-organization and recruitment of new key personnel. Some commitments have been maintained to avoid wasting prior contributions through abrupt termination. Certain activities found to be marginal were ended, however. In most instances the approval of country programs has been deferred pending re-examination to provide reasonable assurance they are sound and necessary. For these reasons the rate of fund obligations was slow in early months of fiscal 1962, but is expected to increase markedly during the latter part of the year.

### FY 1963 Programs

The FY 1963 programs also reflect the results of the program re-appraisal. Some of the activities funded in FY 1962 will not be continued in FY 1963. New activities designed to meet basic development needs are proposed. Development funds will be made available to a large number of African countries in accordance with the general system of priorities already discussed. External assistance from other sources estimated to be available for programs in Africa during this period was taken fully into account in the development of these programs.

A limited amount of Supporting Assistance has been proposed in a few cases where strategic interests must be taken into account, or where there is a clearly identifiable need for aid but the criteria for development-type assistance cannot be met. The requirements for Supporting Assistance have declined from FY 1961 to 1963.

Increased emphasis on lending as an effective tool for development is proposed in the African region. Lending within the range of \$200 to \$280 million is foreseen for FY 1963, a substantial step-up over the level for FY 1962. It should be noted that the needs for development lending capital are difficult to predict for a particular year. Generally the projects proposed for financing on a loan basis are of a magnitude and complexity which require extensive preliminary survey and review and the determination that satisfactory financing cannot be obtained from other sources.

The loan mechanism has certain advantages. Loans tend to minimize the sensitivities that are often experienced in a donor-donee

relationship, and such transactions establish an atmosphere in which economic and technical standards are taken into consideration more nearly as a matter of course. For some of the newly independent nations of Africa, it is considered more desirable to finance a single project on a loan basis than to engage in an activity requiring technical and administrative cadres over a period of time required to ensure successful completion. In addition to the typical lending activity in the fields of manufacturing, transportation, and power, it is expected that such activities as the construction of school and health facilities will be financed on a loan basis in some instances in FY 1963. It is also anticipated that capital will be made available for local development banks in several countries.

Development Grant assistance of approximately \$117.7 million is proposed for FY 1963 compared to estimated FY 1962 obligations of about \$96.8 million. This somewhat enlarged program reflects the African nations' increasing capacity to use aid effectively. The program will concentrate on the most urgent requirements of these countries - improved public administration, expansion of the educational base, trained manpower, and agricultural diversification. Not only are advances in these areas crucial to political stability, but they are also necessary pre-conditions for a successful development effort. Since in many of these countries assistance programs were not initiated until FY 1961, a greater flexibility is required here than in many other areas; and we must be prepared to expand them as additional requirements are accurately identified and implementation capacity is augmented.

In addition to bilateral assistance in Africa, funds are proposed in the appropriation for contributions to International Organizations for economic aid to the Congo through the U.N. These funds will be used, in conjunction with Food for Peace programs and contributions from other free world sources, to meet essential import requirements and to support the U.N. Technical Assistance Program.

**Country:** CONGO (LEOPOLDVILLE)

The Republic of the Congo is the largest African country south of the Sahara and is located on the equator in the central part of the continent. It includes most of the Congo River system basin and is probably the richest country in Africa in natural resources and economic development potential. However, the Congo is still in the middle of a long-drawn-out political crisis. Because of this crisis, the United Nations (U.N.) has had to provide sizable military and civil assistance. Furthermore, additional outside economic help is needed to prevent an economic collapse until the political problems are favorably settled.

The United States is directly and vitally interested in the future of this large and important country because it might easily become caught up in the contentions of the cold war. The prestige, the authority and the very future of the U.N. itself as an effective organization for peace are also deeply involved in the problems of the Congo. Its location, its size, its extensive natural resources and development potential - all of which point up the importance of this land - make it imperative that the U.N., the United States and other Free World programs succeed in solving these problems.

Country Background

One month after independence (July 1960) the Congolese Army mutinied. This event started a chain reaction which led to the collapse of the political structure of the country. This resulted in an almost complete breakdown in law and order, the withdrawal of Katanga from the central government and the intervention of the Soviet Union in support of left wing elements. These circumstances led the central government to ask for U.N. help to prevent complete anarchy.

In the year and a half since the U.N. responded, the Congo has made considerable progress toward rebuilding its political structure. A moderate, broadly based central government in Leopoldville has established itself more firmly and has taken steps against those who had attempted to organize an insurrection against it. The central government has made some progress toward a solution of the Katanga secession problem, and it has resumed diplomatic relations with Belgium. Thus, improvements in recent months show that the worst of the political crisis appears to have passed and that there is greater promise of an ultimate solution. But there are still many things to be done and improvements to be made. The Congolese army needs to be retrained while at the same time law and order must be completely re-established throughout the country.

In the meantime, economic conditions are steadily growing worse. If this trend is not stopped and put into reverse very soon, these conditions will have a disastrous effect on the political situation. The political and military situation has caused a drastic decline in production, while unemployment and prices have increased rapidly. Foreign exchange reserves have reached such low points that there are severe shortages of all imported goods. These factors, plus the breakdown in transportation and communications have resulted in a serious fall in exports and have made the Congo heavily dependent on outside aid for consumer goods and food. Raw materials and producer goods must also be imported with outside help so that internal production can be started again.

Adequate foreign assistance to the Congo in 1962, in conjunction with the improving political situation and the basic wealth of the country, could spell the difference between success and failure in stemming the adverse economic tide, and in raising economic activity again to the pre-independence level. Failure to provide adequate assistance in 1962 may well mean that unemployment, inflation, and dissatisfaction will overturn the central government and plunge the Congo once again into chaos and violence.

U.S. Assistance Plans

U.S. objectives in the Congo are concerned primarily with the strengthening of the political situation and the stabilization of economic conditions. It is only after these minimum goals have been met that it will be possible to work out tenable long-term economic development plans. One of the most urgent matters is that essential import requirements of the country be provided for, preferably through U.S. and other contributions to the U.N., or through bilateral arrangements which have the approval of the U.N. Other important U.S. goals are the rapid training of Congolese personnel in public administration to provide qualified staff for the Congolese Government, and the building up of a vitally needed educational system to meet the requirements of the country. Some advance towards these additional goals is necessary before the Congo can enter upon a long-range program for economic development. Such a program may possibly be started through an international consortium sometime in 1963.

The success of this course clearly depends on a broad, coordinated, political and economic effort among the United States, other western governments, and the U.N. U.S. policy is to work

**Country:** CONGO (LEOPOLDVILLE)

through the U.N. to the maximum extent and to urge that other assistance be provided through the same channel in order to prevent subversion under the guise of assistance activities. The role of Belgium is particularly important since that country continues to provide significant bilateral assistance to the Congo, and must be counted on in the future for a major share of any assistance to a long-range development program.

Proposed Aid Program for FY 1963

The availability of adequate foreign aid for imports will be crucial in calendar year 1962, the transitional year during which new political relationships worked out within the Congo should lead to the establishment of an improved balance of payments pattern. As a result of chaotic internal conditions and inadequate foreign import assistance, the balance of payments position has deteriorated rapidly - foreign exchange reserves and stocks of goods were almost exhausted by the end of 1961. Thus, the need for assistance to the Congo will be considerably greater in 1962 than in 1961. Of greatest importance is the provision of a level of imports sufficient to permit recovery of the internal export industries. An estimated \$125 million to \$170 million may be required for this purpose, depending on conditions. In view of the uncertain amount required, the U.N. proposes to request funds in installments. Against the potential requirements for 1962, existing programs from FY 1962 funds will provide approximately \$52.3 million. Other extraordinary sources, such as U.N. troop conversions and an European Economic Committee grant, are likely to add another \$30 million to Congolese foreign exchange reserves, leaving a balance of up to \$90 million to be covered by new contributions. Beginning this year, all international organization funds provided by the United States to the U.N. for the financing of imports into the Congo are tied to the procurement of U.S. commodities.

For FY 1963, a bilateral development grant technical assistance program is proposed to supplement the U.N. and Belgian programs. This program will be concentrated in the field of education to help fill the gap in governmental administration and managerial personnel and to help establish an educational system geared to the future needs of the Congo. In FY 1962, 102 Congolese officials and students in the areas of government administration, transportation and communications are participating in various training programs in the United States and in Europe. The United States is contributing to the foreign exchange costs of a permanent building to house the National School of Law and Administration and the Agency for International Development (AID) plans to

send some of NSLA's outstanding students for additional U.S. training in FYs 1962 and 1963.

An overhauling of the educational system to gear it to the needs of the newly independent country is an indispensable condition for any progress in the Congo. Before independence almost no provision was made for secondary education of the Congolese and nearly all teachers were foreigners. Therefore, the immediate problems are to train rapidly Congolese teachers and to assist in the organization of additional secondary and advanced training institutions. During FY 1962, 70 Congolese students and officials are being trained in education, administration, agriculture and forestry, with an additional number proposed for 1963. In both fiscal years, summer scholarships in the United States are to be provided for 30 students of Louvanium University where 400 scholarships were awarded under the regional education grants project this year. Other education activities include support of the National Pedagogical Institute, and the conduct of an English language training program which will lead to the establishment of a teaching program in Congolese schools. The Congo Polytechnic Institute under a two-year contract with AID is establishing four agricultural secondary schools.

Accomplishments

AID program accomplishments in the Congo must be viewed in the light of the protracted political crisis into which U.S. economic assistance was injected. This assistance, begun in the autumn of 1960, has played a key role in supporting U.N. activity and in providing a minimum amount of extra resources needed to help avoid economic and political chaos.

The development grant project program, still in its early stages, has moved from a large-scale training effort to assist in filling the manpower vacuum caused by the departure of the Belgians to a concerted effort aimed at providing education for administrative and managerial manpower and long-range support of the educational system. The two-year-old National School of Law and Administration, which AID is supporting in conjunction with the Congolese Government, the U.N. and the Ford Foundation, has rapidly increased its student body and has received an enthusiastic response. An intensive supplementary training program is now being carried on, in addition to the regular curriculum, to meet the needs of incumbent government employees. In addition, a large group of future teachers and administrators now in training at U.S. universities will return to the Congo this summer. The Congo Polytechnic Institute has made substantial progress in

## FINANCIAL DATA

Country: CONGO (LEOPOLDVILLE)

starting on-site work for building three of its five agricultural secondary schools. The demand for intensive English training is so great that the program is being expanded to provide more facilities for both intensive supplementary training and for establishing teacher training programs in the school system.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1960-1961	FY 1961	FY 1962
<u>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</u>	2.5	2.4	3.3
Development Loans.....	-	-	-
Development Grants..... (T.C. prior to FY 1961)	2.4	2.4	3.3
Supporting Assistance..... (DS/SA prior to FY 1961).	*	-	-
Other MSP Economic.....	a/	a/	a/
<u>FOOD FOR PEACE (P.L. 480)</u>			
Title I, Country Uses..... (Sales Agreements).....	-	-	b/
Title II.....	10.1	10.1	3.3
Title III.....	0.7	0.6	2.4
Title IV.....	-	-	-
<u>EX-IM BANK LONG-TERM LOANS.....</u>	-	-	-
<u>OTHER U.S. ECONOMIC PROGRAMS.....</u>	-	-	-
<u>MILITARY ASSISTANCE (Programs)</u>			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
<u>ASSISTANCE FROM INT'L AGENCIES</u>			
IBRD (World Bank) .....	150.0	-	-
UN Tech.Asst.-CY ending in FY.....	0.1	0.1	-
Eur.Econ.Community Develop.Fund.....	9.4	2.8	-
<u>OTHER FREE WORLD ASSISTANCE</u>			
Belgian.....	NA	15.0	20.0
Other Free World to UN Operations - Congo.....	7.0	7.0	20.0
<u>SINO-SOVIET BLOC ASSISTANCE.....</u>	-	-	-
<u>U.S. DOLLAR LOAN REPAYMENTS.....</u>	-	-	-
a/ Excludes \$64.9 million through U.N. in FY 1961 and \$53.3 million in FY 1962 included in Non-Regional.			
b/ Data classified.			
* Less than \$50,000.			

# CONGO (Leopold)

Country: CONGO (Leopoldville)



## BASIC ECONOMIC DATA

	UNIT	CONGO LEOPOLD- VILLE	AVERAGE (Under- Areas)
<u>POPULATION</u>			
Total Population (1961) .....	Millions	14.5	xxx
Annual Growth .....	Percent	2.6	2.4
Density per sq. mi. ....	Number	16	40
<u>AGRICULTURAL LAND</u>			
Percent of Area .....	Percent	22	25
Per Capita .....	Acres	9	2.5
<u>GNP AND POWER</u>			
Total Gross National Product* ...	\$ Millions	1,245	xxx
GNP per Capita* .....	Dollars	90	135
Electric Power per Capita .....	KWH per Yr	186	80
<u>EDUCATION</u>			
Literacy .....	Percent	40	35
Pupils as % of Population .....	"	10	9
(Primary and Secondary)			
Pupils per Teacher (Primary).....	Number	n.a.	38
<u>HEALTH</u>			
People per Doctor .....	Number	35,400	7,000
Daily Food Intake .....	Calories	2,650	2,300
<u>TOTAL TRADE</u> <sup>a</sup> (1959)			
Exports (f.o.b.) .....	\$ Millions	500	xxx
Imports (c.i.f.) .....	"	308	xxx
Trade Balance .....	"	192	xxx
Main Exports as % of Total Exports			
Copper .....	Percent	30	xxx
Coffee .....	"	13	xxx
Palm kernels and oil .....	"	11	xxx

\* 1959 figure. Converted at 50 francs per U.S. \$.

a - Includes Ruanda-Urundi.

**Country:** NIGERIA

With about 36 million people or one-sixth of the population of Africa, Nigeria has the largest development potential in Tropical Africa and is gradually assuming a leadership role among African states. Its resources are substantial; its people are industrious and vigorously pressing for economic and social progress. Its responsible and competent leadership is well disposed toward the West and is seeking to maintain an internal environment conducive to individual initiative and private enterprise.

Nigeria presents an excellent opportunity for the United States to demonstrate to the newly independent African nations that the best way to achieve their economic and political aspirations lies in democratic institutions and cooperation with the Free World. With U.S. and other western assistance, Nigeria may achieve self-sustaining growth within a relatively short time. Therefore the Agency for International Development (AID) has selected Nigeria for an advance commitment of \$225 million toward the implementation of its first post-independence development plan.

Country Background

Nigeria's development is still at a low level in terms of international standards. Eighty percent of the population is illiterate; the mortality rate among children under five is 50%; annual per capita gross national product (GNP) is only \$90, while average personal income is much less. With so low a level of income, it is difficult to devote much of the GNP to investment in physical and human resources.

Nevertheless, the performance of the Nigerian economy justifies optimism over its prospects. All major economic sectors have shown impressive growth since and before World War II, with rising investment and saving ratios, rapid use of a money economy and an increasing GNP. Production in real terms was 45% higher in 1960 than in 1950.

Nigeria's development goals are established in a national development plan scheduled to begin April 1, 1962 which is now before the Nigerian Parliament and the regional legislatures. The plan proposes an investment rate of 15% of GNP, and an annual GNP rise of 4-4-1/2%, or about 2.5% per capita. Announced priority areas are professional and technical education, agriculture, and industry. Domestic savings (government and private) are estimated at \$1.6 billion, over half of the gross investment, set at \$2.8 billion.

Nigeria's planners have a clear conception of the critical importance of economic return in selecting projects. Nigeria's political leaders well understand and employ this and other principles of development planning and resource allocation. They appreciate the strategic role of private investment, domestic and foreign, operating in a market-oriented, open economy.

The U.S. country team and two special U.S. economic missions have studied the Nigerian economy and processes closely and have concluded that the plan is a good one, especially in development strategy and policy. The International Bank for Reconstruction and Development (IBRD) has also recently completed an intensive study of the Nigerian economy with a very favorable estimate of its development potential.

Nigeria's economic development until recently has been self-financed by its own efforts through export earnings, savings, and domestic revenues, along with substantial foreign private investment. However, in recent years Nigeria has drawn down its reserves significantly, largely to support a rapid increase in domestic investment. Maintenance of this investment rate now requires foreign aid in addition to export earnings, savings, and internal revenue.

Although Nigeria has not yet received Sino-Soviet capital aid, at least 30 Nigerian students are studying in the USSR under Soviet Government scholarships, and Czechoslovakia extended economic aid credit of \$10-20 million in early 1962.

U.S. Assistance Plans

The basic U.S. objective in Nigeria is the development of a strong, united, independent nation which will stand as an example for other African states and exercise a healthy influence on their policies. The primary areas to which the U.S. program should be directed include the strengthening of Nigerian unity and democratic institutions; the advancement of Nigeria's economic and social development, the promotion of an understanding of the compatibility of Nigeria's aspirations with Free World objectives and the inherent threat to independence in world communism; and the creation of closer and wider relations with the Nigerian people.

By means of a long-term aid relationship, the United States can encourage and assist the Nigerian Government to maintain a free

**Country: NIGERIA**

and open economy and to adopt and carry out policies which will permit the most effective utilization of Nigeria's human and material resources. Thus the basic intent of U.S. assistance is to support Nigeria's development plan.

The plan requires approximately \$900 million in foreign assistance over its projected span. The United States has indicated that it would provide \$225 million; an additional contribution may be considered when further information on the plan and on contributions by other nations is available. Western assistance efforts will be coordinated under an IBRD-led consortium or consultive group which the Nigerian Government has requested.

Other collateral U.S. actions which can assist in achieving U.S. policy objectives in Nigeria involve informational activities of the United States Information Service (USIS), State Department education and cultural programs, and support for Nigerian participation in international organizations.

Proposed AID Program for FY 1963

The proposed U.S. assistance program is concentrated under development loans and development grants, supplemented by Food for Peace activities, several Export-Import (Ex-Im) Bank loans and the Peace Corps.

The development grant program increased from \$1.9 million in 1960 to \$20 million in 1962. This program provides assistance for the necessary skills, training and demonstration equipment in the educational, agricultural and manufacturing sectors.

The first priority of the AID program is to contribute to the goal of the Nigerian development plan to develop by 1972 a total of 85,000 professionally and technically trained Nigerians as the minimum to meet essential manpower needs. Under the AID program, seven American universities - Harvard, University of California at Los Angeles, Michigan State, Ohio University, Western Michigan University, Indiana University and Pittsburgh University - are implementing educational institution development contracts in Nigeria.

A second goal is to increase production of agricultural commodities by 45% over 10 years. The AID agricultural program is concentrated on developing new crops, introducing new methods, and improving and opening up new lands. Attention is also directed at two related factors, upgrading agricultural management and strengthening rural institutions which support production.

The goal for the manufacturing sector is a doubling of net industrial output in each of the next two five-year periods. Activity in this sector started in FY 1961. AID is helping to establish and staff industrial development centers in each of the three regions of Nigeria and to institute and organize planning, feasibility, and marketing services in the federal government. The development centers will provide advisory and training services for small and medium-sized entrepreneurs and will assist them with their product, production, marketing, administrative and financial problems. Staffing for these institutions is being provided under an AID contract with Arthur D. Little, Inc., of Cambridge, Massachusetts.

The AID program in the government sector seeks to upgrade in the next five years the qualifications of 5,000 Nigerian public servants in senior and intermediate positions. This is to be accomplished through the cooperative establishment of three advanced public administration institutions, through in-service and counterpart programs, and through participant training programs.

The economic policy and planning goal is to build up a Nigerian government organization by 1967 which can provide basic data and analyses to perform the planning functions without dependence on outside help, and to complete by 1967 detailed studies of primary sectors as a basis for action programs during the succeeding five-year period. This goal is being pursued through the provision of advisory personnel to relevant ministries of the Nigerian Government.

Development loans, with domestic resources and other sources of finance, are intended to achieve a total gross investment rate exceeding 15% of GNP and a total gross investment for the five-year plan of \$2.8 billion.

A \$3.1 million loan has been made to re-lay railroad track in the Northern Region. A loan is now in process for \$19 million for the supply and installation of telecommunications equipment to improve and extend public telephone and telegraph service.

Projects for which large loans may be considered are construction of the Niger Dam in conjunction with the IBRD and assistance in the establishment of Nigeria's first steel mill. Other loan prospects include road projects, a development bank, a fish-processing center, educational construction, expansion of rubber and timber production facilities, and railroad improvement.

## FINANCIAL DATA

Country: NIGERIA

Accomplishments

The long-term commitment made by the United States in late 1961 helped Nigerian planners to persuade their government to continue its substantial contribution toward development activities, consider additional means of raising domestic revenue, and maintain its record of social progress.

U.S. influence was important in encouraging the Nigerian Government to attempt to increase its aid from other Free World sources. Consequently, the Nigerians asked the IBRD to organize a consultative group for aid to Nigeria. The IBRD has responded favorably. Moreover, aid sharing arrangements on individual projects have been worked out with the United Nations and private foundations.

U.S. assistance to Nigeria is already having an impact through projects in the human resources area. Such projects include the land-grant type university focusing on the needs of the entire community, teacher-training institutions, demonstration comprehensive high schools and technical education beginning in the primary grades. The Peace Corps program, which concentrates on furnishing secondary school teachers, is contributing to this goal, and is complementary to AID activities.

Five agricultural research and extension stations have been established to bring modern farm methods and range practices to the rural areas. Programs in agricultural credit, livestock, and poultry have been initiated.

Carefully selected sector and project feasibility studies have been undertaken within the framework of the plan. Five American economists furnished by the Ford Foundation are working in the national planning office on the federal level and an economic planner from India supplied from the IBRD is serving as economic advisor to the Prime Minister.

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1954-1961	FY 1961	FY 1962
<b>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</b>	18.8	13.1	45.0
Development Loans.....	3.7	3.0	25.0
Development Grants..... (T.C. prior to FY 1961)	14.4	10.1	20.0
Supporting Assistance..... (DS/SA prior to FY 1961).	0.7	-	-
Other MSP Economic.....	-	-	-
<b>FOOD FOR PEACE (P.L. 480)</b>			
Title I, Country Uses..... (Sales Agreements).....	-	-	-
Title II.....	-	-	-
Title III.....	0.3	0.1	0.1
Title IV.....	-	-	-
<b>EX-IM BANK LONG-TERM LOANS.....</b>	-	-	-
<b>OTHER U.S. ECONOMIC PROGRAMS.....</b>	0.2	-	-
<b>MILITARY ASSISTANCE (Programs)</b>			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
<b>ASSISTANCE FROM INT'L AGENCIES</b>			
IBRD (World Bank).....	28.0	-	-
UN Tech. Assist.-CY ending in FY.....	0.9	0.2	0.7
UN Special Fund.....	4.9	4.2	0.9 <sup>a/</sup>
<b>OTHER FREE WORLD ASSISTANCE</b>			
United Kingdom.....	NA	25.0	25.0
West Germany.....	NA	-	25.0
France.....	NA	-	7.0
Israel.....	NA	8.0	-
<b>SINO-SOVIET BLOC ASSISTANCE.....</b>	-	-	-
<b>U.S. DOLLAR LOAN REPAYMENTS</b>			
MSP and PL 480.....	*	*	0.1
Export-Import Bank.....	-	-	-
Other Government.....	NA	-	-
a/ July-Dec. 1961			
* Less than \$50,000			

Country: NIGERIA

## GENERAL ECONOMIC DATA

**NIGERIA**

BASIC DATA			
	Unit	NIGERIA	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	357	xxx
Population (1961) ...	Mil.	35.8	xxx
Annual Growth .....	%	1.9	2.4
Density per sq.mi.	No.	100	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	23	25
Per Capita .....	Acres	1.5	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	15	80
<u>EDUCATION</u>			
Literacy Rate .....	%	20	35
Pupils as % of Pop. (Prim. & Sec.) .....	%	8	9
Pupils per Teacher (Prim. only) .....	No.	32	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	n.a.	40
People per Doctor ...	No.	37,000	7,000

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	2,982	3,094	3,210
Per Capita GNP .....	Dollars	87	88	90
Investment as Percent of GNP .....	Percent	12.8	15.3	14.8
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	119	131	n.a.
Sorghum and millet .....	"	105	113	n.a.
	1,000 MT	2,900	4,000	n.a.
<u>PETROLEUM PRODUCTION (Exports)</u> .....				
	"	547	861	2,000
<u>COST OF LIVING INDEX (Lagos)</u> .....				
	1953=100	124	132	140
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) .....	\$ Millions	458	462	480
Palm kernels and oil .....	"	111	107	n.a.
Total Imports (c.i.f.) .....	"	502	603	625
Trade Balance .....	"	-44	-41	-45
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	18	26	35
Imports from U.S. (f.o.b.) .....	"	32	40	41
Trade Balance .....	"	-14	-14	-6
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)<sup>a</sup></u> .....				
	"	606	481	432 (Jun)
- Million Dollar Equivalents -				
<u>CENTRAL GOVERNMENT FINANCES*</u> <sup>b</sup> FY ending March 31				
		1960	1961 <sup>c</sup>	1962 (Bud)
Total Expenditures .....		370	438	499
(Defense Expenditures) .....		(13)	(18)	(21)
(Capital Outlays) .....		(152)	(183)	(211)
Domestic Revenues .....		277	333	373
Budget Receipts from Non-U.S. Foreign Aid .....		25	39	33
Budget Receipts from U.S. Aid (Grants & Loans) ....		--	--	3
Remaining Deficit (-) or Surplus (+) .....		-68	-66	-90

\* - Converted at \$2.80 per Nigerian pound.

a - Sterling assets.

b - Consolidated transactions of the Central and Regional governments.

c - Revised budget estimate.

## **Country: TANGANYIKA**

Tanganyika became independent in December 1961, following administration as a British Trusteeship since World War I. This large, sparsely settled East African country of 9.4 million people achieved a rapid political transition marked by a sense of purposeful achievement in economic development.

The success or failure of economic development in Tanganyika after independence is important to the achievement of peaceful political and economic progress in East Africa. Former Prime Minister Julius Nyerere, an astute and popular leader with influence throughout Africa, has taken inspiration from western institutions and has called for moderation in dealing with the "expatriate" problem. Consequently, the stable, responsible development of Tanganyika, which is well-qualified to meet the self-help criterion of U.S. aid objectives, is psychologically important.

### Country Background

Despite an annual increase of approximately 4% in total output from 1954 thru 1960, the standard of living and development of the Tanganyikan economy remains extremely low. Divided into over 120 tribes, the people are widely scattered and lack cohesiveness of thought or action. A \$56 per capita Gross National Product (GNP) and a 5-10% literacy rate are among the lowest in Africa. Transportation and communication facilities need to be improved. Only about 60% of goods and services produced enter the monetary economy, although the long-term outlook for agricultural development is good.

In March 1961 the National Assembly approved a three-year public sector Development Plan, which calls for annual expenditures of about \$22 million. The plan concentrates on economic projects calculated to yield the quickest and highest returns and also provides for the expansion of facilities for human resources training.

It had been believed that the funds committed by the United States, the United Kingdom and West Germany, together with anticipated internal resources, would be sufficient to initiate the plan. However, public expenditures were increased and government revenues were seriously reduced as a result of prolonged drought followed by floods. The World Bank is considering a loan application which, if approved, will assist in bridging the resulting gap.

Although Tanganyika has access to the sterling pool for foreign exchange of the East Africa Currency Board, the government is limited in what it can do to raise local currency for development

purposes. However, Mr. Nyerere and key ministers have taken a responsible attitude toward self-help measures for the mobilization of the country's scarce resources and are producing a favorable climate for development. These efforts, and a continuing efficient civil service, should lead to the implementation of the plan and a 4-5% annual growth rate over the next few years.

### U.S. Assistance Plans

The long-term goal of the Agency for International Development (AID) program in Tanganyika is the maintenance of a strong, non-racial government. This will require Tanganyika's continued reliance on the West as the primary source of economic assistance, for manpower training and guidance in the evolution of governmental and social institutions.

Short-term objectives are the financing of sound development projects under the plan, continuation of the existing educational and economic associations through regional activities, and future integration of development plans.

To assist Tanganyika in meeting these goals, the United States made a \$10 million development loan commitment in December 1961. Of this commitment, up to \$5 million may be obligated for specific loans in fiscal year 1962 and the remainder in fiscal year 1963. To bring about a more comprehensive development of the economy than is possible under the original minimum development plan, an expansion in the number of projects and a closer assessment of project costs will require additional commitments. If suitable capital projects are developed to meet these additional requirements, AID may make loans in excess of its current commitment as part of the FY 1963 program. Development grants to complement and support the plan's objectives will be provided in the key sectors of agriculture, education, community development, governmental management, small industry development and for selected feasibility surveys.

In addition to an \$11.2 million loan commitment, the United Kingdom has provided grant assistance of \$24.5 million and has also agreed to provide other budgetary aid and scholarships in England. Other external assistance to Tanganyika includes an \$8.7 million loan commitment from West Germany, the provision of experts by U.N. agencies, and an International Finance Corporation loan to promote sugar cane production and processing. The International Development Association is considering a road construction loan.

**Country:** TANGANYIKA

Proposed AID Program for FY 1963

The three-year development plan, based on a World Bank survey, concentrates on agriculture, with an emphasis on personnel training; secondary education through school construction, teacher training and vocational education; communications and market access roads.

The major part of the U.S. program is the long-term commitment to help meet the objectives of the development plan. During 1963, AID will negotiate loans for the unused portion of this commitment and may assist additional capital projects essential for a comprehensive expansion of the plan. The majority of such loans would be made for foreign exchange and local costs of specific projects.

Development grants will continue assistance in operating and staffing an agricultural college, advising on agricultural extension and training, and providing specialized agricultural training abroad. AID will concentrate education grant assistance on teacher training by continuing American technical direction of an Institute of Education to improve the instruction of the 3,500 teachers in training between 1962 and 1965. An East Africa regional activity will continue to explore ways to speed up the training of secondary teachers.

Assistance toward Africanization of administrative and executive posts will continue through a training program for over 100 officers annually. AID will assist the government to expand and improve its community development efforts through the training of up to 300 governmental and rural staff over a two-year period and through a village leader training program to encourage local initiative in promoting rural development. A project may be undertaken to promote small industries development by assisting in staffing an industrial promotion and development section in the Ministry of Commerce and Industry.

As part of the 1962 Food for Peace program to alleviate famine, 10,000 tons of corn and 500 tons of milk will be delivered to

provide needed dietary requirements until crops can be harvested following the drought. A P.L. 480, Section 202, program is expected to provide 15,000 tons of corn and other commodities for agricultural resettlement and urban renewal activities.

Accomplishments

In recognition of Tanganyika's importance as the first East African territory to become independent, AID established an independent country mission in Dar es Salaam in 1962. The staff has been increased to provide more trained personnel to work with the government in carrying out the part of its three-year plan with which the United States is associated. The new AID criteria were applied in providing the first long-term commitment in support of a development plan as authorized by the Act of International Development. Assistance to the plan has been made available in concert with other Free World nations, and other activities are shared and coordinated with U.S. private groups.

The distribution of corn as partial payment for work has made possible the completion in one year of a three-year program of small public works projects, including roads, dikes and water spreading. Imports of corn and milk have saved the lives of many farm families suffering from severe drought.

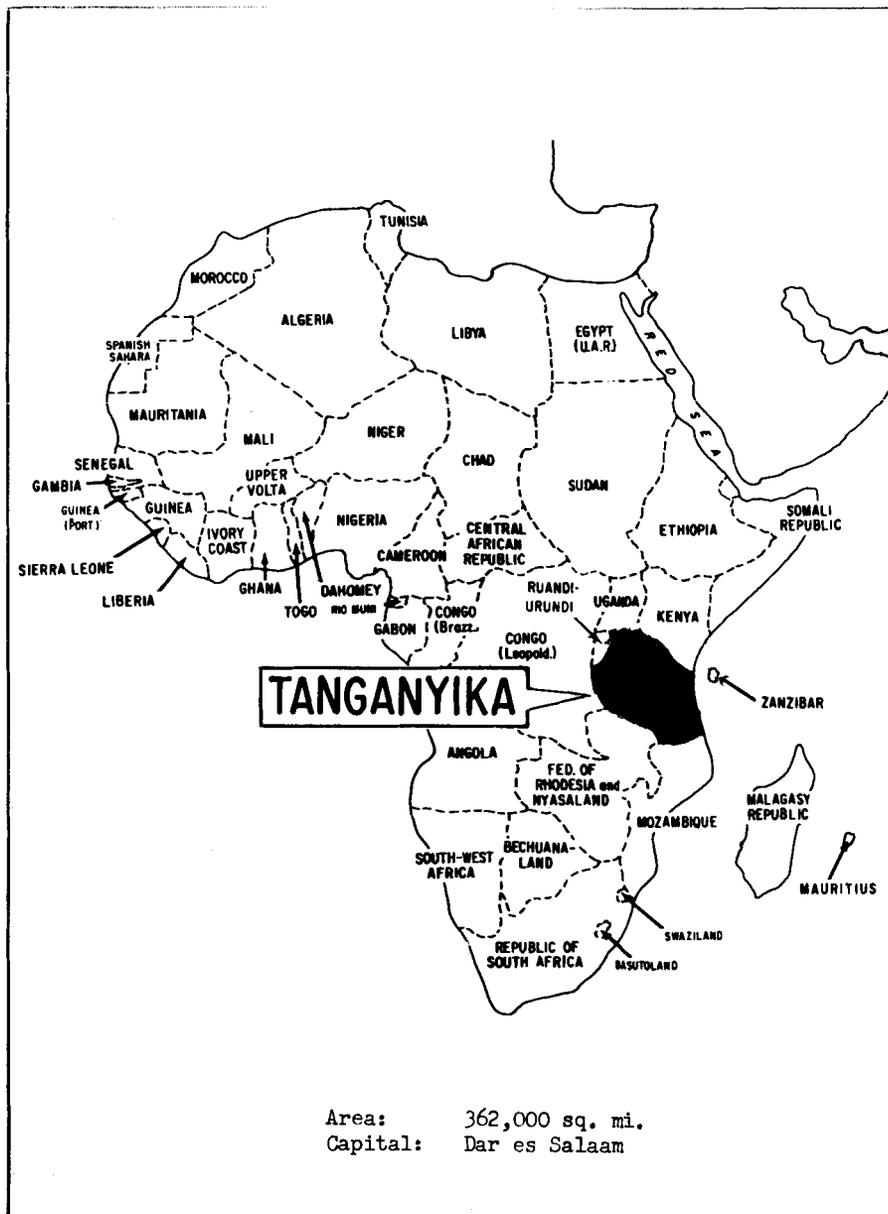
The provision of over 70 American secondary school teachers under a regionally funded project has made it possible to keep many Tanganyikan secondary schools open and to provide more effective instruction in others. Under this program, more Africans have been able to move into responsible administrative posts without reducing the calibre or volume of secondary education instruction.

A road materials testing adviser has helped improve materials laboratories and methods of earth stabilization, thus contributing to progress in feeder-road location and road construction. Peace Corps volunteers are engaged in important road engineering works to improve Tanganyika's poor communications system and repair the several roads damaged by recent floods.

Country: TANGANYIKA

BASIC ECONOMIC DATA

**TANGANYIKA**



	UNIT	TANGAN- YIKA	AVERAGE (Undev. Areas)
<u>POPULATION</u>			
Total Population (1961) .....	Millions	9.4	xxx
Annual Growth .....	Percent	1.8	2.4
Density per sq. mi. ....	Number	26	40
<u>AGRICULTURAL LAND</u>			
Percent of Area .....	Percent	18	25
Per Capita .....	Acres	4	2.5
<u>GNP AND POWER</u>			
Total Gross National Product* ...	\$ Millions	519	xxx
GNP per Capita* .....	Dollars	56	135
Electric Power per Capita .....	KWH per Yr	16	80
<u>EDUCATION</u>			
Literacy .....	Percent	5-10	35
Pupils as % of Population .....	"	5	9
Pupils per Teacher (Primary).....	Number	54	38
<u>HEALTH</u>			
People per Doctor .....	Number	17,000	7,000
Daily Food Intake .....	Calories	2,175	2,300
<u>TOTAL TRADE (1961 Est.)<sup>a</sup></u>			
Exports (f.o.b.) .....	\$ Millions	135	xxx
Imports (c.i.f.) .....	"	90	xxx
Trade Balance .....	"	45	xxx
Main Exports as % of Total Exports			
Sisal .....	Percent	27	xxx
Cotton .....	"	16	xxx
Coffee .....	"	15	xxx

\* - Converted at \$2.80 per pound.

<sup>a</sup> - Excludes trade with other British East African Territories.

## FINANCIAL DATA

Country: TANGANYIKA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1956-1961	FY 1961	FY 1962
<u>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</u>	2.5	2.5	2.0
Development Loans.....	1.9	1.9	-
Development Grants.....	0.6	0.6	2.0
(T.C. prior to FY 1961)			
Supporting Assistance.....	-	-	-
(DS/SA prior to FY 1961)			
Other MSP Economic.....	-	-	-
<u>FOOD FOR PEACE (P.L. 480)</u>			
Title I, Country Uses.....	-	-	a/
(Sales Agreements).....	-	-	a/
Title II.....	1.7	1.7	a/
Title III.....	0.2	0.1	a/
Title IV.....	-	-	-
<u>EX-IM BANK LONG-TERM LOANS.....</u>	-	-	-
<u>OTHER U.S. ECONOMIC PROGRAMS.....</u>	-	0.1	-
<u>MILITARY ASSISTANCE (Programs)</u>			
M.A.P. - Grant Aid.....	-	-	-
M.A.P. - Credit Assistance.....	-	-	-
Non-M.A.P. Military Assistance.....	-	-	-
<u>ASSISTANCE FROM INT'L AGENCIES</u>			
IBRD (World Bank) .....	b/	-	-
Internatl. Finance Corp.....	2.8	-	-
UN Tech.Asst.-CY ending in FY .....	0.7	0.1	0.4
<u>OTHER FREE WORLD ASSISTANCE</u>			
United Kingdom .....	NA	25.0	25.0
West Germany .....	-	-	9.0
<u>SINO-SOVIET BLOC ASSISTANCE</u>	-	-	-
<u>U.S. DOLLAR LOAN REPAYMENTS</u>			
MSP and P.L. 480 .....	-	-	0.1
Export-Import Bank .....	-	-	-
Other Government .....	-	-	-
a/ Date classified.			
b/ Excludes \$24 million for regional railroads.			

**Country:** TUNISIA

In the six years since its independence Tunisia, at the same time an African, an Arab, and a Mediterranean state, has established an effective and basically democratic government with a moderate foreign policy orientation. However, Tunisia's economy and foreign outlook were shaken in 1961 by the armed clash with France over the military base at Bizerte. Since that time, the two governments appear to have made some progress toward a solution to the problem, although basic differences remain.

Tunisia's importance arises from its strategic geographic position in North Africa close to Europe's southern flank, its effective and energetic government, its generally favorable disposition toward the West, and its respected, moderate voice in the world community. It is in the U.S. interests, in the short run, to help Tunisia meet its external aid requirements. This will encourage the Tunisian Government's continued moderate posture and will help Tunisia to serve as a model for other developing nations in the area. In the longer run, Tunisia's contribution to the stability of this area depends upon its ability to achieve economic growth and to follow a course of moderation in difficult times.

Country Background

Tunisia's economic life includes a traditional non-monetary sector of farmers, nomadic herdsmen and artisans, and a modern sector of manufacturing and commerce in the coastal areas. From the end of World War II until Tunisian independence in 1956, the modern sector enjoyed moderate, steady growth resulting from the heavy inflow of French capital in mining, manufacturing, transportation and communications, urban construction, and commerce. After 1956, the emigration of many Europeans with needed skills and the outflow of French private capital caused economic growth to cease. In 1959-1960, the economy improved somewhat, but in 1961 poor harvests and the Bizerte incident resulted in a setback.

After years of preparation, in 1961 Tunisia published a Ten-Year Perspective (Plan). A detailed three-year plan of implementation was to be completed early in 1962. The objectives of the plan are to increase personal income, especially at the lower levels; to provide educational opportunities for all young people; to facilitate economic and social mobility; to rely increasingly on Tunisian resources; and to diversify the international, political, and economic relations of Tunisia. A U.S. survey team concluded that the Ten-Year Perspective is a competent document offering a rational approach to long-term economic planning. The three-year plan is now under review.

The outlook for Tunisian economic development is promising. Several preconditions to more rapid, self-sustaining growth already exist, including a well-led, stable and effective government, and a basic amount of institutional development. Moreover, competent economic planning has been under way for some time. Thus the Tunisian Government is prepared for an early start on its formal development effort. While the scarcity of natural resources and the lack of modern skills will not permit sudden, dramatic expansion, with appropriate external assistance Tunisia can achieve moderate growth in future years.

U.S. Assistance Plans

The principal U.S. long-term objectives in Tunisia are the creation of a self-supporting, growing economy and of a social and political system under which all Tunisians will have political and economic opportunities which can serve as examples of wise development.

If these basic goals are to be achieved, Tunisia must succeed substantially in meeting the development aims outlined in its Ten-Year Perspective and as described in greater detail in the three-year plan soon to be published. The three-year plan will require external aid resources estimated at \$100 million annually. The U.S. share of this aid will depend in part upon the amounts contributed by other countries and organizations.

The United States has played a large role in Tunisia's external assistance programs since the Tunisian aid program began in 1957. However, the proportion of U.S. assistance to the total Tunisian assistance has been falling, and in 1962 commitments from other Free-World sources will be about equal to the U.S. program. France continues to be an important contributor of foreign aid, although French aid has been declining since Tunisian independence. In 1962 French aid will equal at least \$7 million, plus military expenditures and subsidized prices for Tunisian wines and wheat, while German assistance may total as much as \$12 million.

On the other hand, the USSR, Poland, and Czechoslovakia have extended lines of credit to Tunisia totaling \$46 million, against which \$8 million may be drawn in FY 1963.

**Country:** TUNISIA

Proposed Aid Program for FY 1963

The primary object of the U.S. aid program is to support the Tunisian development plan. Development loans, for both project and non-project imports, will be the principle tool for this purpose, to be supplemented by development grants and Food for Peace. The exact scale of U.S. support would depend upon the amount of external aid obtained from other sources and upon the scale of practical investment targets for the three-year plan.

In addition to general support of Tunisian development efforts, the Agency for International Development (AID) assistance in FY 1963 will be concentrated in education and training of the work force, increased and diversified agricultural production, and improvement of industry. The changed emphasis in the type of funding for the FY 1963 program will result in more use of development loans, while development grants will be limited to the continuation of existing projects in economic planning, education, agriculture, transport, industry and tourism.

The Food for Peace program in Tunisia has been extraordinarily successful in its Title II work relief, Algerian refugee and child feeding projects. More than 170,000 Tunisians, paid partly with U.S. wheat, are employed on useful labor-intensive projects; that is, work involving large numbers of laborers rather than capital. More than 170,000 Algerian refugees and 255,000 needy children are being fed under the Food for Peace program. FY 1962 P.L. 480 Title II programs total about \$16 million at export market prices (about \$44 million commodity credit corporation cost). Assistance through the Title I programs, totaling \$14.6 million in FYs 1961 and 1962 (exclusive of \$1.5 million for Cooley loans), resulting from a prolonged drought, is not planned for FY 1963. Other Food for Peace efforts will continue in 1963.

Accomplishments

The Tunisian aid program during 1962 reflected two important accomplishments. First, it completed the preliminary phase of

several important projects concerning manpower training and increased agricultural and industrial production. Second, during this year of transition, aid objectives were clarified, and several projects were terminated and others regrouped and focused on areas bearing directly on the aid goals.

The following are specific examples of achievement. The Société Tunisienne de Banque, by means of a grant of \$5.5 million in counterpart funds and a \$5 million Development Loan Fund (DLF) loan made 110 loans to medium-sized industrial undertakings. The National Agricultural Bank, assisted with a \$5 million loan plus grants of local currency, has already made more than 5,000 loans to agricultural projects. The re-establishment of seven and construction of two new horticultural stations, the development of the Sidi Thebet poultry stations, and the drilling and equipping of many wells also represent progress toward the broad goal of increased agricultural production. Local currency support of the housing program in 1962 permitted the building of nearly 2,700 rural and 300 urban houses. The entire Tunisian development effort might have foundered without the local currency made possible by supporting assistance.

Hundreds of useful labor-intensive work relief projects throughout Tunisia have been undertaken, e.g., terracing of slopes, reforestation, prevention of erosion, construction of wells, soil reclamation and construction of roads. This activity is a model Food for Peace economic and social development program.

In addition to these completed or continuing projects, completion of the preliminary work on several others is expected in 1962, including studies for the building of a School of Law, Economics and Business Administration in the University of Tunis. In agriculture, the development of a National Agricultural Extension Service is under way, and exploratory studies were completed on the Oued Marguellil watershed area.

Country: TUNISIA

## GENERAL ECONOMIC DATA

TUNISIA

BASIC DATA			
	Unit	TUNISIA	AVERAGE (UNDEV. AREAS)
<u>AREA &amp; POPULATION</u>			
Area .....	1000 sq.mi.	48	xxx
Population (1961) ...	Mil.	4.3	xxx
Annual Growth .....	%	2.2	2.4
Density per sq.mi.	No.	90	40
<u>AGRICULTURAL LAND</u>			
% of Total Area .....	%	40	25
Per Capita .....	Acres	3.0	2.5
<u>POWER PER CAPITA</u> .....	KWH/Yr	66	80
<u>EDUCATION</u>			
Literacy Rate .....	%	25	35
Pupils as % of Pop. . (Prim. & Sec.) .....	%	11	9
Pupils per Teacher (Prim. only) .....	No.	57	38
<u>HEALTH</u>			
Life Expectancy .....	Yrs.	n.a.	40
People per Doctor ...	No.	7,100	7,000

	Unit	Calendar Years		
		1959	1960	1961 Est.
<u>GROSS NATIONAL PRODUCT*</u>				
Total GNP (in 1960 Prices) .....	\$ Millions	646	648	615
Per Capita GNP .....	Dollars	157	155	144
Investment as Percent of GNP .....	Percent	11.9	15.0	19.0
<u>AGRICULTURAL PRODUCTION INDEX - TOTAL</u> .....				
Index Per Capita .....	1952-54=100	100	130	69
Wheat .....	"	91	116	60
	1,000 MT	525	452	180
<u>MINING PRODUCTION INDEX</u> .....				
	1953=100	104	101	80
<u>COST OF LIVING INDEX (Tunis)</u> .....				
	1953=100	116	113	118
<u>FOREIGN TRADE</u>				
Total Exports (f.o.b.) .....	\$ Millions	142	120	115
Phosphate rock .....	"	18	15	16
Total Imports (c.i.f.) .....	"	153	191	215
Trade Balance .....	"	-11	-71	-100
Trade with United States (U.S. data):				
Exports to U.S. (f.o.b.) .....	\$ Millions	2.6	0.4	0.6
Imports from U.S. (f.o.b.) .....	"	9.3	21.0	45.0
Trade Balance .....	"	-6.7	-20.6	-44.4
<u>GOLD &amp; FOREIGN EXCHANGE (end of year)</u> .....				
	"	97	97	83 (Nov)
- Million Dollar Equivalents -				
<u>CENTRAL GOVERNMENT FINANCES*</u> <sup>a</sup> FY ending Dec. 31		1960 <sup>b</sup>	1960 <sup>c</sup>	1961
Total Expenditures .....		156	189	198
(Defense Expenditures) .....		(13)	(12)	(14)
(Capital Outlays) .....		(53)	(68)	(77)
Domestic Revenues .....		128	134	133
Budget Receipts from Non-U.S. Foreign Aid .....		--	--	1
Budget Receipts from U.S. Aid (Grants & Loans) ....		19	20	32
Remaining Deficit (-) or Surplus (+) .....		-9	-35	-32

\* - Converted at .420 Dinars per U.S. \$.

a - AID estimates of cash transactions. b - FY ending March 31. c - Fiscal year period changed to a calendar year basis; estimates for the April-December 1960 period have been extrapolated to a 12-month basis for comparability.

## FINANCIAL DATA

Country: TUNISIA

Obligations and Commitments (millions of dollars & dollar equiv.)	FY 1952-1961	FY 1961	FY 1962
<u>AGENCY FOR INT'L DEVELOPMENT - TOTAL...</u>	137.4	37.2	15.9
Development Loans.....	42.1	10.0	2.4
Development Grants..... (T.C. prior to FY 1961)	10.9	5.7	3.5
Supporting Assistance..... (DS/SA prior to FY 1961)	84.4	21.5	10.0
Other MSP Economic.....	-	-	-
<u>FOOD FOR PEACE (P.L. 480)</u>			
Title I, Country Uses..... (Sales Agreements).....			
Title II.....			b/
Title III.....			
Title IV.....			
<u>EX-IM BANK LONG-TERM LOANS.....</u>	1.8	1.8	-
<u>OTHER U.S. ECONOMIC PROGRAMS.....</u>	-	-	-
<u>MILITARY ASSISTANCE (Programs)</u>			
M.A.P. - Grant Aid.....			b/
M.A.P. - Credit Assistance.....			
Non-M.A.P. Military Assistance.....			
<u>ASSISTANCE FROM INT'L AGENCIES</u>			
UN Tech. Assist.-CY ending in FY.....	1.5	0.4	0.4
UN Special Fund.....	1.5	0.6	2.0 <sup>a/</sup>
<u>OTHER FREE WORLD ASSISTANCE</u>			
France.....	NA	7.0	7.0
West Germany.....	NA	8.0	12.0
<u>SINO-SOVIET BLOC ASSISTANCE.....</u>	8.0	8.0	38.0 <sup>a/</sup>
<u>U.S. DOLLAR LOAN REPAYMENTS</u>			
MSP and P.L. 480.....	-	-	0.1
Export-Import Bank.....	-	-	-
Other Government.....	-	-	-
a/ July-Dec. 1961.			
b/ Data classified.			