

A. I. D.
ECONOMIC
ASSISTANCE
TO IRAN

1950-1965

**SUMMARY HIGHLIGHTS
OF
A.I.D. ECONOMIC ASSISTANCE ACTIVITIES
IN IRAN**

**A HANDBOOK FOR MEMBERS
OF THE U. S. COUNTRY TEAM IN IRAN**

**ISSUED BY THE U. S. AID MISSION TO IRAN
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P R E F A C E

Many of the U.S. employees in Iran are relatively new faces in the ever-changing picture of U.S. representation abroad. For this reason, it was considered appropriate that the present members of the American Country Team have available to them a brief recapitulation of the extensive operations of the A.I.D. economic assistance program in Iran.

In developing these summary highlights of the activities of the Agency for International Development in Iran for the years 1950 through 1965, it was decided to limit coverage to the more significant aspects of A.I.D. economic assistance activities over the past fifteen years. No attempt has been made to evaluate fully the total impact of the many aspects of these activities, nor has any extended effort been made to cover the complex nature of the cultural, social, economic and political interactions encountered during the course of the program's history.

In presenting this report, it should be emphasized that U.S. economic assistance to Iran was started during a critical period in the history of Iran. In addition, during the past fifteen years, the task of economic development in Iran has continually offered challenges to the ingenuity and drive of the Americans and Iranians involved in the program. Yet, those who have struggled with Iran's developmental problems can now certainly look with pride to the economic progress which has occurred in Iran since the program's inception in 1950.

I. AID IN PERSPECTIVE

A. Nature of U. S. Assistance Program

Since the end of World War II, the United States has been providing financing for very extensive foreign assistance activities to many nations throughout the world. This assistance has been directed to those in need of financial and technical aid--nations ravaged by World War II and the less-developed nations striving for economic and social advancement. They include people everywhere who want continued freedom to develop their own social, economic and political institutions. Among these nations is Iran, an important and long-standing friend of the United States.

Under a broad definition of American aid, that is, a definition that includes military assistance, economic assistance, sales and grants of surplus agricultural commodities, loans from the Export-Import Bank and miscellaneous small programs, the U. S. foreign assistance program has reached a cumulative figure in excess of \$116 billion in aid to more than 100 nations for the years 1946 through 1965, inclusive. Of this global figure, over \$1.5 billion, or 1.3 per cent of the total, was provided to Iran to finance mutually agreed economic and military activities designed to promote the freedom, independence and growth of Iran.

Economic aid to Iran was initiated during a critical period in Iran's history. It was begun under the United States' "Point IV" concept of the desirability of transferring modern technical skills to the developing countries. Initial discussions with the Government of Iran occurred in 1950; however, it took some time to get the program underway, and technical assistance programs did not effectively commence until late 1951 and early 1952. Due to changing conditions and times, the program soon expanded to include broader economic assistance activities as more extensive efforts were made to hasten Iran's socio-economic growth.

Economic aid to Iran has been a mutual assistance undertaking. For the most part, the U. S. has provided necessary foreign exchange and technical skills. The Government of Iran has provided local currency, contributions in kind and a cadre of dynamic men and women interested in matching Iran's ancient and illustrious past with a modern and progressive future.

The program has had a warm and harmonious relationship with the government and the people of Iran. It is a program that has helped the Iranian people

under all types of conditions and situations. It has been with Iran during its quiet years and during its stormy years. The program has operated on a large scale during lean years and on a moderate scale during prosperous years. It is a program that has focused on the problems of modernization, development and growth.

B. Major Categories of A.I.D.-Type Economic Assistance

A complete analysis and evaluation of the many facets of U. S. economic assistance to Iran over the past 15 years and its effect on Iran's development and progress would require several volumes. This report does not attempt to cover the entire spectrum. It is primarily a condensed historical statement recounting 15 years of U. S. economic assistance efforts to help Iran meet its problems of economic development. Thus, it naturally tends to emphasize U. S. participation.

For the purposes of this paper, economic aid to Iran under the United States Mutual Security Act, the Foreign Assistance Act, and the Public Law 480 Food for Peace legislation--programs in which the Agency for International Development (A.I.D.) has had a significant administrative interest--has been roughly categorized into three major headings, some of which are partially overlapping, but which provide a streamlined basis for describing the program. The magnitude of these three major types of economic assistance in which A.I.D. and its predecessors have played a major role for the years 1950 through June 30, 1965, is as follows:

<u>A.I.D.-Type Economic Assistance</u>	<u>Grant Programs</u> (in Millions of Dollars)	<u>Loan Programs</u>	<u>Total</u>
Technical Assistance	\$118.4	---	\$118.4
Capital Assistance	<u>260.3</u>	<u>\$218.2</u>	<u>478.5</u>
Sub-Total	\$378.7	\$218.2	\$596.9
Food for Peace Assistance	<u>62.2</u>	<u>50.6</u>	<u>112.8</u>
Total	<u>\$440.9</u>	<u>\$268.8</u>	<u>\$709.7</u>

Technical Assistance

Technical Assistance is that type of aid which concentrates on the demonstration of modern methods, techniques and skills in a less-developed area. It provides knowledge and training so that the recipient country can absorb and utilize

new and better ways of doing things to increase its pace of modernization.

Briefly, the U. S. technical assistance program has brought into Iran more than 2,000 direct hire technicians of the U. S. government. These Americans have worked virtually in every part of Iran, in government ministries, in the cities, in the villages, in schools, in tribal areas and in the private sector. They have worked as friends and advisors on approximately 250 technical assistance projects. In addition to these U. S. employees, the AID Mission has financed contractual arrangements with American universities, commercial contractors, technical firms and individual experts that resulted in bringing to Iran more than 500 additional professionals who provided technical expertise on mutually agreed projects and programs.

While progress through technical assistance is difficult to measure, it is certain that the efforts of these Americans and their contacts with Iranians in all walks of life have helped to increase the technical ability and competence of a wide range of the people and institutions throughout Iran. Moreover, this effort was supplemented by a coordinated local and overseas training program which enhanced the knowledge and skills of vast numbers of Iranians. Full or partial financing of approximately 2,000 men and women who were trained abroad was included in the program. Another 1,000 received training as employees in the A.I.D. Mission.

Thousands of other Iranians received some kind of on-the-job training from American advisors. Educators participated in teacher-training courses; unskilled workers learned to operate and maintain modern diesel locomotives; and management personnel were taught new marketing techniques. Numerous men and women throughout the country were trained in a wide variety of skills ranging from child-care to road-building, from plumbing to poultry production. Looking back, one can find numerous successful projects in virtually all the important fields -- agriculture, community development, education, health, industrial development, mining, labor, public administration and public safety.

This is but a small part of the story of \$118 million of U. S. technical assistance to Iran. Much also was contributed on the Iranian side to these many activities. Chapter II of this publication attempts to set forth in greater detail the nature of this technical assistance effort.

Capital Assistance

Throughout the past 15 years in Iran, there has been a large number of different kinds of U. S. financial assistance programs. These programs have been variously labeled defense support, supporting assistance, special assistance and development loan financing, to give a partial list. They have provided

financing principally for budget support activities, capital projects, commodity imports, emergency relief projects and internal security activities. About 54 per cent of these programs were on a grant or gift basis. The remainder were financed on a loan basis at concessional terms--i.e., terms more favorable than commercial rates.

To simplify the recounting of this rather complex sequence of activities, all such assistance is being described under the caption "capital assistance"--that is, financial assistance designed to accelerate the economic development of Iran.

The need for external financial assistance quickly became apparent in 1951 when Iran's vital oil revenues virtually ceased and a difficult period of economic disruption ensued. After great effort and the combined action of many influences, the oil crisis was resolved in 1953, but the country was left in a critical economic situation. To help Iran to overcome this grave difficulty, the United States initiated a capital assistance program with a cash grant of \$45 million to meet the Government of Iran's urgent commitments.

At about the same time, an additional \$26 million in grants was made available for the import of essential commodities that were in short supply due to the absence of foreign exchange. These included sugar, drugs and hospital supplies, auto parts and tires, railroad equipment, fabrics, and iron and steel products. In the critical period from 1953 through 1957, the United States provided more than \$238 million in capital assistance grants to help the Government of Iran survive a period of extreme economic instability.

During these years A.I.D. made available money to finance numerous projects and programs in every province of Iran. These widespread activities were designed to offset economic lethargy, to stimulate the economy and to provide a basis for recovery and growth. They varied from road-building to city-planning, from the construction of schools to the improvement of city water systems, and from work relief to educational improvements. In several towns and cities improvements were made on municipal airports, while in others hospitals were built, a tuberculosis center was erected and low-cost housing was constructed. Over 100,000 day-laborers were employed in these and similar projects for a total of more than 2,000,000 man-days of work. Other capital assistance grants were used to improve technical and professional skills and to expand those institutions and organizations that would foster further economic and social growth.

By 1958, the national economy showed signs of stabilization, and economic aid gradually shifted from grants to loans. Sustained efforts were made to increase the emphasis on the importance of long-term economic development and

self-sustaining economic growth. By the end of 1965, Iran had received capital assistance of over \$478 million to meet these objectives. Of this amount, approximately \$218 million was on a loan basis.

The loan program provided "development loan" resources to promote sustained and orderly economic growth throughout the entire country. It financed dams, ports, and transportation and communications systems. It assisted in the establishment and expansion of key facilities such as manufacturing, power and transportation, development banks, schools, hospitals and in programs of community development, adult education, public health, research and related activities. Further details on the over-all capital assistance program appear in Chapter III.

Food for Peace Assistance

The technological revolution in agriculture in the United States during the past several decades brought about substantial increases in American agricultural production. One result of this abundant production was the execution of a U. S. policy of granting, or selling on concessional terms, certain agricultural commodities that were surplus to U. S. needs.

Thus, while Iran continued its normal commercial agricultural imports over the years, it also obtained large amounts of agricultural commodities under the "Food for Peace" programs, particularly in recent years. Some of these programs have been on a grant basis, others on a sale or loan basis. Surplus foods provided under these programs have been a vital source of strength to Iran, particularly in poor crop years and in times of drought and disaster. In addition, rials collected from the sale of considerable quantities of these surplus commodities have provided additional government revenues for economic and social development programs within the country.

Sales agreements for a total of \$112.8 million of agricultural commodities have been signed under these programs. In broad terms, these shipments will augment Iran's food supply by 1,367,258 metric tons of wheat, butter and oils, and milk. The four principal elements of the "Food for Peace" Assistance program are as follows:

<u>Type of Food Transaction</u>	<u>Tonnage</u> <u>(Metric Tons)</u>	<u>Value</u> <u>(\$ Millions)</u>
Sales for Local Currency (Grants & Loans)	751,294	\$ 44.7
Grants for Disaster Relief	206,015	37.3
Grants for Needy Persons	105,149	19.0
Sales for Dollars (Loans)	304,800	11.8
TOTAL	1,367,258	\$ 112.8

The \$44.7 million of these commodities that were sold to Iran for rials were used to augment the food supply of Iran. The rials collected from the sale of these commodities--mostly from wheat sold to Iranian flour millers--have been invested in economic and social development projects as well as military equipment and facilities for the common defense, and for expansion of private enterprise activities.

The \$37.3 million of the "Food for Peace" commodities which were granted to Iran for emergency relief helped to offset the effects of drought, locust invasions, earthquakes and floods. In the fall of 1962, for example, a severe earthquake struck the plateau just 60 miles northwest of Tehran. It is estimated that approximately 12,000 persons were killed outright, while most of the villages in the area were either destroyed or severely damaged. Prompt shipments of U. S. wheat were rushed to Iran on a grant basis for sale within the country. The rials collected from this transaction--over \$3 million equivalent--covered the costs of rebuilding five entire villages in the stricken area.

As indicated in the above tabulation, \$19 million of the food shipments were granted to Iran for needy persons throughout the country, principally needy school children. This food has been, and is still being distributed through accredited voluntary agencies of the United States and through intergovernmental organizations. This part of the program provides extensive assistance to needy persons through broad-scale distributions and through non profit school feeding programs. Since 1952, the Iranian people have received almost 232,000,000 pounds of dry milk, flour, butter, beans, rice, vegetable oils and various grains under this program.

The fourth element of "Food for Peace" assistance--the sale of some \$11.8 million of wheat and feed grains through June 30, 1965--evidences a change in approach to the financing of commodity assistance programs in Iran. In recent years, in view of Iran's increased resources, the importation of these commodities has been effected through sales programs repayable in U. S. dollars. The most recent loans under these terms have been at 3-1/2 per cent with provision for repayment over 20 years. A full discussion of "Food for Peace" assistance appears in Chapter IV.

C. Other Types of U. S. Assistance

The three categories of economic aid described above--technical assistance, capital assistance and Food for Peace assistance--represent the principal programs in which A.I.D. has had an important administrative interest. They do not include several other types of significant U. S. Government financing made available to Iran since World War II. These other forms of assistance are mentioned here primarily for the sake of completeness, as they are part of the picture of growth, progress and stability that has emerged in Iran during recent years. The principal types of such post-World II assistance through June 30, 1965, are as follows:

<u>Types of Other U. S. Assistance</u>	<u>Grants</u>	<u>Loans</u>	<u>Total</u>
	(in millions of dollars)		
Military Assistance	\$712.2	---	\$712.2*
Export-Import Bank Loans	---	97.2	97.2
Miscellaneous Programs (Surplus Property Credits, Other Technical Assistance and the Peace Corps)	<u>4.6</u>	<u>25.8</u>	<u>30.4</u>
Total	<u>\$716.8</u>	<u>\$123.0</u>	<u>\$839.8</u>

*Excludes 1964 commitment for \$200 million military sales on credit basis.

These other types of U. S. assistance of about \$840 million, plus the \$710 million of A.I.D. -type economic aid--i.e., technical assistance, capital assistance and "Food for Peace" agricultural commodities, as described above--total to a figure of over \$1.5 billion in aid to Iran. A complete breakdown of this figure, by type of aid and by fiscal year, has been included in this publication as Appendix C.

This assistance figure of \$1.5 billion does not include Iran's beneficial portion of CENTO grant or loan projects, which have not been financed under bilateral country programs. For example, the United States has financed the foreign exchange costs of the longest microwave communication system in the world, from Ankara through Tehran to Karachi. Almost 50 per cent of this \$30 million CENTO system is in Iran, where it will have vast domestic uses in addition to serving international needs. Similarly, the U. S. provided about \$7.5 million for a soon-to-be finished modern civil aviation communication system over the same three-country area. This system is indispensable to current air transport needs in Iran. Both of these systems will be large revenue producers for the Iranian economy.

D. Changing Times

During the 15-year period that is covered by this publication, great changes have occurred on the Iranian scene, changes that the U. S. assistance activities in Iran have reflected. As a result of yesterday's efforts, the Iran of today has found new strength in greater recognition and use of its growing abundance of

domestic resources, human, natural and financial. There is evidence that it has reached the stage where further acceleration of self-sustaining growth will depend largely on internal Iranian actions; for example, improved planning, more effective use of resources, improved decision-making processes, greater internal coordination, more efficient execution of decisions, and speedier implementation of programs. Iran may still need help from the outside, but for the most part this help can be obtained on a commercial basis.

Recognizing this special situation in Iran today, but realizing that certain gaps still exist in technical knowledge and in the effective implementation of the domestic efforts mentioned above, economic cooperation between the United States and Iran has moved towards new approaches in broad fact-finding, evaluation planning, and comparative analysis, all of which can provide a sound basis for improved and more effective activity in the economic development field.

The first of these cooperative efforts, a country-wide electric power survey, is now underway. In this manner, the A.I.D. Mission expects to continue to cooperate with Iran in broad reviews and economic analyses of significant areas of national development. It is felt that studies of this nature will assist Iran toward optimum utilization of its resources, and will strengthen the skills of Iranian management officials for the continuing task of program planning, effective decision-making, and improved program execution.

E. Future Outlook

This publication, in setting forth the nature and extent of U. S. economic assistance to Iran over the period 1950 through 1965, necessarily emphasizes accounts of U. S. financing and U. S. advisors that are now history. The U. S. contribution must be and is associated with the overall economic development of Iran. While one can never know the extent of progress that might have been achieved in the absence of U. S. aid, nevertheless, the United States can be confident of having provided a significant contribution to that progress. At the same time, it is well to be on guard against portraying either an exaggerated role for U. S. aid in Iran, or implying that Iran has now reached a millennium of self-generating economic growth and affluence.

Without minimizing the impact of \$840 million of U. S. economic assistance (including Export-Import Bank loans), one must recognize that in any one year Iran herself produces some 98 per cent of the total goods and services available for consumption or investment in Iran. Nevertheless, the U. S. may claim a strategic impact in making funds available during times of great stress and in bridging a period when domestic resources could not easily be mobilized

for conversion to foreign exchange earnings. Timely economic assistance in periods of crisis often play a role disproportionate to the magnitude of actual resources made available. In a similar manner, the helping hand of even a modest number of U. S. technicians may have served to encourage Iran to cross that threshold of self-confidence which makes routine a belief in the possibility of progress.

There is no question but that Iran has put forth a substantial effort of its own to accelerate economic development. In addition to applying substantial resources from its own revenues, and obtaining the U. S. assistance mentioned herein, Iran has received other inputs from various nations, the United Nations and the World Bank. These vast expenditures have contributed to economic development.

At the same time Iran has instituted many internal reforms, designed to throw off the shackles of the past and accelerate the progress of the future. The more dramatic and best known efforts include the multi-stage land reform effort, the Literacy Corps, the Health Corps and the Development Corps, to mention but a few. Nevertheless, progress has been slow in many areas, resource allocation has not been satisfactorily efficient, and policy planning, programming, decision-making and implementation processes have not progressed adequately.

By way of illustration of the problem of obtaining more effective results, certain difficulties in the field of agriculture and education might be mentioned. Despite many reforms and concerted efforts, agricultural output is still a matter of concern in Iran. Despite a large corps of extension agents, only 10 per cent of the villages benefit from the services of extension or home demonstration workers. Soil classification covers only approximately one per cent of the country's arable land. The production of wheat and barley has not increased significantly over the years. As a result of these and other factors, it is not likely that per capita real income of the rural population--who constitute more than two-thirds of Iran's total population--has experienced any marked increase over the last decade. Similarly, considerable efforts have been made in the field of education. Many new schools have been built. Teachers today are receiving more and better training. A Literacy Corps has spread out over the country. A sizeable increase in pupil enrollment in elementary schools has been effected. Nevertheless, only 10 per cent of rural girls and 50 per cent of rural boys can now expect to receive a minimum of four years of school, and vocational training does not meet the country's needs. At the university level, a major proportion of students do not return from overseas training.

It is not sufficient, therefore, merely to view U. S. economic assistance in proper perspective. It is also necessary to appraise country progress in the context of the present stage of economic development in Iran. In recounting progress and problems in the field of economic assistance over the past 15 years, this narrative inevitably raises some perplexing questions. Has sufficient progress been made in terms of the effort? What old problems are still with Iran, even though they may be in a somewhat different form? What new problems have arisen? What is on the horizon for the Iran of the future?

In this context, it is hoped that the following chapters, in highlighting some of the progress and problems of 15 years of U. S. economic assistance to Iran, will also stimulate constructive thoughts for the future. While great progress has been made in Iran, there are undoubtedly some sectors where greater progress should have been made. There is evidence that with renewed determination and effort Iran can meet its economic development problems. It must ascertain the facts, weigh the alternatives, and effect reasoned scientific and management-oriented decisions. A careful review and analysis of the underlying problems and a firm resolve to move forward along modern progressive lines can do much to overcome the obstacles to further economic progress.

II. TECHNICAL ASSISTANCE

As it was pointed out in the preceding chapter, technical assistance is that type of aid that demonstrates new methods and skills in a developing country. It is a teaching or training activity, and in Iran it has taken several forms.

During the early years of the technical assistance program American technicians worked closely with Iranian Government employees detailed to demonstration and training projects, offering instruction and sharing with them their special knowledge and skills. Later these American technicians were integrated directly into the ministries and agencies of the Government of Iran where they served as advisors. Prior to integration, more than 2,000 government employees were given on-the-job training in connection with demonstration projects of various types. Since integration, this type of training has been multiplied many hundred fold.

Over the past 15 years, several hundred thousand persons have completed regularly conducted training courses. These courses have been given in dozens of specialized fields, including teacher training, agriculture extension, public health, railroad and highway maintenance, building construction, factory supervision, auditing, accounting and dozens of others. Included among the trainees were thousands of men and women from private industry and business.

It is impossible to estimate the number of persons trained, in turn, by trainees, but it would total into several million. In education alone, thousands of school teachers were trained to teach others. The same is true of the men and women trained as fundamental education teachers and village leaders who have taught thousands of villagers to read and write. The agriculture extension agents trained under a joint Iran-U. S. technical assistance program have helped countless men, women and rural youths through demonstration farms, youth clubs and home economics classes. Iranian health educators have given basic sanitation and child care courses to an equally large number of people throughout the country.

Finally, the United States technical assistance program has made available training grants to send Iranian technicians and leaders abroad for periods of study of from three months to one year. Some 1,422 men and women have been sent to the United States for training in American schools, factories, government and private business offices, laboratories, farms and other centers of trade and professional activity. In addition, another 403 Iranians have been given training grants for a minimum of one year of study at the American University in Beirut. This training occurred in the following fields of activity:

<u>Field of Activity</u>	<u>Number of Trainees</u>
Agriculture	285
Community Development	68
Education	140
General	93
Industry and Mining	116
Internal Security	184
Labor	97
Public Administration	167
Public Health	171
Transportation	<u>101</u>
Sub-Total	1,422
American University of Beirut	<u>403</u>
Grand Total	<u><u>1,825</u></u>

During the past decade and a half, American technical assistance to Iran has grown from a basic program in agriculture, education and health into a greatly expanded one including industry, labor, transportation, natural resources, public safety and government administration. Over 2,500 American technicians have come to Iran to work directly with government employees in demonstration and training projects. The success of their efforts can be seen in the growing cadre of trained Iranian personnel who comprise Iran's most valuable resource. Listings of U. S. projects financed from both technical assistance and other resources are shown under Appendices A and B.

A. Agriculture

Agriculture accounts for over 50 per cent of the gainfully employed, and generates almost 30 per cent of Iran's GNP. Most of the food plants known to man can be grown in Iran. The principal crops are wheat, cotton, rice, sugar beets, grapes, nuts, melons, kenaf, most fruits, including citrus and dates, and a variety of vegetables. Fifteen years ago, the production level in most of these crops was low because of poor seed, insect pests and diseases, lack of fertilizers and little knowledge of better cultivation methods. Areas of cultivation also were restricted by wasteful methods of irrigation and the absence of ground water conservation practices.

Among other factors that restricted farm production were a lack of credit at a reasonable rate of interest and the scarcity of transportation facilities. There was little chance for thousands of farmers, living in isolated valleys, to engage in more than subsistence farming when they were unable to get sufficient credit at reasonable interest rates with which to increase production and when there were inadequate means of getting their products to market. But where opportunity and profitability have been demonstrated, the Iranian farmer has shown a potential for using modern agriculture practices.

The Mission has engaged in more than 30 projects with the Ministry of Agriculture. All of these projects now have been integrated into the Ministry with American technicians acting only as advisors. In each of the projects direct training has been given to large numbers of Iranians in some important aspect of agriculture. At the same time, approximately 268 Iranian participants have gone to the United States, 85 to the American University of Beirut and 26 to other countries for special study and training. Over 90 per cent of these participants are today working in the Ministry of Agriculture or in other agricultural pursuits.

These trained men and women, in turn, have given training to thousands of farm families in pest control, irrigation methods, seed treatment, machinery operation and maintenance, livestock production, veterinary work, poultry breeding, range management, food preparation, home improvement, sanitation and child care. In addition to the training of farmers, beginnings have been made in establishing research facilities and seed production programs to support production.

Research has indicated that sugar beet production in Iran might be increased over 100 per cent by improved row-type cultivation, fertilizer, better seed, pest control and improved irrigation. It has been demonstrated that nut production can be substantially increased by pest control. Methods of increasing production of most of the crops have been demonstrated over the past 13 years. Unfortunately, current facilities and programs are inadequate to have more than a minimal effect on the country's agricultural industry, and widespread adoption among farmers still lies in the future.

Nevertheless, the benefits of this knowledge are being carried to the Iranian farmer through the Agricultural Extension Service and through the teaching of farm youth in the provincial schools. Today's Extension Service has more than 1,000 employees. There are now about 250 4-H type clubs in the rural areas with more than 10,000 members. These young boys and girls have participated in approximately 100,000 agricultural demonstrations. The Iranian Extension Service's 1,000 employees include 376 home agents.

The AID Mission has assisted in the development of demonstration farms, livestock stations and the Karaj Agriculture College. At Karaj College, more than \$1.3 million and the assistance of numerous American technicians have been provided to improve facilities and the curriculum. Other assistance was given to the development of 13 provincial vocational agricultural schools of high school level for the training of farm youth.

American advisors working with the Livestock Bureau have given field demonstrations to show livestock feeders that the thousands of tons of sugar beet pulp and molasses wasted each year are a profitable livestock feed. As early as 1955, almost 400 pit silos in the Meshed area alone were filled with more than 100,000 tons of sugar beet silage. Since then the use of silos to store beet pulp has spread to other parts of Iran where beets are grown. Still, even today, all of the pulp is not being used in many factory areas.

A.I.D. technicians have further cooperated with the Iranian Livestock Bureau in a broad program for livestock improvement and disease control. This program has included assistance in the establishment of livestock stations, the construction of laboratories, a national dairy insemination program and the improvement of sheep, dairy cattle and poultry. Physical facilities for the production of breeding stock livestock stations were expanded from two in 1952 to 15 in 1965.

Early in the 1950's the first U.S. cattle were brought into Iran for establishment of the dairy cattle artificial insemination program. Today, this program operates throughout most of Iran. Approximately 20,000 inseminations are made each year. Two main stud centers and seven sub-stations have been established. The average milk production of a native Iranian cow is about 1,400 pounds of milk a year, but the first generation of crossbreeds averaged about 5,000 pounds--an increase of more than 350 per cent. Undoubtedly, this is a result of hybrid vigor, and experience in other countries indicates such extreme increases are not sustained in future generations. Unfortunately, information on the subject in Iran is not available. Still, the potential is important in a nation that is deficient in dairy products production and whose consumption potential is six times its present production.

The National Livestock Organization maintains a migratory flock of high-grade native Moghanie sheep in the Moghan area of East Azerbaijan. With the assistance of A.I.D. technicians, this flock of 600 sheep has led to the distribution of over 100 improved rams each year to cooperating tribesmen. Offspring from these rams are capable of producing 100 per cent more wool and 50 per cent more milk than the ordinary tribal sheep.

American technicians worked with Iran's Razi Institute on research and the preparation of animal vaccines and other products for livestock disease control, and vaccine and sera from this institute are now provided to neighboring countries. At the same time, these technicians helped in the establishment of a national rural veterinary service. Early in 1952, a number of two-man vaccination and inoculation teams were trained and sent into the field, mainly on horseback. In turn, they trained herdsmen and demonstrated vaccination and treatment of livestock. Since then, numbers of rural people have been trained in vaccination and simple veterinary practices.

In recognition of the fact that livestock improvement is closely related to range management and forage production, an extensive program of demonstrations in these two fields was conducted by American advisors working with the High Council of Range Management. These demonstrations have increased the awareness of government officials of the opportunities to develop Iran's grazing resources.

Besides general assistance to the field of food and feed crops, the U. S. Government is now providing technical assistance to the Ministry of Agriculture on an edible vegetable oilseed program. Although the vegetable oil industry is the fifth largest private industry in Iran, a shortage of raw material produced within Iran is creating stagnation within the industry. Technical assistance has enabled the Iranian Government to partially evaluate the potential of various crops, to create an organization that within a few years will be competent to increase present production and to initiate a sunflower and sesame program to further offset shortages of raw materials.

By 1964, Iran's kenaf production (a coarse fiber used primarily for sacking and packaging) had so declined that it satisfied only seven and a half per cent of the requirements of four domestic burlap mills. At the request of the Ministry of Agriculture, A. I. D. provided a consultant in the fall of 1964 to review the program and to make recommendations. It was determined that the drop in production was due to the use of a low-yielding, disease-prone variety of kenaf, coupled with poor cultural methods. The same technician was brought to Iran on a full-time basis in the spring of 1965, while A. I. D. obtained one ton of disease-resistant, high-fiber-yielding kenaf seed highly adaptable to Iranian growing conditions. An estimated 17-1/2 metric tons of seed will be produced in 1966 for distribution to growers. Demonstrations have shown the mills and farmers that kenaf can, again, be profitably produced. Present indications are that sufficient kenaf fiber (12,000 metric tons) will be produced by 1968 to operate all domestic mills at full capacity.

The unusually severe winter of 1963-64 caused considerable damage to the citrus groves of Iran. At the request of the Ministry of Agriculture, a citrus

rehabilitation program was initiated in the spring of 1964. A.I.D. provided 750,000 citrus buds, 2,500 budded seedlings and 1,000 pounds of citrus seeds. This material was distributed to three principal areas in Iran--the Caspian, Kerman and Fars. An estimated one-third went to research stations, and the remaining two-thirds were distributed to farmers through the stations and the Extension Service.

Today there are 100,000 healthy seedlings budded to American stock along the Caspian Sea and at nearby research nurseries. The southern areas research stations have an estimated 75,000 budded seedlings. The bud take was an over-all 60 per cent, and some growth is now five feet in height. During 1965-66, smudge pots for frost protection have been demonstrated.

No agricultural work has won greater acclaim in Iran than the pest control program, begun in 1960 with the fight against locusts. A few years later, when a general agricultural pest control program was developed, the United States helped Iran to plan a locust control program and provided training for a number of Iranians, including pilots to fly the spray planes. In 14 years, national pesticide consumption has gone from less than ten tons per year previous to 1950 to a current annual consumption of more than 700 tons, plus 300,000 gallons of liquid materials.

A national pest control department with branch offices in every province is in operation, with seven active programs conducted on a national level throughout Iran. In addition, the Institute of Research of Plant Pests and Diseases, located in Tehran, is now capable of solving most of Iran's plant protection problems. By 1966, the plant protection aerial unit had 17 trained spray pilots, 37 student pilots and numerous maintenance personnel. Twenty-eight spray aircraft of American origin are presently in service. A new method of aerial application has been developed which has increased aircraft capabilities from a previous 100 hectares a day to 300-700 hectares a day.

For centuries, Iran has been using its rivers and groundwater for irrigation in an inefficient although ingenious manner. Prior to 1950, there was only a handful of irrigation projects, totalling some few thousand acres, that used small permanent diversion dams and main canals. Even these were designed by non-specialized engineers of limited experience. There were no storage reservoirs of significant size to store floodwaters for later release to meet irrigation or domestic needs. Groundwater was extracted by some 40,000 unlined ghanats (underground water tunnels), each usually a few miles long, but with some stretching for more than 20 miles. Records were essentially non-existent with respect to the amounts of water resources available.

Today the number of river measurement stations has increased to nearly 300 and the quality of the records is much improved due to the development of a strong hydrographic staff of 116 Iranian technicians, most of whom were trained by U.S. advisors. In 1960, A.I.D. directed a Groundwater Investigation Division that now has more than 100 geologists and technicians who have been trained, largely by UN experts, to make modern groundwater investigations on which to base the economical development of Iran's underutilized groundwater resources. In 1964, the Ministry of Water and Power was created for the development and management of Iran's water and power resources.

A few years ago a modern land classification and soil chemistry unit with a staff of 80 Iranians was developed with UN assistance. Supported by a modern soil laboratory largely equipped by the United States, the unit is progressively mapping the soil resources of Iran as they are related to irrigation and agriculture. By 1964, its staff had completed about 4,000,000 acres of reconnaissance and classification, 6,200,000 acres of semi-detailed classification and 110,000 acres of detailed classification.

The forestry program, closely allied to range management and soil and water conservation, has resulted in the establishment of nurseries in several sections of Iran for the growth and distribution of seedling trees. Under this program, the annual production of seedlings alone is 800,000. To date, between 1,500,000 and 2,000,000 seedling trees and 3,000,000 poplar cuttings have been distributed throughout Iran. Plans are to plant 2,471 acres of hardwood seedlings annually.

Charcoal is still used by millions of Iranians for their principal fuel in cooking and heating, and demand has increased in recent years. Unfortunately, the inefficient production of charcoal is endangering the rich forests around the southern shores of the Caspian Sea. To prevent further damage, American technicians have worked with the Iranian Forestry Organization to introduce new types of charcoal kilns that increase production by as much as 40 per cent, while permitting the use of stored waste wood instead of green wood. These kilns likewise enable farmers to engage in charcoal production during slack periods of farm work, and at the same time, help to conserve supplies of timber that bring much higher prices as cabinet wood, lumber and railroad ties.

The Iranian Forestry Organization has been reorganized along the lines of the U.S. Forest Service. Over 2,500 people are now directly concerned with forest administration, management and protection. The Gorgan Ranger School, established in 1959, graduates 25-40 rangers each year. In 1963, all forest lands were nationalized and brought under the direct control of this organization. Military forces are being recruited and trained by the Forestry

Organization to guard against the illegal cutting of timber.

The modernization and expansion of Iran's agricultural resources depends in large measure on the availability of credit to the village farmer. This requirement is of particular importance following recent land reforms and the resultant new group of village landowners who have inherited all of the expenses of seed and equipment purchases, maintenance and marketing that accompany the ownership or long-term leasing of land. An important phase of the Mission's agricultural program has been aimed at the development of viable institutions to promote agriculture through credit and cooperative activities.

To achieve these aims, American and Iranian credit specialists have assisted the Agriculture Credit and Rural Development Bank to provide its services to a wider farming population. In recent years the Agriculture Credit and Rural Development Bank has increased the number of provincial branches from a mere handful to over 120. During this same period, the Central Organization for Rural Cooperatives was organized, and under its leadership the number of rural cooperatives has grown from less than 30 to over 5,000.

The Mission supported both of these activities by providing the services of American advisors and through A.I.D. participant training programs. Some 16 key Iranians were sent to the United States for specialized training, 15 of whom now occupy responsible positions in the fields of credit and cooperatives. Meanwhile, American advisors assisted the on-the-job training of over 200 government employees in the credit and cooperative organizations.

Throughout the Middle East, pulses (grain legumes) provide a major portion of the vegetable protein in the human diet. In spite of the great need for these crops, their yields are low, and almost no improvement work had been done until three years ago.

In 1963, an agreement was signed between the U. S. Department of Agriculture and A.I.D. to establish a regional research program for varietal improvement, disease and insect control and cultural and management practices aimed at increased production of pulse crops in a number of countries, including Iran. As a result of that agreement, an American research team now is working in Iran on local and regional problems of pulse crop production. Improved soil and crop management practices should significantly improve pulse yields and contribute to the production of those additional vegetable proteins necessary to attain a minimum nutritional level in this part of the world.

B. Community Development

Primary objectives of community development in Iran have been the strengthening of potential democratic institutions, the promotion of local self-government and the development of a sense of self-reliance among the rural population through "self-help" projects that raise their standard of living. Under the community development program of the Government of Iran, conducted in cooperation with American advisors, more than 75,000 village projects were activated, approximately 70,000 of which are now completed. Project activities have included the construction of hundreds of schools, mosques, bath houses, bridges and village-access roads.

The community development program has passed through four phases: 1) technical assistance to the Shah's Crown Land Distribution Program; 2) support of the Near East Foundation's pilot project in community development and training of village workers in the Mamazon training schools; 3) support of Iran's program for the establishment of village councils for local self-help development; and 4) support of a plan to extend village-level work by Block Development.

Community development work at the Mission originated in 1952, with a project with the Ministry of Court for support of the Shah's Crown Land Distribution Program. This project provided for the training of village workers for the first 12 villages to be distributed--all in the Varamin Plain--and gave assistance, through cooperatives, to make credit available for the purchase of seed, oxen and other facilities to new land-owning farmers. The village workers were trained to provide villagers with technical assistance in agriculture, health and education. The United States contributed 17,000,000 rials (approximately \$235,000) in local currency to a development bank for the credit program and 9,000,000 rials (\$120,000) to support the village workers over a period of years. The farmers' record for repayment of loans has been exceptionally high.

Since then, many other villages have been distributed in other parts of the country. In the Khorassan village of Aariman, which was distributed in 1954, village workers helped the villagers in 1955 to raise average annual family earnings from 14,280 rials (\$190) to 22,500 rials (\$300). This does not include the value of the large variety of vegetables which the villagers learned to raise as food for their families.

The Village Council (or Agrarian Development) Program was started with the signing of A.I.D. project agreements with the Ministry of Interior, the Plan Organization and the Agricultural Bank. They provided \$3 million of U. S. funds

and 90 million rials (\$1.2 million) of Iranian funds for a program which eventually reached most of Iran's approximately 40,000 villages. Its purpose was to implement the "Law to Increase the Farmers' Share," a law for turning over to villages a percentage of the landowner's share of farm revenues, the establishment of village councils and technical assistance to the villages in development programs.

With the help of this project, a new department was established in the Government of Iran, the Development Bureau of the Ministry of Interior, which was staffed and trained for a nationwide program of rural development. Thirty-one American technicians under contract with the Near East Foundation were assigned, on an average of three to each province, to advise area officials and to guide village councils. Each provincial team included a rural sociologist, a cooperative and credit specialist and a rural engineer.

The project trained 100 Iranian community development specialists for the provinces, brought in vehicles and other equipment for their use, provided loan funds to village councils, developed loan procedures, engineering plans and services and trained hundreds of local officials in the techniques of working with village councils.

In 1957, the central and most vital element in community development became the village council program. Emphasis was placed on (1) making the newly established Iranian provincial development offices effective in their guidance to rural councils and (2) helping to channel the activities of provincial departments of education, health and agriculture directly to the villages in cooperation with the village councils.

The Block Development Program, patterned on pilot work on the Near East Foundation in the Varamin Plain villages, was based on the use of village-level workers trained over a period of three years, and a Block Development Organization was established as a part of the Development Bureau by the Ministry of Interior.

Three blocks were in operation by 1956; one at Garmsar, near Tehran; another in Gorgan, east of the Caspian Sea; and the third at Miandoab, near Tabriz, to the northwest. Multi-purpose workers were trained for other blocks in Sistan, Baluchistan and Khuzistan in southern Iran. The Near East Foundation provided American technical assistance through a contract for all phases of A. I. D.'s Community Development program, with the A. I. D. Community Development staff functioning in an advisory capacity to the Mission Director.

The Near East Foundation had come to Iran in the mid-1940's, some five years before A.I.D., and the modest demonstration projects in community development it had started in villages leased in the Varamin area grew rapidly. With Mission support and the assistance of the Ford Foundation, the Near East Foundation developed and established several training schools for village workers in addition to expanding other work of the Foundation. Later, A.I.D. put \$1.4 million into the Near East Foundation's Varamin Plain operation.

By the end of 1960, 620 village-level workers had received formal community development training and had joined the 220 village-level workers in the villages who had been trained prior to 1958. Community development blocks were increased from 8 to 22, and by 1962 they totaled 46. Today, some 52 community development blocks have been established throughout Iran, and most villages are reached by village-level workers.

Although the community development project was terminated in 1963, A.I.D. continues to watch with intense interest the current progress in the program. Until nation-wide land reform became a reality in the 1960's, many of the opportunities for community development were limited. The villagers were little interested in developing someone else's property, and without land of their own they had little hope for lasting improvements. Undoubtedly, the groundwork laid during the implementation of the community development project has helped to increase the number of self-reliant, responsible citizens who can manage their affairs at the local level.

C. Education

On education, along with the programs in health and agriculture, rests the long-range effectiveness of all other development. During the entire period covered by this report, there has been an education program in Iran.

Some of the Iranian progress made during this period is revealed in the fact that between 1950 and 1956, the number of public schools in Iran doubled. During this period, enrollment of boys doubled, the enrollment of girls tripled and the number of teachers in elementary and high schools increased from 17,000 to 36,000. In the same period, more than 100,000 adults learned to read and write.

In the National Teachers College alone, (an institution established in 1955 for the preparation of elementary and secondary school teachers, teachers of home economics and school administration), within a year almost 16,000 teachers in local areas received some form of teacher training instruction.

Later, this number was increased to 30,000 teachers who received training in improved methods and the use of teaching materials.

The Ministry has been assisted in taking education to tribal children through tent schools that move with the tribes and their flocks. Today, there are more than 375 such schools, with an enrollment of 12,000 children. These children, like their cousins in the brick schools of the villages and cities, now have the advantages of improved teaching methods and the many improved textbooks developed in the past few years. In addition, the village school in Iran has changed through the inclusion of courses in basic agriculture, health, sanitation, homemaking and farm economics.

American educationists introduced the summer teacher-training school plan into Iran in 1952. Since then, almost 33,000 Iranian teachers have learned improved methods of teaching. This summer school plan, offered in all of the provinces, was taken over by the Ministry of Education in 1956, with American educationists remaining to serve as advisors.

Iranian personnel who participated in the early A.I.D.-sponsored demonstration classes presently occupy some of the most influential positions in the provinces, such as parliament deputies, heads of teacher-training programs and provincial education chiefs. Similarly, teachers trained under these projects are the mainstay of the current Iranian teacher-training program, and many hold positions of influence in the Ministry of Education.

The education program which existed until 1955 was principally one under which the Ministry of Education and the U.S.A.I.D. Mission cooperated to train teachers so as to improve educational methods. It did provide, however, U.S. assistance in establishing sixteen vocational and agricultural schools of high school level in the provinces as well as assistance in building, repairing and equipping more than 290 agricultural and industrial schools. In 1959, these 290 schools were converted to regular elementary schools. Today agricultural or vocational training is given in more than 70 schools at the junior and senior high school level.

The cooperative program pioneered in a movement in Iran for villages to organize to establish their own schools instead of waiting for the Ministry to provide for a school from its overstretched budget. This movement later was taken up and accelerated by community development leaders and the village councils, and the new schools became community centers for social, recreational and cultural activities, and provided classroom space for adult literacy and agricultural and health training.

In addition to this type of training, there evolved a program for steadily improved training in the normal schools to prepare the teachers of the future. This development was especially apparent in the fields of audio-visual teaching methods and physical education. At the insistence of the Shah, Iran developed a broad program of physical education that soon reached into the most remote areas of the nation.

In addition to its expanded activity in the fields of vocational and agricultural education and adult literacy, the Ministry of Education soon moved into other fields. Three important schools inaugurated by the Near East Foundation and the A.I.D. Mission under their cooperative program were taken over by the Iranian Government. The Vocational Agricultural Teachers Training School at Mamazon, which was supported also by the Ford Foundation, became government financed jointly by the Ministry of Education and the Ministry of Interior, with each initially supplying 100 students. This school also trained village-level workers for the Crown Lands, Community Development Programs and Extension Service.

From 1952 through 1957, American technicians from Syracuse University worked in an on-the-job training program with Iranian trainees to produce 80 educational films. This program was later broadened through a contract between Syracuse University and the Fine Arts Administration to provide assistance in other audio-visual fields. The building of a new studio and film processing laboratory was a major contribution of the project.

In order to better serve rural areas, the Fine Arts Administration, with the assistance of American advisors, established 11 rural audio-visual centers in various parts of the country. Each functions as a production, distribution, utilization and training center. Mobile film units operate from them to provide the technicians of the various ministries with audio-visual materials.

The Government of Iran long has been aware of the need for improving radio communications throughout Iran as a means of stimulating growth and development. To meet this need, the United States has cooperated with Iranian technicians in the installation of a powerful new radio transmitter in Tehran that broadcasts daily to all rural areas. Training in the production of educational radio programs was completed in 1959.

In 1962, the National Technical Teacher Training College, now at Narmak, opened with an enrollment of 108 future vocational teachers. This is the first and only degree-granting college for vocational/industrial education in Iran. The three-year curriculum, recently expanded to four years, leads to a Bachelor of Vocational Education degree.

That same year a model Vocational Agriculture Education Demonstration Center was opened at Karaj with U. S. assistance. It offers a three-year high school course in vocational agriculture, agricultural extension courses of variable time periods, short courses for farmers and supervisory training for 200 literacy corps members. In 1965, over 500 students were enrolled.

Also in 1962, a civic action project, the Armed Forces Vocational Training Activity, was initiated in cooperation with the Imperial Iranian Army, the Government of Iran, A.I.D. and the U. S. Military Assistance Advisory Group. The project provides three to four months training in one of nine vocational fields to conscripts immediately before returning to civilian life.

An Armed Forces Teacher Training Center has been established in Tehran, and six regional Conscript Training Centers are in operation at widely separated military bases. Over 150 noncommissioned officers have been trained as shop teachers, and 8,000 conscripts have completed vocational courses and returned to their villages. Within a year, it is expected that 7,200 conscripts will be trained annually.

One of the major education projects has been A. I. D. assistance to Pahlavi University in Shiraz. This is one of the most active current projects. By means of a contract with the University of Pennsylvania, in Philadelphia, technical assistance in teaching methods, curriculum development, and university business management is being furnished by A. I. D. The efforts are almost exclusively centered on the School of Arts and Sciences. A unique aspect of Pahlavi University's objectives is to build a university that will attract foreign students.

D. Health

Iran has taken significant strides in the field of public health in the past 15 years. National campaigns against major diseases--especially malaria and smallpox--and a campaign for clean water have resulted both in a marked reduction of the death rate and a significant increase in effective manpower. Only a few years ago, 80 per cent of Iran's population lived in malaria-infested areas. In some villages, the rate of infection ran about 90 per cent during the summer months. In many villages virtually every person had been exposed to the disease.

Then one of the first successful campaigns in the Near East for malaria control was commenced. Through the combined efforts of a U. S. Public Health team, the Iranian Department of Public Health, the World Health Organization and other assistance agencies, trained malarial spray teams were sent into the

rural areas. In the early years, some 16,000 villages with a population of almost four million were sprayed. In 1963, some 39,000 villages housing over 13 million people were contacted directly by trained malaria agents in search for the remaining carriers of the disease.

The success of the program can be measured by the economic benefits that resulted. In just four years, the incidence of malaria was reduced from 90 per cent to less than one per cent, and a considerable expansion of land under cultivation resulted. Surveys have shown a resultant increase in the effective man-power of as much as 400 per cent.

During the life of the health program, the Iranians established two modern high calibre health institutions. One, the Institute of Parasitology, Tropical Medicine and Hygiene, which is engaged in public health training and scientific research, is located at the University of Tehran. The other, the Malaria Eradication Organization of the Ministry of Health, is a mobile task force organization for implementing the malaria eradication program throughout the country.

The Iranian fight against smallpox, which started much later, has progressed even more rapidly. It is now estimated that approximately 95 per cent of the country's population has been protected against smallpox at least once. Whereas thousands of cases of smallpox were formerly reported annually leading to countless numbers of deaths and permanent disfigurements, no indigenous cases of smallpox have been diagnosed in Iran over the past two years.

The entire public health program should be viewed in light of the fact that when Iranian and American health technicians first started village work in 1951, they found that the village people did not know of the existence of bacteria or that mosquitoes spread malaria. The people thought that flowing water, or water with a surface area of more than a few square meters, was automatically self-purifying. Today, Iranian villagers--from one end of the country to the other--know the story of malaria as well as the causes of many other diseases. The health education program has resulted in the installation of thousands of sanitary toilets, in addition to village clean-up programs. Millions of Iranian villagers have attended showings of health and sanitation films and health talks given in the villages by health educationists.

The Public Health Centers are a vital link in the program, since it is here that village health visitors, sanitation aides and rural midwives are given training. The result has been a marked reduction in infant mortality in the areas where midwives and young mothers have received training. Most of these areas are without the services of a doctor, since Iran has only about one doctor for every 3,600 persons, as compared to one for every 750 in the United States. Further, most of Iran's doctors are located in the major cities.

The Mission has worked with the Ministry of Health in these and various other ways to strengthen health services in Iran, including the provision of American instructors at major schools of nursing in Meshed and Shiraz. Iranian doctors, nurses and sanitation engineers have been sent to America for training in public health work, while others have been sent to the American University at Beirut. They have returned to Iran and trained still others, including village officials, army health instructors, school teachers and village development workers.

Strong emphasis has been placed on developing school hygiene courses and the dissemination of health information through the schools. Village teachers are given special training in the teaching of school hygiene, and in a related effort, a nationwide inoculation program protects school children against smallpox, typhoid and diphtheria.

The concept of public health training has been introduced in the curriculum of Iran's five principal medical schools, and several members of the medical faculties have received training in the United States in preventive medicine teaching. These doctors have returned to establish or expand departments of preventive medicine in their respective schools. In Shiraz, a strong department of preventive medicine is being forged within the Pahlavi University Medical School with the combined support of University of Pennsylvania contract personnel, A. I. D. advisors and Iranian physicians.

Today in Iran, there is a growing recognition on the part of officials charged with protecting the health of the people that no amount of funds, no army of personnel, will ever be capable of meeting a country's health needs without primary attention being given to preventive services. Accompanying this awareness at the official level is the recognition among the general populace of the need for healthful living conditions. The result is the beginnings of a demand for better water supplies, pure food measures, improved medical facilities and the other safeguards so necessary to the full growth of a modern society.

E. Industrial Development

American technicians have cooperated with Iranians mainly in the development of three basic manufacturing and processing requirements—building materials, textiles and foods. One of the early technical assistance projects in Iran's industrial and engineering program was tied to the manufacture of cement, an industry the Mission assisted in two locations: the modernization of the Rey Cement Plant, near Tehran, and the construction of the modern American-equipped

Fars Cement Plant, at Shiraz. In less than two years, cement prices in Iran dropped from a black-market price of 4,000 rials (approximately \$53) per ton, and a Government price of 2,600 rials (approximately \$35) to an average of 1,800 rials (approximately \$24) per ton, while at the same time, the quality of the product was improved. While Iranian consumption of cement has greatly increased, Iran is now an exporter of cement.

Iran depends heavily on imported sugar, although the country has large land areas where sugar beets can be grown profitably. In 1955, the Mission cooperated with the Iranian government in the construction of three modern sugar processing plants near Shiraz, Kerman and Meshed and furnished the services of an American sugar manufacturing advisor. Today, Iran has several sugar beet refineries and one sugar cane refinery that together produce almost half of the sugar consumed in the country.

In the textile industry, the Mission provided \$2.2 million for equipment to triple the capacity of the Tchitsazi Textile Mill in Tehran. This mill now has a 40,000 spindle capacity, and is being operated by a private group of American management specialists under contract to the Government of Iran. Other American textile management technicians assisted both private and government plants in Isfahan, Sari and other textile centers and helped to improve the hand-loom industry in Kerman, Yazd and Isfahan. Similarly, a demonstration wool-scouring plant was established near Tehran so that Iran could process high-quality yarn.

Other assistance was given to various supporting industries, such as glass and bottle-making, lumbering and machine parts manufacture. Both grant and advisory aid was supplied in a number of major engineering projects, such as the development of the Tehran water treatment plant, the construction of the Sheikh Ali Khan, Golpayegan and Karkheh Dams and the Kuhrang Tunnel for water control and storage. (UN engineers are continuing to cooperate with the Government of Iran in the establishment of river-gauging stations throughout Iran for the purposes of obtaining scientific data for irrigation and flood-control.) As part of the industrial development program, the A. I. D. Mission assisted the Iranian National Railroad in a maintenance and operation project. After a few years, the railroad was able to more than double its capacity for freight movements by rescheduling and streamlining its operation.

Another transportation project provided training for highway maintenance workers in the use and maintenance of modern American highway machinery developed for maintenance of highways in the western part of the United States, an area that has a terrain similar to Iran's. Demonstration service shops and maintenance centers were activated in nine provincial towns, and a central repair shop was established in Tehran. The Ministry of Roads has followed this pilot project with a major national highway maintenance and rehabilitation program. This program has been assisted by imports of highway maintenance equipment and by the advisory services of a team of American engineers from

the U.S. Bureau of Public Roads, both financed by Export-Import Bank loans totalling \$19 million. Today, work plans are being expanded to provide roads to thousands of Iranian communities that presently have no transport facilities except donkeys and camel caravans.

Still another transportation project has involved U.S. financial assistance for Iran's National Airline. This has included an A.I.D. loan of \$1.5 million to cover the cost of managerial and technical assistance being supplied by Pan American World Airways.

American engineers have worked with a number of Iranian municipalities in the development of electric power. In 1963, a U.S. loan financed the services of an American engineering firm to prepare master plans and feasibility studies for six electric load centers in the cities of Tehran, Isfahan, Hamadan, Sanandaj, Shiraz and Kerman. The extent of this funding was a little over \$810,000. The World Bank, at the same time, granted the funds for the services of an engineering firm to prepare guidelines and procedures for the control of electric utilities after the electricity load centers have been constructed. In 1965, the Export-Import Bank provided \$20 million for long-term financing to expand Tehran's power generating facilities. This year, arrangements have been made to bring a team of American power experts in all aspects of power development and production to Iran to make a comprehensive study of Iran's power requirements and to provide the basis for planning a country-wide expansion of electrification facilities.

Under negotiation at this writing is a loan for a management contract to assist the Ministry of Water and Power in the management and operation of its electric utilities throughout Iran. If this loan agreement should be signed, it is expected to provide specialized technical and managerial assistance for a period of five years by a number of specialists at a cost of up to \$6.5 million.

Superficial examinations of Iran's mineral resources were first made under the U.S. technical assistance program in 1952. Short-term investigations by Mission geologists followed in 1954 and 1957, and these indicated Iran's need for technical guidance in the minerals field. More intensive studies, in 1960 and 1961, established the existence of a preponderance of lead, zinc and chromite among the metallic ore occurrences and revealed also certain geologic criteria for hidden ore bodies in the vicinity of existing lead-zinc mines. Recognizing the stimulating effect that reliable ore reserve information can have upon private investment, the Mission, in cooperation with the Iranian Ministry of Economy initiated a minerals exploration project incorporating core drilling and training activities as well as engineering services.

The drilling of 37 holes added 35 million metric tons, containing four per cent lead and 10.9 per cent zinc, to the estimated reserves of the first four mine areas explored. While some of the newly found ores contain two to three ounces of silver per ton, and others contain important amounts of cadmium, the added reserves, if upgraded to marketable concentrates at 80 per cent recovery, would be worth at least \$750 million in lead and zinc alone.

Two prominent foreign companies have invested in lead and zinc mining activities in this country, and the annual export of lead and zinc has risen from 28,300 tons to 117,000 tons in the past five years. For the first time, Iran is receiving recognition in foreign mining journals as an important potential source of the world's zinc.

F. Labor

The rapidly changing economic and social situation in Iran has thrown a great strain on Iran's labor force with respect to its proper training and use. In an effort to improve this circumstance, the Mission has worked closely with the Ministry of Labor in a national demonstration and training program.

The main effort has been in the fields of employment security, labor training, labor standards and labor-management relations, through both on-the-job training and group instruction. Ministry of Labor employees have been trained in the fundamentals of labor demand analysis, occupational analysis and placement. They, in turn, have expanded training to permit the opening and staffing of a Tehran Industrial Employment Office, a Tehran Commercial and Professional Employment Office and a headquarters staff and line organization to serve both private and government enterprises.

Craft training programs (apprenticeship) have been established for foundry workers, machinists, boilermakers, blacksmiths and car and locomotive repairmen, and trained Iranians are preparing job instructions in plumbing, pipe-fitting, pattern-making and carpentry. At the same time, workers in 14 textile factories have received more advanced on-the-job training in such textile work as spinning, slashing, fabric structure, carding, machine drawing and weaving. Manuals have been compiled and translated into Persian for maintenance of vehicles, air brakes, equipment lubrication, electrical work and 13 phases of textile operation. These provide the means for continuation of training.

G. Public Administration

Real and lasting economic and social growth in this modern age requires sound and efficient government. For this reason, programs of administrative reform often become a major element in American technical assistance programs.

Before 1952, little had been done toward the establishment of sound and efficient public administration in Iran. The public leadership of the nation often was required to work through unresponsive institutions lacking managerial capacity and dedication, inefficient organizations and cumbersome systems and procedures. A universal problem was the lack of trained manpower with technical and managerial skills.

The A. I. D. public administration program was begun in 1952, at which time one of the first activities was assisting in the creation of a new Institute for Administrative Affairs at the University of Tehran to teach the technical and management skills of public administration. This institute has developed over the years, with American assistance provided through an A. I. D. -financed contract with the University of Southern California, until today it is an academic center with the status of a separate faculty of Public and Business Administration within the University. Over 20 faculty members have received advanced degrees in the United States, and many former members of its faculty and student body hold positions at the highest level in the government of Iran today.

From the very beginning of the assistance program, organizational and procedural studies were made in every major ministry of the government. Many of these studies led directly to improvements in public service. Also, a major program for the improvement of financial management was begun, which has included better budgeting, tax administration, accounting, auditing and customs administration. Activity in one or more of these areas has been continuous over the past thirteen years, currently culminating in a successful effort to help Iran establish performance budgeting, high-speed machine accounting and modern treasury operations. Some 50 capable young Iranians were trained in the United States in various aspects of financial administration.

The area of personnel administration was also given attention. Pilot position classification research was conducted, 35 Iranians were trained in this skill and a basic classification structure was designed. Drawing on these talents, improved personnel and retirement legislation has been drafted. A new Civil Service Code is currently under consideration by the Iranian Parliament, which, when passed, should bring major improvements to this important sector.

Beginning in 1952, preparations for a modern statistical information system were initiated. Iran's first national population census was taken in 1956, and a second population census will be taken in October, 1966. Today, many agencies of the government have statistical organizations, using improved methods and equipment to provide Iran with more realistic data in the fields of finance, manpower, industry, construction, agriculture, household consumption and cost-of-living to enable meaningful economic and social planning.

Many accomplishments of the first four years of the public administration activities in Iran provided the foundations for a comprehensive program of general administration improvement. In 1956, the direction of assistance shifted to an emphasis on strengthening the leadership and coordinating functions within the Office of Prime Minister. Also, activities were undertaken to establish procedures for decentralization of national government functions and the strengthening of local government.

Over the next few years, within the government there was a discernible change in attitude. There developed an increased awareness of the need for the government to improve its own organization and management to carry forth the national development program on which it had embarked.

At the urging of American advisors, the Government of Iran established the positions of career Administrative Undersecretaries in each Ministry and created the High Council on Government Administration, which became a task force agency responsible for administrative reform. In the area of strengthening local government, the Iran Municipal Association was created to assist cities and towns in improving various aspects of their management. Also, American municipal planners and their Iranian counterparts developed municipal plans in several of Iran's larger cities, while other advisors assisted in improving municipal taxation, budgeting, accounting and personnel administration. American public administration advisors were also assigned to several of the provincial capitals to help the Governors General improve the quality of provincial and regional administration.

Training programs were designed and conducted by American advisors in Iran in tax administration, budgeting and accounting, auditing, records management, organization and methods work and planning. Courses were also developed for mayors, village chiefs and village and city council members.

During this period, most of the descriptive research, systems and procedural recommendations, and the training of large numbers of people, both in the United States and Iran, were accomplished. For example, in 1958 the United States financed a four-year contract with the Government Affairs Institute in Washington, D. C., under which a team of 15 American management

specialists came to Iran to work in Plan Organization to help improve that agency's administration. As a result of this effort, the "what" of the modernization process in administration has largely been determined both in substance and in its acceptance. A relatively large number of trained people in positions at the top and middle level of the Civil Service both recognize the remaining deficiencies in Iran's administration today and know what form administrative improvement should take.

H. Public Safety

The fundamental objective of the public safety program has been to further the development of the institutions, facilities and operations of the National Police in order that the existing force of 26,000 men and officers may maintain internal security in some 153 cities. The program was jointly planned by Iranian and American officials with an awareness that internal security, the protection of life and property and freedom from molestation are necessary conditions for economic and social development.

The objectives of the program were divided into two general categories--primary and long-range. Primary objectives included assisting in modernizing the administrative structure of the National Police, the development of an in-service and participant training program and securing the acceptance and cooperation of police officials everywhere in making changes.

There was no adequate system for training police personnel. A few officers were offered a curriculum that consisted largely of military, religious, foreign language and general education subjects. There was no provision for in-service training or specialized course work.

Today the National Police Training Bureau is a university organization. It provides a three-year officer training course, as well as a specialist or in-service training program of shorter duration. A three-month patrolman school, instituted along the lines of U.S. police academies, provides training for new personnel. Extension training with modern audio-visual equipment is provided in six major population centers in Iran. A library has been established at the Police College with a holding of over 3,000 items.

Long-range objectives were more numerous and more complicated. They included a revision of recruitment and training procedures, the creation of an effective reporting and records system, the creation of a country-wide and inter-city communications system, the development of an effective traffic

control program, the improvement of criminal investigation techniques, the development of an effective anti-subversive and civil disturbance control capability, the modernization of foot and mounted patrol units, the creation of an efficient precinct-type operation in major cities and a general overhauling of outmoded laws and regulations.

Conventional traffic control was inadequate prior to 1954. No central records file existed. Driver licensing was almost non-existent. There was no uniform traffic code.

Today a standard traffic code has been adopted. Accident analysis is now used in planning and enforcement activities. Standard driver licensing and examination procedures have been drafted and put into operation. At the same time, a vehicle inspection program has been initiated in all of Iran's major cities.

In an effort to educate the public, a nation-wide public safety program is underway, utilizing the media of press, radio and television. A highway patrol system is in operation on the principal highways of Iran's non-urban areas.

The National Police Investigations Division had been a loosely organized and inefficient branch of the National Police. The National Police Detective Bureau was under the supervision of the Tehran Bureau. All activities were controlled from Tehran. There were no trained investigators and none of the investigative personnel possessed any technical background. There was no criminal or photographic laboratory, and the fingerprint system was of little use.

Today, a reorganization has been completed that separates the local and national areas of responsibility. A cadre of professional investigators has been trained in the United States, both for operational activities and for instructional roles in the police academy. Training courses are now offered in Tehran for criminal investigators. The fingerprint system has been updated, and modern storage and processing facilities are in use. It is generally accepted that the National Police crime and photographic laboratory is one of the best in the Middle East.

Although the ranks of patrolmen form the broad base of any police organization, a few years ago in Tehran these policemen were hired from the ranks of the unemployed, without a set of standards for educational, physical or character qualifications. Salaries were low, and there were no avenues for advancement. Very little or no training was given to a new patrolman.

A new modern recruiting system has been adopted which contains much more stringent qualifications for patrolmen. They must possess a high school education, and be able to meet rigid physical and character standards. On-the-job training has been adopted, and two-week specialist courses for patrolmen have been instituted. The patrolman's pay scale has been raised to that of the other services, and low-cost housing is being made available. Every patrolman is provided with a complete uniform with spares as appropriate.

Recently the number of police precincts in Tehran has been reduced to 18 and suitable precinct buildings have been secured. Motor patrols are being widely used, and realistic beats for the foot patrolmen have been developed in accordance with population density and the incidence of crime.

Today the public safety program has greatly reduced the size and scope of its activities. In the coming years, the efforts of one of the two remaining American generalist advisors will be concentrated in the urban centers outside Tehran and the other in Tehran itself. This reduction in the public safety program is a measure of the past and present achievements of the various project activities jointly undertaken by Iranian and American police specialists.

III. CAPITAL ASSISTANCE

The heading "Capital Assistance" describes those various kinds of A.I.D. economic assistance to Iran (apart from Food for Peace agricultural commodity programs) that are separate and distinct from technical assistance. In Iran, capital assistance has been implemented under both grant and loan programs designed to bring about quick recovery from periods of economic set-back, to support common defense objectives and to create a climate for long range economic growth in government and private sectors.

For example in 1954, following the oil crisis, U.S. capital assistance was used to offset the loss of oil revenues by providing funds for budgetary support and for emergency imports of drugs, hardware and vital foodstuffs that were in short supply. These commodities, essential to the immediate welfare of the country as well as to its continuing social and economic development, otherwise would have been unobtainable due to Iran's lack of dollar exchange.

During the following four or five years, other capital assistance funds were used to implement numerous public works projects, such as feeder roads, schools and hospitals. These projects both created employment during lean times and led to the construction of a number of essential public facilities.

Other amounts of capital assistance have been invested in the construction of major highways, ports and railroads and in the development of industries designed to provide a firm base for the long term development of all of Iran's resources.

A. Grants

From 1951 to 1959, when Iran negotiated its first loan under the Development Loan Fund, most U.S. capital assistance to Iran had been directed toward helping the country to recover from the temporary loss of oil revenues following nationalization of the industry. Prior to 1951, Iran's annual oil revenues exceeded \$100 million. Suddenly this source of income disappeared for almost three years. By 1953, lack of oil revenues had brought the country's development program, The Second Seven Year Plan, to a halt and all government services were severely handicapped by rising prices and accompanying wage demands. By mid-1953, restrictions on imports had resulted in a rapid and substantial increase in the general price level. Foreign exchange reserves of the Central Bank declined drastically, and the effective commercial rate of exchange for the rial more than tripled from 46 rials per U.S. dollar in 1951, to more than 150 rials per U.S. dollar in 1953. ^{1/}

^{1/} Today's exchange rate is 75 rials per U.S. dollar, or one rial = \$0.0133.

Up until the fall of 1953, the U. S. program in Iran had been thought of and planned largely as a "Point 4" or technical assistance program. Approximately \$47 million had been allocated for aid to Iran in FY 1952 and 1953, but expenditures had amounted to only slightly more than half of that amount, or approximately \$26 million. The economic impact of technical assistance expenditures of this order of magnitude was insufficient to offset the loss of oil revenues previously counted upon to finance development expenditures, some regular government expenditures and, to the extent converted into rials, to finance imports for the private sector of the economy.

Following resolution of the oil issue in 1953-1954, the United States launched a greatly expanded economic assistance program. A number of essential commodities were imported and sold. The rials generated in this manner provided budgetary support to the Government of Iran. Disbursements of U. S. dollar funds tripled, from almost \$20 million in FY 1953 to \$60 million in FY 1954, to a further increase to \$92 million in FY 1955. In FY 1956, U. S. Government expenditures were reduced to about \$40 million. Some \$170 million of this assistance was on a grant basis, and together with \$42 million in loans it made a significant impact on the Iranian economy, although these sums were less than the amounts Iran was losing annually through the cessation of oil exports. In fact, the availability of these funds made it feasible for the Government of Iran gradually to reduce the commercial rate of exchange, to step down and stabilize this rate to 75.75 rials to one U. S. dollar.

It was immediately decided to import 50,000 tons of sugar for the private sector of the economy, as sugar was an essential food item in Iran that was in short supply with a very active black market. A shortage of sugar in Iran had led to riots in the market places, and the decision to purchase \$5.0 million worth of this commodity was of primary importance. Through an emergency import program Iran was able to hold a nation-wide 18 rials per kilo retail price, and to eliminate a black market in which prices had soared as high as 60 rials per kilo.

During the early 1950's it had become apparent that the country's supply of drugs and medical and hospital supplies was exhausted. Antibiotics, also, were in short supply, and black market sales reputedly included counterfeit pills and capsules. To meet the shortages, U. S. funds totalling \$1.3 million were made available for the import and local sale of pharmaceuticals in various categories according to the advice of U. S. Public Health Officers then assigned to the Mission's technical assistance program.

This program paved the way for the establishment of a pharmaceutical industry in Iran, with American firms participating. Prior to this time, no American pharmaceutical firms had had sales offices in Iran. Today American as well as European firms are represented, and some are making arrangements for the local manufacture and distribution of their products.

The third major import financed by U.S. funds was \$4 million worth of trucks and busses to revitalize Iran's transportation, together with \$1 million worth of auto and truck parts.

Other emergency importations in 1954 included \$1 million worth of greases and lubricants, as transport could not wait until Iran's own oil industry resumed operation; \$800,000 in auto and truck tires; more than \$1 million worth of railroad equipment; \$800,000 worth of electrical equipment; \$4 million in industrial machinery and parts; \$2 million worth of cotton cloth; \$600,000 worth of tea; \$1 million worth of wool fabrics; \$700,000 worth of iron and steel products, and varying amounts of other badly needed essentials.

Imports in all categories were accomplished either directly by the Government of Iran or, more often, by private importers to whom dollars had been sold together with import permits for prescribed items. Goods were then sold to wholesalers for distribution to retail outlets throughout Iran.

The availability of U.S. dollars and the consequent appreciation in the value of the rial for foreign exchange transactions led both to an increase in imports and a reduction in the market prices of imported goods, which in turn led to a stabilization of the general price level and the cost of living. From January 1954 until January 1957, the wholesale price index of Bank Melli increased by 10.2 per cent, and the cost-of-living index of Bank Melli rose by 22.6 per cent. Although this is a large increase, it was a significant improvement over the previous three-year period, when the wholesale index had increased by 45 per cent and the cost-of-living index by 35.1 per cent.

The rials made available to the government by selling dollars of more than \$12.5 million for imports were used to support a program of small public works projects throughout the country. Such a program was designed to provide wide-spread employment and to contribute to a national stability.

By early 1954, over 45 public works type projects had been carried out in more than 100 different locations across Iran. The first three of these projects were Tehran low-cost housing, Tehran street construction and the construction of gendarmerie barracks. In the street paving project alone, more than 9,000 men found employment.

Other activities encompassed a wide variety of enterprises ranging from airport construction to the building of schools and hospitals. Some \$1.7 million of capital assistance funds were merged with a smaller technical assistance budget to help Iran meet the costs of completing a municipal water system for Iran's capital.

Essential to the development of any country is an efficient and reliable communications system. Until recently, Iran's population centers were serviced by overloaded

open-wire circuits and radio equipment. In some instances, people in the provinces desiring to place a call to Tehran had to wait several days before contact could be established.

A United States sponsored project, bearing a CENTO label, has assisted Iran in the alleviation of its communication problems by providing a telecommunications system that spans the country from east to west and connects with the countries of Turkey and Pakistan. The A.I.D. Mission has assisted the coordination of this CENTO Telecommunications Project, which was officially turned over to Iran's Ministry of Post, Telephone and Telegraph (PTT) in 1965. The U.S. has borne all foreign exchange costs of this tri-country system. The Iranian portion of the system cost approximately \$24 million. The U.S. financed about \$19 million and Iran provided some \$5 million rial equivalent for local costs in Iran.

Iran's expansion plans call for eight telecommunication links which will connect into the CENTO system and provide rapid communication from outlying areas. A.I.D. and the Ministry of PTT have jointly planned and funded the first of these links connecting Shiraz to the CENTO system at Isfahan, and providing telephone service at two points between these cities. The Isfahan-Shiraz link represents a total dollar cost of \$1.2 million, of which the United States is providing a grant of \$847,412, while the Iranian dollar contribution amounts to \$322,972. Additionally, the Ministry of PTT has underwritten a cost equivalent to \$550,000 in rials for acquisition of property and the construction of access roads and buildings.

A related project is the installation by the CENTO Aviation Group in Iran of a controlled airway system from Ankara through Tehran to Karachi. FAA personnel in Iran (CAG) assisted the Government of Iran to design and install the equipment and to train electronics and air traffic control personnel. CENTO provided U.S. dollar funds in the amount of approximately \$2.9 million, and the Government of Iran provided the rial equivalent of approximately \$666,000. Previously, between 1952-1963, A.I.D. had provided \$3.9 million in dollars and rials for the purchase and installation of air navigation and communication equipment for the airports of Iran.

In another area, almost \$3.4 million of capital assistance funds, together with some \$607,000 of technical assistance funds, were used in a country-wide malaria eradication program. As a result, Iran became one of the first countries in the Middle East to report a successful control program against the disease.

Meanwhile, other funds were invested in the buildup of key industries in Iran in order that the country could produce much needed commodities and avoid the outflow of scarce dollar exchange for imports. For example, the construction of a beet sugar refinery at Fassa enabled production of up to 9,400 tons of refined sugar per annum. To accomplish this, an A.I.D. grant of \$635,000 was accompanied by an Iranian contribution of \$1.4 million in foreign exchange and 119 million rials (\$1.6 million).

Two additional sugar refineries were constructed at Bardsir, near Kerman, and at Chenaran, near Meshed. In addition to demonstrating efficient sugar refinery methods, this project was intended to develop an economic activity which would provide employment to people whose livelihood was removed when the Government of Iran banned the production (and consumption) of opium in Iran. The A. I. D. grant of \$931,335 was made available through the Iran-U. S. Joint Fund and was accompanied by a Government of Iran contribution of 240,250,000 rials (\$3.2 million). The Bardsir plant has produced up to 5,500 tons of refined sugar per annum, while the Chenaran plant has produced up to 8,600 tons.

Other U. S. grants enabled expansion and improvement of two cement plants at a time when inadequate domestic production and the need to import cement was a factor limiting construction. A. I. D. funds of \$1.1 million for Fars and \$125,000 for Rey were accompanied by an Iranian foreign exchange contribution for Rey of \$1,147,000 supported by 107,700,000 rials (\$1.3 million). The Fars Plant was originally capitalized at about \$5.5 million, with Iran providing about four-fifths of the funding. The Rey Plant was expanded from a capacity of 300 to 600 tons per day, and commenced production in 1956, while the Fars Plant initiated by the joint project was capable of producing 200 tons per day of high quality cement from 1957.

Various A. I. D. sponsored public works, health and industrial projects provided well over 2,000,000 man days of work for Iranian laborers. They contributed to the maintenance of internal security, to the appreciation of the currency, and to the reversal of the upward trend of market prices of numerous imported goods.

Late in the summer of 1954, a new oil agreement was signed. The resulting resumption of oil revenues soon thereafter had a stimulating effect on the national economy. These revenues, together with sizeable annual net inflows of capital from foreign loans and grants, permitted the removal of import and exchange restrictions. This was followed both by a very rapid expansion of imports and some accumulation of foreign exchange reserves. Consumption and investment in the private sector responded to the stimulus of mounting expenditures by the Plan Organization and other Iranian Government agencies. Although some inflationary tendencies shortly became apparent, the economic situation was not adverse to sustained growth.

After 1957, however, the internal financial situation was characterized by excessive bank credit expansion to the private sector. The money supply almost doubled during the three years following March 1957. At the same time, net capital inflow to the public sector was reduced and Iran soon found herself living substantially beyond her means. Price rises were accelerated and, by the end of 1960, foreign exchange reserves fell to the low levels of 1953.

In September 1960, Iran adopted a comprehensive financial stabilization program. In 1961, the economy experienced the usual problems associated with rapid financial retrenchment. The growth of the economy slowed down, imports were curtailed, and many industrial and construction undertakings which were started during the investment boom in the private sector had to be halted or, if already completed, found themselves short of working capital. The speculative boom in land values collapsed and unemployment became a considerable problem, particularly in Tehran.

To assist the recovery of the economy during the 1960-63 period the Mission made large quantities of grant aid available to Iran. During this 3-year period over \$40 million was given to Iran for the purpose of broad commodity import programs similar to those carried out in the mid 1950's. Another \$24 million was injected into the economy through defense support programs administered by the U.S. Military Mission to Iran. Some \$15 million was made available to Iran for a broad range of economic development purposes.

The economic recession which started in 1960 finally gave way to economic recovery toward the end of 1963. Had agricultural production not decreased because of adverse weather conditions in 1964/65, the economy would have shown a marked revival in that year. Signs of strong economic buoyancy are today seen in most sectors of the economy.

B. Development and Other Loans

A basic change in U.S. economic assistance strategy over the past eight years in Iran has been a slow but steady shift in emphasis from grant assistance for coping with short-term economic problems and economic instability to loan assistance for long-term economic and social development. In the period between March 1955 and the end of 1957, budget support and non-project assistance loans totalling \$65 million were provided to the Government of Iran to enable it to ride out budgetary crises that would have impeded the orderly development of the economy. These loans assisted in maintaining social and economic stability in a trying period of development.

As Iran started to solve its immediate problems of security and stability and was able to come to grips with longer term development efforts, the United States changed the focus of its assistance efforts toward development loan activities that would foster self-sustaining growth and provide a basis for long-term economic development over the years.

During the period from 1958 to 1965, some nine development and other loans totalling about \$151.7 million were made to Iran. Under this program, loans were made at concessional terms (i. e. more favorable than commercial credits) in order to forestall or minimize difficulties in Iran's debt-serving capacity. The

U.S.— financed loans were at low interest rates and with long-term repayment provisions as follows:

<u>Dollar Amount of Loans Made</u> (millions)	<u>Interest Rate</u> (per cent)	<u>Repayment Period</u> (years)
\$ 0.9	3/4	30
15.0	3	30
84.7	3-1/2	17
45.9	3-1/2 to 5-1/4	12
<u>5.2</u>	5-3/4	15
\$151.7		

As of June 30, 1965, Iran had drawn down about \$127.5 million of these loans. Against this amount it had repaid to the United States a total of \$44.2 million covering interest and principal.

With the signing of Iran's first Development Loan Agreement in 1959, the new emphasis on loan projects became apparent. The more important development loans to Iran during this six-year period are shown below.

In 1959, a multi-purpose DLF loan for \$45.9 million provided financial support to a variety of economic development activities. These included highway improvement, \$8.6 million; railway equipment, \$7.7 million; municipal development, \$9.3 million; Tehran electric system, \$2.5 million; railroad terminals, approximately \$1.6 million; airports, approximately \$6.1 million; agricultural machinery, approximately \$4.7 million; silo mechanization, approximately \$1.7 million; and the Tchitsazi Textile Mill, \$2.2 million.

Pursuant to an Act of Majlis during 1959, authorizing the establishment of a private industrial development bank in Iran, 1,700 Iranian shareholders purchased 60 per cent and a consortium of European and American banks purchased 40 per cent of the equity capital in amount of 400,000,000 rials (approximately \$5.3 million). This enabled the establishment of the Industrial Mining and Development Bank of Iran (IMDBI) on October 14, 1959. The U.S. Development Loan Fund provided \$5.2 million for 15 years at 5-3/4 per cent, to be re-loaned by the IMDBI to private industrial and mining investment projects in Iran. The World Bank (IBRD) matched this loan. Furthermore, the Central Bank of Iran provided an interest-free loan of 600,000,000 rials (\$8.0 million); and an interest bearing loan was provided by the Government of Iran for 750,000,000 rials (\$10 million). In addition, a portfolio of managed loans was placed under the administration of the IMDBI to augment its financial resources by 1,400,000,000 rials (\$18.7 million).

A series of three DLF and one AID loan provided \$69.2 million in support of construction costs for a modern high-speed highway system linking the Persian Gulf with the Caspian Sea. The total project, which provides 1,500 miles of highway at a total cost of \$200 million, was also supported by loans from the World Bank totalling \$53.4 million, a loan of \$8.5 million equivalent under the Food for Peace Program and Government of Iran rial support of \$68.9 million equivalent. The Food for Peace program (PL 480 Section 104g) also provides the rial equivalent of \$10.8 million toward the construction of an additional 2,180 miles of major and feeder roads being undertaken with IBRD loans totalling \$40.5 million.

In 1963, the construction of a modern port on the Persian Gulf at Bandar Abbas was financed by a loan for \$15 million. The initial project financed three berths for vessels of up to 10,000 ton weight, an ore loading dock, an oil jetty and related buildings and facilities. The Government of Iran, from its own sources, funded an expansion of three additional berths in this port. Simultaneously construction commenced on a high-speed highway to connect Bandar Abbas with the interior city of Kerman and with chromite mining areas near Minab to the east. This project will assist in the development of the south-central region of Iran.

Finally, a CENTO loan of \$7.8 million assists the Iranian State Railway to construct a line of 86 kilometers from Karatepe north of Lake Rezayieh to the Turkish border. This route traverses the Qutur Canyon, which will require a modern steel bridge approximately 300 meters in length. American engineering design and construction of this bridge will comprise about \$2.8 million of these CENTO loan funds. The Government of Iran will provide about \$19 million equivalent in rials to support this project.

C. The Private Sector - Special Programs

In the period following World War II, private enterprise in Iran, with the exception of petroleum and agriculture, concentrated on foreign and domestic commerce and banking. Relatively high interest rates in the bazaar and high demand for consumer goods motivated the concentration of the private sector on commerce rather than on industrial investment.

The Government of Iran has taken a variety of legislative, institutional and related measures to assist private sector development and to encourage private foreign and domestic industrial investment in Iran, including a law for "The Attraction and Protection of Foreign Capital Investments in Iran" and a law entitled "An Act for the Promotion of Private American Investments." The second law enables U.S. Investment Guaranty insurance. The Government of Iran has also passed laws providing tax holidays to approved industrial investments, domestic

or foreign, for the first five years after commencement of operations. Also, capital imports have been granted customs exemption. The Ministry of Economy has prepared plans for the development of important industrial sectors.

Within this legislative framework, and the generally favorable climate, the U.S. technical and capital assistance programs have done a great deal to aid and stimulate the private sector of the Iranian economy. Some examples are readily apparent in the grant and loan programs described in the preceding sections of this chapter. Important special programs in this area are as follows:

1. Investment Surveys

A.I.D. assists a potential American investor in making an investment survey. In a form of guaranty, A.I.D. agrees to provide half the cost of an investment survey in the event the investor does not proceed with the project. If the investment proceeds, the survey remains a part of the investment cost. One instance of an Investment Survey in Iran is that made by the International Paper Company, which in February 1965, investigated the prospects for construction of a paper mill (designed to process cane bagasse) in the vicinity of Ahwaz in southwestern Iran. This investment is still under consideration.

2. Investment Guaranty Programs

Investments in less-developed countries often face risks that are not normal factors in the investment climate of an industrially developed country. A.I.D.'s investment guaranty program covers certain of these risks. In Iran, a bilateral agreement between the Governments of Iran and the United States authorizes U.S. investment guaranty coverage against the risks of inconvertibility of currency and against expropriation of funds or property. As of June 30, 1965, nineteen investment guaranties for convertibility coverage totalling \$20,475,643 and eighteen for expropriation totalling \$15,994,042, have been issued. These were issued to ten American companies investing in Iran. These investment guaranties (see Appendix E) aided in stimulating U.S. firms to build plants in Iran, thereby creating employment and industrial growth.

3. Cooley Loans (PL 480, Section 104(e))

Under the Food for Peace program U.S.-owned rials are set aside to provide loans to private American enterprises in Iran and for joint American-Iranian ventures under what is briefly referred to as the Cooley Loan Program. Under this program a total of 204,000,000 rials (\$2.7 million) had been made available to four projects in Iran as of June 30, 1965.

Some 7,500,000 rials (\$98,039) provided working capital to a Foremost Dairy joint venture with Labaniat Pak Dairy in Tehran in 1962. In the following year, a loan to an Iranian company, Pars Cotton Ginning and Oil Mill Corporation, provided 25,000,000 rials (\$326,797) for the construction of a bulk vegetable oil terminal in Khorramshahr and a fleet of tank trucks.

In 1964, 152,000,000 rials (\$1,986,928) was loaned to General Tire International for a joint venture to construct a factory in Tehran with an annual capacity of 120,000 tires, 72,000 tubes and 243,000 pounds of camel-back.

A loan of 19,500,000 rials (\$254,902) was made to the Iran-American Poultry, S.A., in July 1964. This project contributed to the construction of a modern chicken breeding plant and hatchery using the controlled strains of Arbor Acres (USA) genetic lines. The resultant chicken is about 40 per cent heavier than indigenous strains within a four-month period. The hatchery with capacity of 2,800,000 chicks per annum is at the northwestern outskirts of Tehran.

4. Industrial and Mining Development Bank of Iran (1959)

After five years of management by a foreign chairman, management of the IMDBI at the end of 1964 passed into Iranian hands. The present management has been highly successful in expanding the Bank's industrial financing activities for the private sector in Iran, where it makes medium and long-term loans. At the end of their fiscal year, March 20, 1965, the IMDBI had extended loans from its own funds of 1,183,088,402 rials (approximately \$15.8 million). Further discussion of this activity appears under Section B of this chapter.

5. The Industrial Guaranty Fund (IGF) (1961)

By agreement between the Plan Organization and A.I.D., the IGF was created to assist small industrial enterprises. It inherited the assets of the Joint Fund for Industrial Development (JFID), which had been formed by joint agreement of the Iranian Government and a United States aid agency. These assets included outstanding loans to a variety of industrial and other projects launched by the JFID valued at \$6.5 million equivalent and cash of about \$1.5 million equivalent. The IGF shares 50 per cent in the industrial loans of other banks, thereby spreading the coverage of its funds while keeping administrative expenses at a minimum. Loans normally do not exceed the equivalent of \$66,500.

IV. FOOD FOR PEACE ASSISTANCE

Food is a major and necessary component of the resources which the less developed countries often need from abroad. However, the massive importations of food cannot be efficient except within the framework of a broad program for foreign aid. So it is that the wide distribution of surplus agricultural commodities has been an integral part of the U.S. economic assistance program to Iran.

The grant and sale of these agricultural products have many economic benefits. They permit increases in employment to occur more rapidly than the capacity of the country to produce food for the newly employed. They improve both the quantity and quality of diets so as to raise or increase human productivity. The sick, the aged and the very young enjoy the benefits of hospital and school feeding programs. And large scale imports provide a reserve of food, thus insuring against shortages resulting from natural catastrophes.

The Food for Peace program is administered under four different sections of the Public Law 480 legislation. Under Title I, this Act provides for the sale of surplus agricultural commodities, such as wheat, cotton, vegetable oil, feed grains, etc., with payment to the U.S. in the currency of the purchasing country. A large part of this local currency is then used, pursuant to agreements with recipient countries, for a variety of economic aid purposes (for example, the promotion of economic development and trade and international education exchange facilities) and for the purchase of military facilities for common defense. Title II of this Act permits grants of surplus agricultural commodities to offset conditions of famine, storms and other disasters as well as to provide for some economic development. Title III authorizes donations of surplus foods to the hungry overseas through private American voluntary agencies or intergovernmental organizations as well as the barter of surplus commodities for materials of special value to the United States. Title IV provides for a long-term supply and dollar credit sales agreement with foreign governments and with American and foreign private trade entities for the financing of export sales of U.S. agricultural commodities.

In Iran, all four titles of PL 480 have been used in grant or loan assistance through surplus agricultural commodity import programs, which totaled \$112.8 million through June 30, 1965:

<u>Title</u>	<u>Category</u>	<u>Export Market Value</u> <u>(Figures Rounded)</u>
I	Sales for Local Currency	\$ 44,700,000
II	Grants for Relief	37,300,000
III	Donations Through Voluntary Agencies	19,000,000
IV	Credit Sales for Dollars	11,800,000
	Total	<u>\$112,800,000</u>

A. Commodity Sales for Rials (Title I)

Since February 20, 1955, when the first Title I, PL 480 Agreement was signed between the Governments of Iran and the U.S. for the import of certain surplus commodities (principally wheat, but including butter, oil and edible fats), five additional sales agreements have been consummated. This program continued through November 1964 when the United States switched from Title I cash sales for rials to long-term dollar repayable credit sales under Title IV.

The cumulative total of these Title I agreements had reached \$66.4 million in shipments of essential food commodities to Iran through June 30, 1965. This included wheat, butter and oils which supplemented the food production of Iran's agricultural sector as follows:

<u>Commodity</u>	<u>Metric Tons</u>
Wheat	734,794
Butter & Oils	<u>16,500</u>
Total	<u>751,294</u>

Of the local currency "sales proceeds" deposited with the United States Treasury, for these deliveries of food into Iran, some \$44.7 million of rials have been earmarked for Iranian economic development and national security purposes. The breakdown of these uses between grant and loan financing is as follows:

<u>Section</u>	<u>Type</u>	<u>Purpose</u>	<u>Dollar Equivalent of Local Currency</u>
104(c)	Grant	Common Defense	\$ 5,900,000
104(e)	Loan	Expansion of private industry	4,713,000
104(g)	Loan	Economic Development	<u>34,113,000</u>
Total			<u>\$44,726,000</u>

The Section 104(c) funds were used for the procurement of military equipment, materials, facilities and services for the common defense. This included funds provided for the design and construction of housing at various locations for the Government of Iran Army, Gendarmerie and National Police Force in cooperation with the U.S. Army Corps of Engineers.

Section 104(e) funds totalling \$4.7 million equivalent were earmarked to finance loans to private enterprise. Some \$2.7 million of these loans has been used to finance four loan agreements (see Chapter III, Paragraph C-3) as follows:

<u>Year</u>	<u>Participating Company</u>	<u>Amount in Dollar Equivalent</u>
1962	Labaniat Pak Dairy	\$ 100,000
1963	Pars Cotton Ginning and Oil Mill	333,000
1964	General Tire International	2,027,000
1964	Iran-American Poultry, S. A.	<u>260,000</u>
Total		<u><u>\$2,720,000</u></u>

Section 104(g) of the Act provides for economic and development loans financed in local currency and repayable in rials or dollars, according to the loan specifications. Through November 1965, \$34.1 million has been provided under this section for economic development projects. Of this amount some \$24.7 million have been drawn for the following projects:

<u>Purpose</u>	<u>Amount Allocated in Dollar Equivalents</u>	
Construction of Mehrabad Airport ^{1/}		\$ 2,500,000
Project Assistance Loan ^{2/}		
Highway Development	\$8,667,000	
Assalem Sawmill Construction	556,000	
Construction Karaj College Laboratory	760,000	
Construction Karaj Power Line	903,000	
Agriculture Machinery Private Purchase	1,418,000	
Pending Allocation	<u>1,060,000</u>	13,364,000
Project Assistance Loan ^{3/}		
Primary School Construction/Facilities	1,459,000	
Agriculture Credit	<u>3,253,000</u>	4,712,000
Other Project Loans ^{3/}		<u>4,111,000</u>
TOTAL		<u><u>\$24,687,000</u></u>

^{1/} Terms: 3% interest, repayable in 30 years

^{2/} Terms: 4% interest, repayable in 30 years

^{3/} Terms: 3/4% interest, repayable in 30 years

B. Disaster Relief and Economic Development (Title II)

Title II of Public Law 480 authorizes the use of surplus agricultural commodities for disaster relief and other assistance. Section 201 of the legislation provides emergency commodity assistance to meet famine or other urgent or extraordinary relief requirements. Section 202 authorizes grants of commodities to promote economic and community development through voluntary relief agencies and intergovernmental organizations. Of the \$37.3 million programmed for Iran through FY 1965, deliveries of 206,015 metric tons of commodities valued at \$32.7 million have been effected. The breakdown of these figures between disaster relief and economic development is as follows:

<u>Section 201 - Disaster Relief:</u>	<u>Metric Tons</u>	<u>Dollar Value</u>
Wheat	103,710	\$17,695,000
Corn	10,000	1,298,000
Barley	50,000	6,063,000
Flour	30,002	4,751,000
Vegetable Oil	1,000	525,000
	<u>194,712</u>	<u>\$30,832,000</u>

Section 202 - Economic Development:

Wheat	6,200	\$ 1,109,000
Flour	741	132,000
Vegetable Oil	479)	
Flour	3,600)	1,144,000
Dry Milk	283)	
	<u>11,303</u>	<u>\$ 2,385,000</u>

Through Section 201 of Title II, disaster-relief food commodities have been granted to meet emergencies caused by drought, flood, locust invasion and earthquakes. A graphic example of aid to overcome disaster was the action taken following the 1962 earthquake in the Ghazvin area some 60 miles northwest of Tehran. This disaster killed approximately 12,000 people and damaged or destroyed 200 villages in a 4,000 square mile zone.

To meet this emergency, the United States donated 44,000 metric tons of wheat to Iran. In turn, the wheat was sold for rials equivalent to \$3,037,701 which were used to reconstruct five villages, including: 1,080 housing units of three rooms each with a total 42,828 square meters; 1,080 stables totaling more than 60,000 square meters; 42 shops, four community bath houses with hot and cold water tanks; four laundry houses; four village water systems, including covered reservoirs and pipelines and four wells with pumps, pipelines and

faucets throughout the villages; three village electricity systems with generators and street and house wiring; three village schools with 15 rooms and teachers' offices, toilets, desks, chairs and stoves; and 31 miles of gravelled streets and access roads.

Other disaster relief food commodities were used in the feeding of thousands of sheep, goats and other village livestock during the severe winter of 1964-1965, with the major disaster areas located in the Moghan Plain of north-western Iran, and the isolated south central areas of Isfahan, Fars and Kerman provinces, where migrating flocks were caught in unseasonably early and heavy snows. Earlier, the prolonged drought of 1962-63-64 required emergency feeding of vast numbers of livestock and human populations throughout areas of southern Baluchistan, Kerman, Fars and portions of Khuzistan.

Examples of Section 202 food commodities brought in for economic development purposes include: (1) nearly 50,000 tons of food commodities and feed grains valued at \$8.6 million were provided to an estimated 800,000 recipients in drought devastated areas of Iran in 1963 and 1964; and (2) a regional development program in cooperation with the Southern Ports and Isles Development Organization and CARE utilized 33,055,424 pounds of food commodities valued at \$4.8 million for wages to almost 3,000 workers for the construction of 90 kilometers all-weather topped road, six schools, four clinics, one canal, one feeder road and one brick factory.

Some 340 tons of wheat were used as part wages in 1963-64 on irrigation layout modernization, road construction, grounds development and related projects on the Karaj Agricultural College farm and campus.

The Shabankareh Irrigation Project near Bushere was granted 1,075 tons of wheat in 1963-64 for food-for-work activities for 8,000 meters of concrete lining repair work, 12,000 meters of new irrigation canals, and 12,000 meters of drainage ditching. For this project, 1,100 men were employed for an estimated 268,600 man-days of work.

Ahwaz Agricultural College in Khuzistan was given 165 tons of wheat to pay for 35,680 man-days of work while establishing 30,000 meters of drainage for 100 hectares of college farm land and draining an additional 150 hectares of adjoining farm land.

Iran's Agricultural Bank was provided 972 tons of wheat to employ 1,700 men (243,000 man-days) to construct 50 cooperative office buildings, and to repair 400 kilometers of village roads, and eight kilometers of irrigation canals in the Maragheh district where land distribution first started.

C. Donations through Voluntary Agencies (Title III)

Under Title III the U.S. gave surplus agricultural commodities for the needy people throughout Iran. Since the inception of the Title III program in Iran in 1950-52, the people of this country have received some 232,000,000 pounds (105,149 metric tons) of dry milk, flour, Bulgar wheat, butter, beans, rice, vegetable oils, rolled wheat and feed grains (wheat, barley and corn) valued at \$19 million.

These commodities have been mainly distributed through three different voluntary programs - CARE, AJDC, and UNICEF as follows:

Cooperative for American Relief Everywhere, Inc. (CARE)

1. **School Feeding:** This program, which started in 1961, is carried out in cooperation with the Iranian National Organization for the Protection of Children. Currently it is conducting a limited 100 day school feeding and bread baking program to provide fresh bread and limited amounts of powdered milk to 600,000 primary school children in some 2,641 government schools in all the provinces of Iran. Through 1965, this program has utilized some 82,167,749 pounds of U.S. surplus Title III flour, butter, and milk with a total value estimated at \$9.3 million.
2. **Hospital Feeding:** The mid-1961 agreement CARE signed with the Ministry of Health provided for the U.S. contribution of food commodities, through CARE, to hospitals and institutions operating under the Ministry. In almost 3 1/2 years of operation, this program has served some 185 different institutions throughout Iran. In doing so, some 34,028,013 pounds of Title III commodities valued at \$4.1 million have reached 25,000 persons in Ministry of Health hospitals. The 1966 contract will provide for over 18,000 patients in more than 170 Ministry of Health hospitals.
3. **Food Crusade:** This program operates under a CARE and Red Lion and Sun Society (Iran's Red Cross) agreement dating back to May 1958 in which Title III commodities are distributed under CARE's supervision to the following organizations:
 1. Institutions of the Imperial Organization for Social Services of Iran
 2. Rehabilitation Centers of the Ministry of Interior throughout Iran
 3. Orphanages of Pahlavi Foundation throughout Iran
 4. Red Lion and Sun Society

From 1958 through 1965, CARE, through Red Lion and Sun Society, has distributed some 114,967,741 pounds of surplus commodities valued at \$12.3 million to 25,000 beneficiaries in 396 different institutions throughout Iran.

The American Joint Distribution Committee (AJDC)

This organization is maintaining a program that reaches 8,164 children in a school feeding and bread baking program; 1,268 individuals in institutions, including 200 hospital patients on full meals; almost 12,000 nursing mothers and infants who are provided dried milk through hospitals; and 3,000 individuals in the needy family category who receive bread, oil and Bulgar wheat.

United Nations Children's Fund (UNICEF)

UNICEF has participated in a surplus commodity program "...to receive aid for the benefit of children, adolescents and expectant and nursing mothers within Iran" since 1951. Working in cooperation with the Red Lion and Sun Society, Imperial Social Services Organization, National Organization for Protection of Children and the Ministry of Health, UNICEF has received some 16,214,383 pounds of dry powdered milk valued at \$2,485,665 (export market value, excluding ocean freight). This has been utilized in three years of a school feeding program and 13 years of a mother and child health program reaching 1,160,250 recipients.

D. Commodity Sales for Dollars (Title IV)

This title provides for the sale of agricultural commodities for dollars on long-term credit, through (a) government-to-government sales agreements and (b) through government-to-private trade sales agreements. The following sales had been consummated through June 30, 1965:

1. Government Agreements. Under the government-to-government sales agreements the U.S. sold to Iran some 150,000 metric tons of wheat and feed grains for \$11.8 million. This credit sale is to be repaid in dollars over a period of 18 years at an interest rate of 3 1/2%. The rial sales proceeds accruing from these deliveries will be used to finance economic and social development programs mutually agreeable to both governments. The following table shows in condensed form the type of transactions involved:

<u>Date of Agreement</u>	<u>Commodity</u>	<u>Metric Tons</u>	<u>Total Export Market Value</u>
11/16/64	Feed Grains	25,000	\$ 2,150,000
12/15/64	Feed Grains	25,000	2,150,000
4/28/65	Wheat	100,000	7,510,000
	Total	150,000	<u>\$11,810,000</u>

2. Private Agreements. Under the government-to-private-trade sales program two significant agreements were consummated in 1965 as follows:

- (a) A May 1965 agreement with the Persian Gas Distribution Company provided for the sale of 8,800 metric tons of wheat for \$623,500 on dollar repayable terms at four per cent interest, with a six-year repayment period extending to 1972.

- (b) The April 1965 agreement with Bank Omran (Bank of Development and Rural Cooperatives) effected the sale of 46,000 metric tons of wheat for a total of \$3.3 million. This agreement provided for repayment in dollars with 4 1/8% interest over a period of 14 years. Bank Omran will use the local currency sales proceeds for loans to farmer cooperatives, which, in turn, will lend funds to their members to finance agricultural production.

ACTIVE PROJECTS ^{1/}
as of June 30, 1965

Appendix A

<u>Project Title</u>	<u>Period of</u> <u>U. S. Financing</u>	<u>U. S. Financing</u> ^{2/}
<u>AGRICULTURE</u>		
Agriculture Education and Extension	1953-1966	\$ 8,699,000
Agriculture Credit and Cooperatives	1962-1966	368,000
Agriculture Production and Marketing	1962-1966	775,000
Water Resources and Management	1956-1967	1,678,000
<u>EDUCATION</u>		
Armed Forces Vocational Training	1961-1966	1,617,000
General Education	1962-1966	586,000
Pahlavi University	1955-1966	2,348,000
Vocational Education	1962-1967	594,000
<u>HEALTH</u>		
General Health Services	1964-1966	60,000
<u>INDUSTRIAL DEVELOPMENT AND PUBLIC WORKS</u>		
Bandar Abbas Port (\$ Loan)	1963	15,000,000
Electricity Studies	1963-1967	62,000
General Tire & Rubber Co. (Rial Loan)	1964	1,987,000
General Mining Engineering Services	1964-1966	58,000
Highway Construction (\$ Loan)	1962	6,000,000
Industrial Mining Development Bank of Iran (\$ Loan)	1959	5,200,000
Iran National Airlines (\$ Loan)	1964	1,500,000
Lake Rezayieh Navigation	1957-1966	1,472,000
Master Electrification Plans (\$ Loan)	1963	2,400,000
Mobilization of Capital	1964-1967	87,000
Trans-Iran Telecommunications Link	1957-1967	998,000

^{1/} All projects on which physical activity had not been completed as of the close of Fiscal Year 1965

^{2/} Dollar appropriation and rial resources combined. Financing includes elements of commingled funding pursuant to joint U.S. GOI local currency contributions.

<u>Project Title</u>	<u>Period of U. S. Financing</u>	<u>U. S. Financing</u>
<u>PUBLIC ADMINISTRATION</u>		
Administrative Reforms and Training	1962-1966	\$ 259,000
Financial and Economic Statistics	1958-1965	484,000
<u>PUBLIC SAFETY</u>		
Internal Security	1954-1966	3,700,000
<u>ALL OTHER PROJECTS</u> ^{1/}		
Economic Development (Rial Loan)	1963	4,030,000
Economic Development (Rial Loan)	1965	4,600,000

1/ Credit agreements signed but projects not implemented until after June 30, 1965.

COMPLETED PROJECTS^{1/}

<u>Project Title</u>	<u>U. S. Financing</u> ^{2/}
<u>AGRICULTURE</u>	
Agriculture Engineering	\$ 2, 513, 000
Agriculture Machinery (Rial Loans)	1, 418, 000
Agriculture Project Under Rural Improvement Program	3, 218, 000
Control of Insect Pests and Plant Diseases	174, 000
Cooperative Agricultural Credit (Rial Loans)	2, 796, 000
Demonstration of Ghanat Construction	194, 000
Development of Agricultural Economic Services	10, 000
Development of Deep Water Wells	25, 000
Development of Land Water Use Plans	203, 000
Development of Zayendeh Rud Basin	42, 000
Drilling and Development of Twenty Deep Water Wells	6, 000
Farm Machinery Repair Shops and Agricultural Machinery Demonstration	82, 000
Field Support for Agricultural Development	7, 000
Forest Survey	36, 000
His Imperial Majesty's Land Distribution Program	875, 000
Improvement of Crop Production and Pest Control	2, 692, 000
Improvement of Farm Irrigation Systems and Irrigation Practices	84, 000
Initiating an Agriculture Census	50, 000
Karaj Agricultural College	5, 653, 000
Laboratory at Karaj College (Rial Loans)	760, 000
Laboratory Procedures, Animal Diseases	235, 000
Livestock Improvement and Management	3, 560, 000
Lumbering Operations	703, 000
Range and Forest Management	1, 359, 000
Regional Range Management Training	12, 000
Rehabilitation of Deep Wells in Yazd Area	154, 000
River Basin Surveys	205, 000
Support of Utah State Agricultural College-ICA Contract	296, 000
Technical Assistance to Agricultural Bank	159, 000
Technician and Participant Costs not Identified with Individual Projects	4, 041, 000

^{1/} All projects on which physical operations had been terminated as of the close of Fiscal Year 1965.

^{2/} Dollar appropriation and rial resources combined. Financing includes elements of commingled funding pursuant to joint US-GOI local currency contributions.

Project TitleU. S. FinancingCOMMUNITY DEVELOPMENT

Community Development	\$ 14,921,000
Construction of Community Centers	1,186,000
Extension of Project Agreement for Construction of Centers	289,000
Village, Town and Province Development	82,000
Technician and Participant Costs not Identified with Individual Projects	825,000

EDUCATION

Audio Visual Training	\$ 2,692,000
Demonstration Vocational Education Facilities	5,362,000
Educational Facilities	8,339,000
Educational Project Under Rural Improvement Program	748,000
Establishing an Administrative and Supervisory Program	132,000
Establishing Demonstration Schools	67,000
Extended Special Aid	1,509,000
Gendarmerie Literacy Training Program	20,000
Improvement of Teacher Education	1,028,000
Loan for Primary School Construction (Rial Loan)	1,281,000
National Education Planning	3,000
Nuclear Reactor Training	36,000
Providing Books, Magazines, Pamphlets and Audio-Visual Aids for Schools of Iran	76,000
Providing Buildings and Facilities for Improving Education System in Iran	1,904,000
Radio Production Training	577,000
Radio Research and Education	69,000
Special Training Program	68,000
Special Training Program	6,000
Technical Assistance to Tehran University	22,000
Tehran Municipal Demonstration Children's Home	390,000
Tehran University Soil Laboratory	41,000
Training of Iran Students at AUB (non-regional funds)	3,000
Technical and Participant Costs not Identified with Individual Projects	2,198,000

Project Title**U. S. Financing****HEALTH**

Administrative Support to Public Health Cooperative	\$ 2, 101, 000
Completion of Dizful Sanitation Project	52, 000
Environmental Sanitation	1, 778, 000
General Nursing Services	1, 166, 000
Health Administration	5, 184, 000
Health Education	424, 000
Health Programming	79, 000
Health Project Under Rural Improvement Program	1, 408, 000
Hospital Administration and Medical Care	267, 000
Malaria Control in Iran	6, 638, 000
Malaria Eradication	440, 000
Medical Education	77, 000
Nursing Education	527, 000
Quarantine and Vessel Sanitation	20, 000
Rural Public Health	12, 260, 000
Technician and Participant Costs not Identified with Individual Projects	3, 114, 000

INDUSTRIAL DEVELOPMENT AND PUBLIC WORKS

Architectural Services	173, 000
Automatic Bottle Making	237, 000
Civil Aviation	3, 954, 000
Civil Servants' Housing (Rial Loan)	4, 654, 000
Completion of Bandar Abbas Water System	93, 000
Completion of Fars Cement Plant	1, 287, 000
Completion of Golpayegan Dam	231, 000
Completion of Karkheh Dam	503, 000
Completion of Sheikh Ali Khan Dam and Kuhrang Tunnel	150, 000
Construction of Assalem Sawmill (Rial Loan)	473, 000
Construction of Fassa Sugar Refinery	636, 000
Construction of Karaj Dam	1, 108, 000
Construction of Karaj Power Line (Rial Loan)	903, 000
Construction of Two Sugar Refineries	936, 000
Cotton Classing and Ginning Improvement	15, 000
Demonstration of Tea Processing Plant	16, 000
Development and Improvement of Highways	841, 000
Economic Mineral Survey	344, 000
Engineering and Industrial Advisory Services	2, 061, 000

Project TitleU. S. FinancingINDUSTRIAL DEVELOPMENT AND PUBLIC WORKS (continued)

Establishment of Bureau of Standards	\$ 579,000
Establishment of Wool Sorting and Scouring Plant	230,000
Expanding Rey Cement Plant	125,000
Expanding Tchitsazi Cotton Mill	2,191,000
Highway Development in Western Iran (Rial Loan)	8,667,000
Highway Equipment Maintenance and Repair Shops	1,584,000
Highway Maintenance Equipment	31,000
Improving Operations of Hormuz Salt Mines	241,000
Improvement of Handloom Industry	106,000
Improvement of Mehrabad Airport (Rial Loan)	5,045,000
Improvement of Post and Telecommunications Service	739,000
Industrial Development Center	2,174,000
Industrial Management Institute	40,000
International Dairy Engineering (Rial Loan)	98,000
Iran American Poultry, S. A. (Rial Loan)	255,000
Kerman Demonstration Street Pavement	40,000
Municipal Power System	2,000
Pars Cotton Ginning and Oil Mill (Rial Loan)	327,000
Preparation of Mineral Resources Development Plans	54,000
Project Fund for Purchase of Equipment, Geological Survey	3,000
Project Fund for Purchase of Heavy Construction Equipment	274,000
Project Fund for Purchase of Heavy Construction Equipment	375,000
Tehran Slaughter House	770,000
Tehran Water Plant	2,045,000
Transportation Facilities	3,339,000
Urban and Rural Low Cost Housing	1,042,000
Technician and Participant Costs not Identified with Individual Projects	1,895,000

LABOR

Labor Services and Training	3,935,000
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PUBLIC ADMINISTRATION

Civil Service Agency	179,000
Government of Iran Public Administration	2,847,000

Project Title

U. S. Financing

PUBLIC ADMINISTRATION (continued)

Improvement of Banking Operations	\$ 146, 000
Improvement of Shiraz Municipal System	487, 000
Institute for Administrative Affairs	2, 498, 000
Maritime Legal Advisory Services	43, 000
Professional Services	1, 429, 000
Public Statistics	3, 173, 000
Selection and Placement of Personnel	326, 000
Study of Municipal Management	730, 000
Technical Assistance to Seven Year Plan Organization	1, 324, 000
Technician and Participant Costs not Identified with Individual Projects	464, 000

PUBLIC SAFETY

Equipment for National Police	237, 000
Gendarmerie Training	76, 000

MISCELLANEOUS

Procurement of Military Equipment for Common Defense (Rial Grant)	5, 900, 000
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U. S. Financing Provided to Iran
All Categories of Economic and Military Aid
1946-1965 Inclusive
(U.S. Fiscal Years - Millions of Dollars)

Appendix C

PROGRAM	U.S. Overseas Loans and Grants - Net Obligations and Loan Authorizations											Total 1946- 1965	Repay- ments and Interest 1946- 1964	Total Less Repay- ments and Interest
	Post-War Relief Period	Marshall Plan Period	Mutual Security Act Period					Foreign Assistance Act Period						
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964	1965			
A.I.D. and Predecessor Agencies - Total.....	-	<u>14.9</u>	<u>303.4</u>	<u>51.4</u>	<u>46.0</u>	<u>37.5</u>	<u>52.0</u>	<u>53.0</u>	<u>22.0</u>	<u>4.3</u>	<u>2.5</u>	<u>596.9</u>	<u>66.6</u>	<u>530.3</u>
Loans.....	-	-	65.0	40.0	37.7	-	37.2	19.7	17.4	1.3	-	218.2	66.6	151.6
Grants.....	-	14.9	238.4	11.4	8.3	37.5	24.8	33.3	4.6	3.0	2.5	378.7	-	378.7
Social Progress Trust Fund.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Food for Peace - Total.....	-	<u>0.1</u>	<u>14.7</u>	<u>0.5</u>	<u>0.9</u>	<u>0.7</u>	<u>23.9</u>	<u>16.0</u>	<u>22.4</u>	<u>12.6</u>	<u>21.1</u>	<u>112.8</u>	<u>2.2</u>	<u>110.6</u>
Title I - (Total Sales Agreements).....	(-)	(-)	(12.4)	(-)	(-)	(-)	(19.5)	(9.0)	(7.7)	(6.2)	(11.5)	(66.1)	(-)	(66.1)
Less: (Planned for U.S. Uses).....	(-)	(-)	(4.0)	(-)	(-)	(-)	(5.2)	(2.2)	(1.9)	(1.9)	(5.8)	(21.6)	(-)	(21.6)
Title I - Planned for Loans and Grants.....	-	-	<u>8.4</u>	-	-	-	<u>13.7</u>	<u>6.8</u>	<u>5.8</u>	<u>4.3</u>	<u>5.8</u>	<u>44.7</u>	<u>1.9</u>	<u>42.8</u>
104c - Grants for Common Defense.....	-	-	5.9	-	-	-	-	-	-	-	-	5.9	-	5.9
104e - Grants for Economic Development.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-	-	1.6	0.4	1.2	0.3	1.2	4.7	0.1	4.6
104g - Loans to Governments.....	-	-	2.5	-	-	-	12.1	6.3	4.6	4.0	4.6	34.1	1.7	32.4
Title I - Ass't from other Country Sales Agreements.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Title II - Emergency Relief & Economic Development.....	-	-	3.4	-	-	-	8.6	6.3	13.2	2.5	3.3	37.3	-	37.3
Title III - Voluntary Relief Agencies.....	-	0.1	2.9	0.5	0.9	0.7	1.6	2.9	3.4	5.8	0.2	19.0	-	19.0
Title IV - Dollar Credit Sales.....	-	-	-	-	-	-	-	-	-	-	11.8	11.8	0.3	11.5
Export-Import Bank Long-Term Loans.....	-	-	<u>48.7</u>	-	-	-	<u>21.3</u>	-	-	8.7	18.5	<u>97.2</u>	<u>61.4</u>	<u>35.8</u>
Other U.S. Economic Programs.....	<u>25.8</u>	<u>1.5</u>	-	-	-	-	-	0.4	0.2	1.1	1.4	<u>30.4</u>	<u>2.4</u>	<u>28.0</u>
Total Economic.....	<u>25.8</u>	<u>16.5</u>	<u>366.8</u>	<u>51.9</u>	<u>46.9</u>	<u>38.2</u>	<u>107.2</u>	<u>69.4</u>	<u>44.6</u>	<u>26.7</u>	<u>43.5</u>	<u>927.3</u>	<u>132.6</u>	<u>794.7</u>
Loans.....	25.8	-	116.2	40.0	37.7	-	72.2	26.5	23.2	14.3	36.1	391.8	132.6	259.2
Grants.....	-	16.5	250.6	11.9	9.2	38.2	35.0	42.9	21.4	12.4	7.4	445.5	-	445.5
Military Assistance Program - (Chg. to App.)^{a/} (Additional Grants from Excess Stocks).....	(-)	16.6 (0.7)	133.9 (21.1)	73.0 (1.8)	90.9 (6.0)	89.1 (7.0)	45.2 (10.1)	33.3 (1.1)	66.0 (2.7)	27.3 (4.3)	49.9 (1.0)	712.2 (55.7)	b/ (-)	712.2 (55.7)
Other Military Assistance.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Military.....	-	<u>16.6</u>	<u>133.9</u>	<u>73.0</u>	<u>90.9</u>	<u>89.1</u>	<u>45.2</u>	<u>33.3</u>	<u>66.0</u>	<u>27.3</u>	<u>49.9</u>	<u>712.2</u>	b/ (-)	<u>712.2</u>
Loans.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants.....	-	16.6	133.9	73.0	90.9	89.1	45.2	33.3	66.0	27.3	49.9	712.2	-	712.2
Total Economic Military.....	<u>25.8</u>	<u>33.1</u>	<u>500.7</u>	<u>124.9</u>	<u>137.8</u>	<u>127.3</u>	<u>156.4</u>	<u>102.7</u>	<u>110.6</u>	<u>54.0</u>	<u>93.4</u>	<u>1549.5</u>	<u>132.6</u>	<u>1416.9</u>
Loans.....	25.8	-	116.2	40.0	37.7	-	7.2	26.5	23.2	14.3	36.1	391.8	132.6	259.2
Grants.....	-	33.1	384.5	84.9	100.1	127.3	81.2	76.2	87.4	39.7	57.3	1157.7	-	1157.7

a/ Annual data represent deliveries; total through 1965 is the cumulative program.

b/ Excludes 1964 commitment for \$200 million military sales on credit basis.

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**STATUS OF A. I. D. LOANS TO IRAN
FOR FY 1965 AND PRIOR YEARS
SHOWING REPAYMENT DATA THROUGH JUNE 30, 1965**

Appendix D

Country Loan No.	Borrower Purpose	Date of Loan Agree- ment	Initial Amorti- zation Date	Yrs. Rep.	Interest Rate %	Amount of Loan Agreement	Loan Disbursements	Repayment of Principal	Balance Outstanding	Interest Collections
LOANS REPAYABLE IN DOLLARS										
265-B-001 FOAX 65-1	Government of Iran Budget Support & Project Assis	3-31-55	9-30-58	25	3%	\$ 32,000,000.00	\$ 32,000,000.00	\$ 8,034,198.67	\$ 29,965,801.33	\$ 6,965,921.33
265-D-002 ICAX 65-2	Government of Iran Budget Support	2-17-56	10-01-59	25	3%	10,000,000.00	10,000,000.00	2,119,196.86	7,880,803.14	1,631,696.55
265-B-103 ICAX 65-4	Government of Iran Non-Project Assistance	6-05-57	1-01-62	25	3%	23,000,000.00	23,000,000.00	2,816,913.62	20,183,086.38	2,635,754.82
265-G-004 ICAX 65-3	Government of Iran Commodity Assistance	10-10-58	8-01-63	30	3%	2,444,008.35	2,444,008.35	13,453.53	2,430,554.82	183,106.07
265-A-005 DLF 34	Plan Organization Economic Development	1-07-59	1-15-60	12	(A-3 1/2) (B-5 1/4)	45,912,478.24	45,912,478.24	13,215,358.38	32,697,119.86	8,868,987.65
265-A-006 DLF 97 A&B	Plan Organization Highway Construction	10-07-59	6-17-61	17	3 1/2%	63,200,000.00	63,200,000.00	9,223,964.81	53,976,035.19	7,954,355.51
265-A-007 DLF 99	Ind-Mining Devel Bank of Iran Development Bank	11-19-59	12-01-63	15	5 3/4%	5,200,000.00	2,408,935.34	577,309.97	1,831,625.37	314,815.42
265-H-011 DLF 97 C	Plan Organization Highway Construction	2-20-62	6-17-76	17	3 1/2%	6,000,000.00	4,978,606.10		4,978,606.10	380,998.42
265-K-912 AID-6	Government of Iran Plan Organization Stabilization	2-20-62	3-20-64	17	3 1/2%	14,000,000.00	14,000,000.00	1,354,838.70	12,645,161.30	1,447,697.75
265-H-016	Government of Iran Master Electrification Plans	6-26-63	1-03-69	30	3/4%	2,400,000.00	527,238.10		527,238.10	3,336.79
265-H-017	Government of Iran Bandar Abbas Port	6-26-63	10-21-71	30	3%	15,000,000.00	1,271,842.41		1,271,842.41	17,079.57
265-H-022	Government of Iran Iran National Airlines Pan Am	12-01-64	8-20-68	20	3 1/2%	1,500,000.00				
TOTAL						\$220,656,486.59	\$199,743,108.54	\$37,355,234.54	\$162,387,874.00	\$30,403,760.08

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**STATUS OF A. I. D. LOANS TO IRAN
FOR FY 1965 AND PRIOR YEARS
SHOWING REPAYMENT DATA THROUGH JUNE 30, 1965**

Appendix D Continued

Country Loan No.	Borrower Purpose	Date of Loan Agreement	Initial Amortization Date	Yrs. Rep.	Interest Rate %	Amount of Loan Agreement	Loan Disbursements	Repayment of Principal	Balance Outstanding	Interest Collection	
P. L. 480, Section 104(g) Loans											
Repayable in Local Currency, Iranian Rials (without maintenance of value)											
265-G-008 ICAX 65-5	Government of Iran Project Assistance	4-27-61	8-01-65	30	4% Rials	126,990,000.00	126,990,000.00		126,990,000.00	17,778,600.00	
265-G-009 ICAX 65-6	Government of Iran Project Assistance	4-27-61	8-01-65	30	4%	875,313,000.00	789,586,971.45		789,586,971.45	86,969,709.30	
265-C-013 AID 65-8	Government of Iran Project Assistance	6-29-62	6-31-67	30	4%	349,065,626.00	349,065,626.00		349,065,626.00	11,013,444.85	
265-G-015	Government of Iran Project Assistance	2-27-63	10-01-67	30	3/4%	353,430,000.00	309,944,478.00		309,944,478.00	1,144,470.00	
265-G-020	Government of Iran Economic Development	12-31-63		30	3/4%	308,285,000.00					
265-G-023	Government of Iran Economic Development	1-08-65		30	3 1/2%	351,900,000.00					
TOTAL RIALS						Rials	2,364,993,626.00	1,575,587,075.45	1,575,587,075.45	116,906,224.15	
TOTAL U.S. DOLLAR EQUIVALENTS							\$43,986,844.78	\$20,595,909.48	\$20,595,909.48	\$1,528,185.94	
P. L. 480, Section 104(e) Loans (Cooley)											
Loans Repayable in Local Currency, Iranian Rials (without maintenance of value)											
265-E-014 C-65-1	International Dairy Engineering Working Capital	8-29-62	9-26-64	4	8% Rials	7,500,000.00	7,500,000.00	1,875,000.00	5,625,000.00	625,534.40	
265-E-018	Pars Cotton Ginning & Oil Mill Bulk Storage Facilities	10-16-63	3-31-64	8	5%	25,000,000.00	25,000,000.00	5,411,210.38	19,588,789.62	1,579,445.62	
265-E-019	The General Tire & Rubber Co Construct Tire Plant	7-01-64	1-01-68	9	8%	152,000,000.00	108,438,750.00		108,438,750.00		
265-E-021	Iran American Poultry S A Etab Pltry Farm and Hatchery	7-31-64	3-02-68	6	8%	19,500,000.00	19,500,000.00		19,500,000.00	689,753.42	
TOTAL RIALS						Rials	204,000,000.00	160,438,750.00	7,286,210.38	153,152,539.62	2,894,733.64
TOTAL U.S. DOLLAR EQUIVALENTS							\$2,666,666.66	\$2,097,238.58	\$95,244.58	\$2,001,993.98	\$37,839.66
GRAND TOTAL FOR IRAN							\$272,749,986.03	\$222,436,256.58	\$37,450,479.12	\$184,985,777.46	\$31,969,785.88

Note: Translation to dollars at Rials 78.50 to \$1.00.

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Appendix D Continued

LISTING OF A. I. D. INVESTMENT GUARANTEES
FOR U. S. INVESTORS OPERATING IN IRAN
AS OF JUNE 30, 1965

<u>INVESTOR BUYING INSURANCE</u>	<u>PRODUCTS MARKETED</u>	<u>TYPE OF INSURANCE</u>	
		<u>CONVERTIBILITY</u>	<u>EXPROPRIATION</u>
Dresser Industries, Inc.	Mining & process. barite	\$ 250,000	\$ 250,000
" "	" " "	175,000	175,000
Electric Storage Battery Co.	Dry cell batteries	140,000	350,000
" " "	" " "	235,200	235,200
General Tire Intn'l. Co.	Pneumatic tires	2,601,600	4,000,000
General Tire Intn'l. Co.	Tires, tubes, repairs	1,200,000	
B. F. Goodrich Co.	Rubber tubes & tires	3,080,000	3,080,000
" "	Rubber, plastic, chem. prods.	133,334	133,333
" "	" " " "	1,450,000	1,120,000
" "	" " " "	6,000,000	2,000,000
International Dairy Engrs. Co.	Milk & milk products	506,666	506,666
" " "	" " "	56,333	56,333
" " "	" " "	710,000	150,000
" " "	" " "	188,667	188,667
Minerals & Chem. Div. Phillips Bros.	Chrome mining/marketing	522,666	522,666
Olin Mathieson Chemical Corp.	Pharmaceuticals/medicine	306,000	306,000
Pfizer Corporation	Pharmaceuticals	1,200,000	1,200,000
Proctor & Gamble A.G.	Synthetic detergents	1,700,000	1,700,000
Webster Publishing Co.	Book publishing	20,177	20,177
	TOTALS	<u>\$20,475,643</u> ^{1/}	<u>\$15,994,042</u> ^{1/}

^{1/} For both convertibility and expropriation together, the A. I. D. has issued 37 contracts aggregating over \$36.4 million.

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