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Report to the Congress

on the

**FOREIGN
ASSISTANCE
PROGRAM**

for

Fiscal Year 1962

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President's Letter of Transmittal

To the Congress of the United States

Transmitted herewith is the Annual Report of the Foreign Assistance Program of the United States for Fiscal Year 1962. The report was prepared under the direction of the Administrator of the Agency for International Development, with the cooperation and participation of the Department of State and the Department of Defense.

The period covered by this report was a time of careful examination and appraisal of our aid program. More than that, it was a year of progress and achievement. As a result of this scrutiny, new and more stringent criteria were designed to determine eligibility for United States assistance. A reassessment of our objectives resulted in establishing increasingly practical goals. Better operational procedures were developed and set in motion. In addition, a whole series of steps was taken within the Agency for International Development to unify and coordinate the administration of the program.

Congress has created the tools by which we seek to attain our foreign objectives and strengthen the security of the United States. Our assistance program is one of these tools, if not the principal one. The future of the free world, as well as the destiny of millions subject to tyranny and oppression, rests upon how well we use these tools. We shall continue to search for ways in which we may become more skillful artisans in the job of building a world of peace and freedom.

THE WHITE HOUSE

August 28, 1963.



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Report to the Congress on Foreign Assistance Program for Fiscal Year 1962

I. INTRODUCTION

Fiscal year 1962 was one of the most significant periods in the history of the foreign aid program. Fundamental changes were made in the conception and organization of foreign assistance. On the foundation of the old program, which had been designed for the needs of an earlier time, was erected a new program designed for the needs of the 1960's—the Decade of Development.

On September 4, 1961, the Foreign Assistance Act of 1961 was signed into law. This new legislation, the first basic foreign assistance statute since the Mutual Security Act of 1954, established the framework for the new foreign aid program.

Meanwhile, basic changes in the structure and administration of the aid agency were formulated by a Presidential Task Force on Foreign Economic Assistance headed by Henry R. Labouisse.

On November 4, 1961, the Agency for International Development (AID) was created as successor to the International Cooperation Administration. Based on the Foreign Assistance Act, as well as the recommendations of the Presidential Task Force, AID was made responsible for foreign economic assistance and for coordinating military assistance. The Development Loan Fund, created in 1957, was incorporated into the new agency. AID also was made responsible for economic aspects of the Food for Peace program, and for administering loans to American businesses from local currencies generated by agricultural sales—the so-called “Cooley Loan Program.”

Another feature of the year was the launching of the Alliance for Progress by the signing on August 17, 1961, of the Charter of Punta del Este, a formal agreement among 20 nations to build together a prosperous and democratic Western Hemisphere. Earlier in the year Congress had approved a special appropriation of \$600 million for the Alliance.

Also significant was the formation on October 1, 1961, of the Organization for Economic Cooperation and Development (OECD), which was comprised of Western Europe, the United States, and Canada. Although not a member of the OECD, Japan was a member of the Development Assistance Committee (DAC) which had the function of expanding and coordinating foreign aid efforts of donor countries. This marked the beginning of a new emphasis on cooperation among donor nations, as well as on increasing the level and improving the terms of aid provided by our European allies, Canada, and Japan.

II. THE NEW PROGRAM

Foreign Assistance Act of 1961

On September 4, 1961, the Foreign Assistance Act of 1961 was signed into law. This act reaffirmed the importance of the foreign assistance program in the total scheme of American foreign policy. Once again, Congress declared that the foreign assistance program is "a primary necessity, opportunity, and responsibility of the United States." Congress further declared that it is the purpose of the United States through its foreign assistance program "to help make a historic demonstration that economic growth and political democracy can go hand in hand to the end that an enlarged community of free, stable and self-reliant countries can reduce world tensions and insecurity."

Besides authorizing development grants and technical cooperation, Congress authorized for the first time a 5-year program of long-term development lending. Subject only to annual appropriations and to criteria stated in the law, commitments for long-term loans can be made under this authority on such terms and conditions as the President may determine.

Congress also authorized an expanded program of investment guaranties for stimulating the flow of private investments into less-developed countries.

A program of development research was authorized for the first time for the purpose of improving the effectiveness of foreign assistance and stepping up the process of development.

Task Force on Foreign Economic Assistance

While Congress was working on passage of the new Foreign Assistance Act, the executive branch was working on plans for reorganizing the administration of the foreign assistance program. A Presidential Task Force on Foreign Economic Assistance, headed by Henry R. Labouisse, was appointed to develop the program, legislation, and organization for carrying out the new concepts enunciated by the President in his March 22, 1961, message to Congress.

Establishment of AID Marks New Chapter in Foreign Assistance

In accordance with the guidelines set forth in the Foreign Assistance Act of 1961, as well as the recommendations on program and administrative reorganization made by the Presidential Task Force on Foreign

Economic Assistance, the Agency for International Development was established in the fall of 1961 as successor to the International Cooperation Administration.

Between the passage of the Greek-Turkish aid bill in 1947 and the establishment of AID in 1961, the foreign aid program passed through a series of phases, each of which was a response to the challenge of the time.

During the first phase, 1948-53, two historic events occurred. The first was the launching of the Marshall Plan, a recovery program for putting Europe back on its feet economically and politically. The second was the initiation of "Point Four," a program of technical assistance to less-developed countries.

In 1950, events in Korea made it necessary for us to change our approach to the problems of the less-developed countries. Communist aggression in that country made it clear that if the less-developed countries were to survive—especially those bordering on the Communist world—technical assistance would have to be supplemented by military aid. The first Act for International Development passed by Congress in 1950, therefore, was augmented in 1951—the beginning of the second phase—by a mutual security program for military assistance to less-developed countries. Under this new program, military assistance was also provided to Europe, where the presence of powerful Communist armies necessitated a similar strengthening of free world defenses. The Mutual Security Agency (MSA) was established as successor both to the Economic Cooperation Administration which had administered the Marshall Plan, and the Technical Cooperation Administration. When President Eisenhower assumed office, the Foreign Operations Administration (FOA) was established as successor to MSA.

By 1956—the beginning of the third phase—the immediate military needs of Europe and the less developed countries had eased somewhat and new emphasis had begun to be placed on economic development. The beginning of this new phase was signified by the establishment of the International Cooperation Administration. In 1957, at the urging of Congress, the Development Loan Fund was established to permit long-term lending at reasonable rates of interest to countries engaged in economic development programs. This was the first real emphasis on development loans, which today are a major tool of the foreign assistance program.

The sale of agricultural products—and the use of funds from those sales for economic development purposes—was also increased when Congress in 1954, passed Public Law 480, which became the Food for Peace program.

By 1961—the beginning of the fourth phase—the conditions which governed the foreign aid program during the 1950's had changed sub-

stantially. Europe had completely recovered from the ravages of war. The need for large-scale military assistance had been reduced. While there had been a decrease in overt Communist aggression, the danger of internal subversion had increased. A new approach to the problem of Communism was required. New approaches also were required with respect to economic development. To meet these needs, new working concepts were set forth as the basis for the operations and organization of the Agency for International Development:

1. Long-term development assistance based on well-conceived program plans prepared by the developing countries in cooperation with the United States will result in significant progress toward self-sustaining growth during the 1960's.
2. Assistance will be successful in relation to the ability and willingness of developing countries to help themselves.
3. Aid programs will be tailored to the capacity of a country to use assistance effectively, as well as to the varied needs of different countries with respect to the threat of Communism. The nature of the aid to be used will depend on the situation in the particular country.
4. In order to encourage self-help, loans on reasonable terms are preferable to grants for long-term development, and repayment should be in dollars rather than local currency.
5. Assistance to the less-developed countries is the collective responsibility of the developed countries and a greater share of the responsibility for aid should be borne by our allies.

These premises represent a major shift of emphasis in the working concepts underlying the foreign aid program.

The Lessons of Experience

During the past 10 years, most foreign aid has been in the form of grants. Initially, most loans were "soft" loans—repayable in local currencies rather than in dollars—which created problems with respect to the use of soft currencies received as repayment.

Experience has emphasized the importance of predicating aid on self-help and internal reform on the part of receiving countries. It became clear that "performance standards" were needed in order for external assistance to be effective.

Experience also clearly demonstrates the need for an approach based on carefully constructed country development plans formulated by the developing country in cooperation with the United States. Most programming during the past 10 years was on an individual project basis. Under the new system, programs are developed and projects

evaluated from the standpoint of their relationship to general development needs.

Administration Reorganized

The administrative machinery of the foreign aid program was extensively reorganized during the fall of 1961 on the basis of a thorough study of administration by the President's Task Force on Foreign Economic Assistance. Primary responsibility for operations was shifted from functional offices to geographic offices. Four regional bureaus representing Latin America, Europe and Africa, the Near East and South Asia, and the Far East were established, each headed by an assistant administrator, responsible directly to the Administrator of the Agency.

Other units were established as supporting offices. An Office of Development Finance and Private Enterprise was created to establish standard policies and procedures for all capital assistance, to review all loans, to coordinate AID loans with those of other Government agencies, and to promote U.S. private investments as well as the mobilization of private capital within the less-developed countries. An Office of Engineering was established to develop engineering policies and standards and to oversee engineering practices in the Agency. An Office of Material Resources was created to administer the use of U.S. Government excess property and agricultural commodities as a part of the foreign assistance program, and to work with American voluntary agencies in providing relief and rehabilitation assistance to less-developed countries. A Program Review and Coordination Staff was established for agencywide program and policy planning, economic analysis, and the review and coordination of all AID programs as well as military assistance activities.

A complete review of personnel was made during the transition from ICA to AID, and 274 ICA employees were not rehired. New chiefs were appointed for many AID country mission teams, and a completely new administration was recruited.

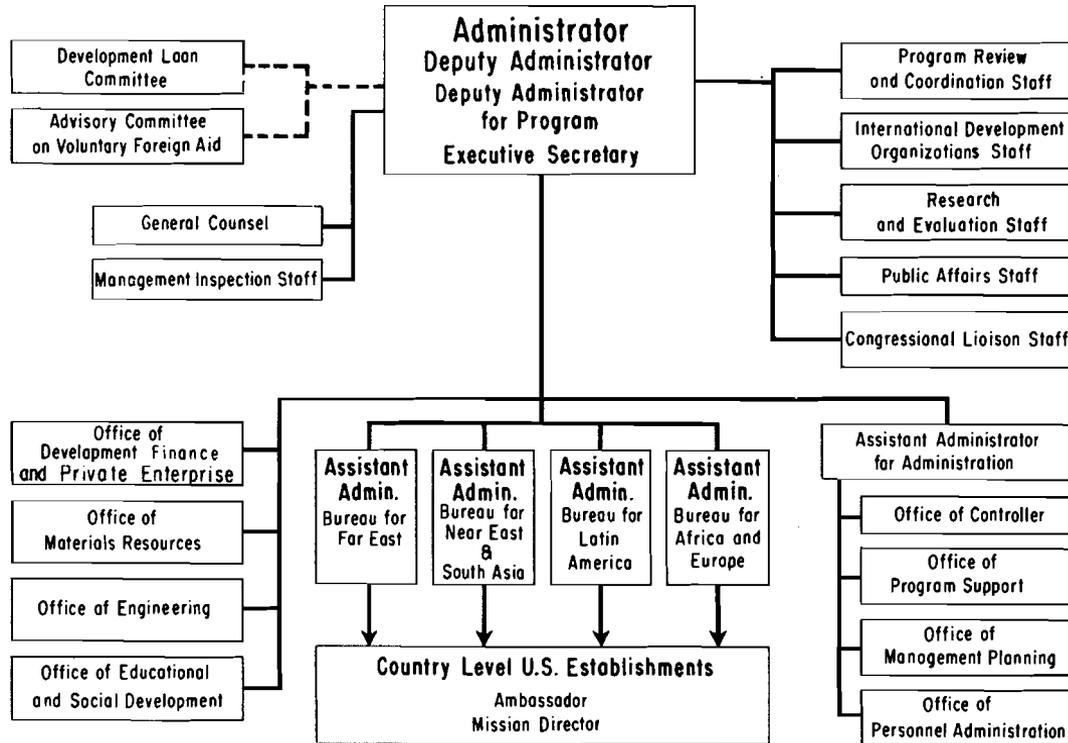
Appropriations for Fiscal Year 1962

Congress appropriated \$3,914.6 million for the foreign assistance program for fiscal year 1962, and an additional \$600 million for Latin America for a total of \$4,514.6 million. Broken into component parts, \$1,112.5 million was provided for development lending; \$296.5 million for development grants; \$425 million for supporting assistance; \$1,600 million for military assistance; and \$275 million for the contingency fund. These appropriations reflect the shift from grants to loans, and the strengthening of long-term economic development compared with short-term spending for security objectives.

BEST AVAILABLE DOCUMENT

9

AGENCY FOR INTERNATIONAL DEVELOPMENT



III. THE ALLIANCE FOR PROGRESS

The Act of Bogota

The Alliance for Progress represents the first cooperative effort by a group of nations to modernize an underdeveloped region of the world in its entirety—and to do so according to goals and standards agreed upon by the countries concerned.

The 1960 Act of Bogota, an official action of the Council of the Organization of American States (OAS), set in motion some of the developments that led to President Kennedy's proposal for an Alliance for Progress. The Act of Bogota recommended measures for social improvement and economic development. It took note of the decision of the United States to establish a special fund for Latin American social development (the Social Progress Trust Fund), and urged the Organization of American States to sponsor meetings for promoting multilateral cooperation for social and economic progress in Latin America.

The Social Progress Trust Fund

The Social Progress Trust Fund—designed to build homes, schools, water systems, and similar projects—was established by the United States in the spring of 1961, and financed with \$394 million of the \$500 million Congress appropriated for an Inter-American Program for Social Progress (IAPSP). The fund is administered through the Inter-American Development Bank (IDB).

Charter of Punta del Este

The Alliance for Progress was proposed by President Kennedy on March 13, 1961, and its charter was signed at Punta del Este, Uruguay, by all members of the OAS except Cuba.

The Charter is a formal agreement by the signatory countries on a program of action. Goals are stated along with programs required for their achievement. These are the principal goals for the decade of the 1960's as stated in the charter:

To achieve sustained growth of per capita income and self-sustained economic growth of not less than 2.5% per capita per year;

To achieve more equitable distribution of national income and a higher proportion of the national product devoted to investment while maintaining stable price levels;

To achieve economic diversification, involving reduction of dependence on exports of primary products, and stabilization of export earnings; and to raise agricultural productivity as well as encourage agrarian reform;

To eliminate adult illiteracy and by 1970 to assure access to at least six years of primary education for each school-age child;

To improve health conditions, including the increase of life expectancy by a minimum of five years;

To increase low-cost housing construction;

To strengthen existing arrangements for economic integration.

In order to achieve these objectives, it is agreed in the chapter that certain requirements will have to be met:

1. Development programs shall be in accord with democratic principles.

2. Development shall be based on the principle of self-help stated in the Act of Bogota, and on maximum use of domestic resources.

3. Developing countries shall be assisted by adequate outside capital on terms which are compatible with development needs and capabilities.

4. Private as well as public institutions shall be strengthened in order to make more effective use of domestic resources. The fruits of progress shall be fairly distributed.

The Punta del Este agreement provided that at least \$20 billion of outside capital shall be made available to Latin America during the coming 10 years.

The agreement also called for development plans to be prepared as soon as possible by all Latin American countries. A committee of nine experts, the "Panel of Nine," was established under the agreement to advise governments on their plans, as well as to assist with regional economic integration and commodity stabilization.

The charter sets forth guidelines for improving and extending regional economic integration, and makes specific suggestions for measures to stabilize commodity markets.

The First Year of the Alliance

During fiscal year 1962 the Alliance concentrated on long-range development goals and on improved planning. This concentration was intended to convert aid from a series of scattered projects into an integrated program designed to serve the larger goals of social justice and economic development, thus bolstering the political independence of the Latin American states against Communist infiltration and subversion. The program calls on the Latin American peoples and governments themselves to contribute some 80 percent of the total resources deemed necessary for success. The major burden for fundamental economic and social reforms thus rests upon Latin America. One of the key elements in the program is a commitment to social reforms which the Latin American nations made in the Charter of Punta del Este.

There was progress during the year in several fields, particularly modernization of agriculture, tax reform, and economic and investment planning. Three nations—Colombia, Bolivia, and Chile—submitted their long-range development plans to the panel of nine experts during fiscal year 1962. Two other national plans were nearing completion when the year ended, while in still other nations, the organization and strengthening of planning bodies went forward, sometimes with financial or technical assistance from the participating organizations in the Alliance itself, sometimes with aid from the OAS, the Inter-American Development Bank (IDB), or the Economic Commission for Latin America (ECLA).

The goals of a free economy and an open society, including the development of private enterprise, have been kept constantly in mind. Home-grown private enterprise has been encouraged as have United States and other foreign investment and trade. Sixteen Latin American nations have signed investment guaranty agreements with the United States.

During the year, there was increasingly close cooperation among the national and international agencies working for the economic and social development of Latin America. A United States interagency committee was set up and close working ties were established and maintained with the Inter-American Development Bank, the Export-Import Bank of Washington, the Organization of American States, the International Bank for Reconstruction and Development (IBRD), and other international agencies or institutions. The World Bank began organizing cooperating groups in several nations to contribute to the long-term development of Latin America.

Criticisms of the Alliance

The political goals of the Alliance were under a two-sided attack during the year. Cuba, although it participated in the Punta del Este Conference, did not sign the Charter of Punta del Este, and was later expelled from the Organization of American States. Cuba and other members of the Sino-Soviet bloc mounted defamatory campaigns against the Alliance. Meanwhile, rightist elements in some of the nations bitterly challenged the Alliance's aim of broader social justice, foreseeing a lessening of their privileges.

The year also brought some criticism centered on instability in commodity markets, especially coffee. According to some observers, the weakening of the coffee price under the impact of heavy world surpluses was costing some nations more than they were receiving in external assistance under the Alliance. To meet this problem an international agreement for coffee price stabilization was concluded and was the subject of a July conference of both importing and exporting nations.

A further criticism was that the Alliance was moving too slowly, and that evidence of Alliance achievements was scanty. But by March 13, 1962, the Alliance had met its commitments to make \$1 billion available for Latin American economic and social development during the first year. There were some delays, due to the lack of adequate planning or unsubstantiated projects, to difficulties in enacting enabling legislation within recipient countries, and to the time required to negotiate satisfactory loan agreements.

Increasing Emphasis on Latin America

Prior to the Alliance for Progress, aid for Latin America was a small part of this country's total aid program. From 1946 to 1960, such aid was primarily in the form of Export-Import Bank loans and averaged only 7 percent of total United States economic assistance. But in fiscal 1962, the first year of the Alliance, Latin America received approximately 25 percent of all U.S. foreign economic assistance commitments, totaling \$1,123.7 million. Of this, \$205.2 million was in grants and \$918.5 million in loans. AID itself obligated or loaned \$478.2 million. Development loan commitments totaled \$188.7 million and supporting assistance obligations—two-thirds of which were in loans—approximated \$107.2 million. An additional \$100 million—appropriated in 1961 for Chilean reconstruction after the earthquakes and tidal waves of 1960—had been obligated by June 30, 1962.

Development grant obligations from worldwide appropriations amounted to \$18 million and from IAPSP funds, \$64 million. Export-Import Bank loans of more than 5 years' duration (included in the calculations of Alliance commitments) totaled \$262.6 million during the year. The Inter-American Development Bank, through the Social Progress Trust Fund, obligated \$224.4 million during the year. Food for Peace obligations to Latin America aggregated \$147.2 million, while the Peace Corps accounted for another \$7.3 million.

Total disbursements from all U.S. sources during the 1962 fiscal year were \$1,036 million. Actual disbursements of fiscal 1962 funds totaled \$290.6 million, of which \$208.3 million was through AID.

Economic Progress

Some loans or grants were made to relieve balance of payments pressures or budgetary difficulties, and in the hope that they would prevent the recurrence of such problems. The nations which received such assistance in fiscal year 1962 included Argentina, Colombia, Brazil, Dominican Republic, Ecuador, and Bolivia.

Another important category of economic assistance is credit for income-producing enterprises which will provide employment and goods. Such credits can be made directly to the enterprise or through

intermediate credit institutions established to administer such credits. The first category includes a \$1 million loan from the Inter-American Development Bank for a fruit processing plant in Argentina; a \$2 million grant from AID for improvement of Bolivia's railways; and a \$14.9 million loan from the Export-Import Bank for Mexico's railways. An example of the second category is an AID credit of \$5 million to Ecuador to finance loans through the country's commercial banks for enterprises such as fertilizer plants, slaughterhouses, and food-processing firms. The Central American Bank for Economic Integration, which has backing from AID, made a number of loans to productive enterprises.

Economic and investment planning as contemplated in the Charter of Punta del Este is another area vital to orderly progress. Planning groups now exist in all of the nations which are members of the Alliance. In some instances, such as Brazil and Argentina, they have been helped by grants, loans, and technical assistance from AID. Other nations have received assistance from other inter-American or international organizations. The enlargement of national markets also contributes to the economic strength of Alliance nations. In this respect, the United States has made significant efforts to support the Central American Common Market, as well as the Latin American Free Trade Area. In Central America, Costa Rica, Nicaragua, El Salvador, Honduras, and Guatemala have joined in a treaty which requires them to establish a common market by 1966. A common external tariff is to be established, as well as a central clearinghouse, uniform investment incentive laws, and a uniform code of customs administration. This will create a potential market of 11 to 12 million people. The United States has made available \$2 million to the Central American Bank for Economic Integration and loaned \$1 million for engineering and feasibility studies related to further regional economic development. A regional AID mission has been established to deal with regional institutions on integrated matters. This mission has already been instrumental in the consolidation of mapping and surveying activities among the five countries, and in the preparation and distribution of more than 2 million elementary school texts for some 800,000 school children.

The Need for Reform

Reforms in tax legislation and administration are other important means with which to further economic progress. Under the Punta del Este Charter, the Latin American nations agreed to the "more effective, rational and equitable mobilization and use of financial resources through the reform of tax structures . . . and the strict application of measures to improve fiscal administration." A year-end accounting

shows that 14 nations have taken steps to improve their tax and customs systems and administration. Most of these have made major adjustments. Real reforms took place in 1961 and 1962 in Mexico, El Salvador, Panama, Argentina, and the Dominican Republic. Earlier reforms had occurred in Colombia, Venezuela, Peru, and Brazil. In Bolivia, customs revenues have increased by an estimated 51 percent since 1960. Assistance in this complex field has been provided by AID, OAS, the Economic Commission for Latin America, the United States Treasury and Internal Revenue Service, and private institutions.

Increasing Human Resources

The improvement of human resources through specialized training and education is another way in which AID and the Alliance have worked to further economic improvements. In many instances, the shortage of trained technicians and engineers in Latin America is more acute than the lack of capital. Latin America, with a population of nearly 200 million, is estimated to have only 50,000 engineers and technicians, compared with almost 1,200,000 in the United States. AID in fiscal 1962 concluded a number of agreements to help train technically competent personnel. It granted \$200,000 to the Superior Council of Rectors of Central America to provide basic science instruction in universities in that area; it is contributing \$450,000 over a 3-year period to strengthen economic studies at the University of Cuyo in Argentina, with assistance from the University of Chicago and the Catholic University of Santiago, Chile; and it is granting \$201,000 over a 2-year period for an arrangement between the Iowa State University and the Agricultural College of the University of Uruguay for the training of agronomists. In Guatemala, a vocational training institute, financed jointly by AID, the Guatemalan Government and private sources, is training plumbers, welders, and other skilled workmen. Altogether, 37 U.S. universities are now working or about to start projects with 57 institutions of higher learning in Latin America—bringing the resources of this vast reservoir of knowledge to bear on key problems of the area.

Social Problems

Social progress in Latin America goes forward in many fields, in land reform, in housing, in education, and in health.

A major cooperative program on behalf of greater social justice, as well as economic development, was mounted in northeast Brazil, the largest single depressed region in Latin America. In April 1962, AID agreed to commit \$131 million, matching the Brazilian contribution of the equivalent of \$145 million, for the first 2 years of a contem-

plated 5-year program for the region's 23 million inhabitants. One element in this program was the immediate commitment of \$33 million for impact projects in the field of elementary education, health, water resources, and rural electrification. The first of 12 mobile health units was dispatched to complement the construction, expansion or renovation of some 100 permanent health centers. The program calls for the construction of approximately 120 community water-supply systems, as well as a project for the construction of over 1,200 classrooms for 200,000 to 250,000 elementary school children, now without educational opportunities.

Agriculture

At the end of fiscal 1962, 10 nations of Latin America were either expanding agrarian modernization programs or had prepared legislation for this purpose. These nations are Colombia, Venezuela, Dominican Republic, Guatemala, Mexico, Costa Rica, Peru, Brazil, Chile, and Honduras. Venezuela has settled 45,000 families on new land; the Dominican Republic has resettled 200 families on 10-acre farms within a few months of receiving technical and economic assistance under the Alliance; and Colombia is actively pushing ahead with its new program.

Also essential for agricultural development is the availability of credit to small and medium farmers. In the Dominican Republic, part of a \$25 million U.S. loan was used to make 12,000 loans to small farmers. In Mexico, under a \$20 million AID loan, a program of credit for small and medium farmers will be expanded. Mexico's own contribution to this program, which aims at a 90-percent increase in the income of farmers and rural workers by 1970, has been estimated at \$187 million.

Housing and Savings

Housing has been recognized as one of the most desperate needs of Latin America. The United States cannot, by itself, provide the necessary capital. AID is, therefore, seeking to encourage the development of credit cooperatives which can finance home building through domestic savings; by credits for specific projects, it is providing concrete examples of new low-cost building techniques. Through a special investment guaranty program, it is promoting private U.S. investment in Latin American housing. All of this is in addition to technical assistance to host government agencies.

Largely through the Social Progress Trust Fund, administered by IDB, credits for housing have gone to Brazil, Colombia, Costa Rica, Panama, Peru, and Venezuela. In Colombia, the national housing agency has plans for 132,000 new units within 5 years. President Kennedy visited one such project at "El Techo" in December, 1961.

By the end of fiscal 1962, some 5,000 homes had gone up at "El Techo." In Rio de Janeiro, the "Barrio da Alliance," or "Alliance Neighborhood," one of several slum clearance projects, was started and the first families had moved in by November, 1962. It will have 2,250 homes.

In Peru, U.S.-supplied funds have gone to a central credit cooperative, with 248 non-governmental members. In the Dominican Republic, AID funds are being used to help establish 70 to 80 credit unions. Chile in 1961 established a nationwide savings and loan system, with 15 associations already in existence. An AID contract was signed with the Credit Union National Association of Madison, Wis., under which 475 credit unions may be organized in eight pilot nations within a 2-year period.

Education and Health

In education, massive programs are underway in Brazil, Bolivia, Colombia, the Dominican Republic, Ecuador, Guatemala, Honduras, Panama, Paraguay, and Venezuela, among others. In the Dominican Republic, bids were let on 11 of 33 schools to be built under the AID self-help approach; in Ecuador, the national education budget has been increased by 70 percent; in Guatemala, AID has assisted in preparing 52,000 textbooks for volunteer teachers; in Honduras, school building programs to construct 200 new rooms a year are underway; and in Paraguay, a rural education development project to build or renovate 1,200 classrooms in rural areas has been started.

In field of health, a major area of concentration has been on building water and sewer systems. Costa Rica has borrowed \$7 million from U.S. sources for a water supply system for its capital, San Jose; Ecuador has contracted for \$3 million for improvements to the Quito sewer system; El Salvador, under a \$4.8 million credit from the Social Progress Trust Fund, and with its own resources, is financing water and sewer facilities for 71 communities; Mexico has borrowed \$9,200,000 from the Social Progress Trust Fund for the construction of water systems in 12 towns in the Yucatan Peninsula; and Venezuela has loan agreements totaling \$20 million from the Social Progress Trust Fund to help provide water systems for 385 urban and rural communities with population totaling 670,000. In Rio de Janeiro, credits of \$35 million will build or improve water and sewer systems of benefit to over 2½ million persons.

In Panama, medical teams are being sent to rural areas and are servicing 36,000 persons. In El Salvador, AID is supporting the construction and staffing of seven new health centers to assist 150,000 persons. Hospital and health-center construction or improvement also are part of the development plans of Chile and Uruguay.

Summary of Latin American Programs for Fiscal Year 1962¹

[In millions of dollars]

Country	Develop- ment grants	Develop- ment lending	Support- ing assist- ance	Total
Argentina	\$2. 0	\$19. 9	. . . . .	\$21. 9
Bolivia	5. 2	7. 6	\$19. 0	31. 8
Brazil	10. 1	74. 5	. . . . .	84. 5
Chile	2. 4	² 140. 0	. . . . .	142. 4
Colombia	7. 9	. . . . .	30. 0	37. 9
Costa Rica	1. 9	. . . . .	. . . . .	1. 9
Dominican Republic	1. 0	. . . . .	25. 0	26. 0
Ecuador	6. 9	5. 0	8. 0	19. 9
El Salvador	3. 1	. . . . .	. . . . .	3. 1
Guatemala	4. 2	. . . . .	(3)	4. 2
Haiti	- . 3	. . . . .	7. 1	6. 8
Honduras	2. 9	. . . . .	(3)	2. 9
Mexico . . . . .	. 6	20. 0	. . . . .	20. 6
Nicaragua	2. 6	. 9	. . . . .	3. 5
Panama	2. 5	. . . . .	9. 9	12. 4
Paraguay	1. 8	- . 7	. . . . .	1. 1
Peru	9. 0	11. 6	6. 0	26. 6
Uruguay . . . . .	. 3	. . . . .	. . . . .	. 3
Venezuela	1. 1	10. 0	. . . . .	11. 1
British Guiana	1. 4	. . . . .	. . . . .	1. 4
British Honduras . . . . .	. 2	. . . . .	. 2	. 5
E. Caribbean . . . . .	. 6	. . . . .	2. 0	2. 6
Jamaica	1. 0	. . . . .	. . . . .	1. 0
Surinam . . . . .	. 4	. . . . .	. . . . .	. 4
Regional	13. 4	. . . . .	. . . . .	13. 4
Total	82. 2	288. 7	107. 2	478. 2

¹ Minor discrepancies result from rounding.

² This includes \$100 million obligated in fiscal year 1962 for earthquake reconstruction and development under Special Act, Public Law 86-735.

³ Less than \$50,000.

IV. NEAR EAST AND SOUTH ASIA

The Near East and South Asia region (NESAs), comprising 18 countries from Greece to India, received more U.S. assistance during fiscal year 1962 than any other region. A total of \$1,077.4 million was allocated to NESAs: \$759.5 million in development loans, \$64.8 million in development grants, and \$253.1 million in supporting assistance. This represented a considerable increase over previous years. Until 1958-59, the level of the aid program for NESAs remained relatively stable, varying between 20 and 30 percent of the total aid program. Beginning with the establishment of the Development Loan Fund

(DLF) in 1957, large loan commitments were made in the NESAs region, especially to India and Pakistan.

Economic Development

In India, AID loans have helped to rehabilitate the railway system, finance the expansion of local industry, and improve the power supply. In addition, loans have financed imports of American machinery and commodities vital to the expansion of the country's industrial production. Under Title I of the Public Law 480, so-called Cooley loans to businesses that are branches, affiliates or subsidiaries of American firms have increased in amount over the past year, assisting in the development of private industry and the expansion of trade. The United States is a member of a consortium—headed by IBRD and including in its membership most of Western Europe, Canada, and Japan—which is pledged to assist the Indian development program.

Pakistan is also committed to a comprehensive economic development program. A consortium has also been formed for Pakistan headed by the World Bank. Foreign exchange assistance of approximately \$945 million was committed by the consortium to help finance the second and third years of the second 5-year plan.

Both nations now have the technical competence, with the aid of small technical assistance programs, to plan and implement effectively their development plans. Encouraging progress is being made in this respect.

Turkey has also initiated a major development effort but will need support from the United States and other advanced countries to succeed. Its plan includes steps for further mobilization of national resources and reforms of government structure that are essential to economic progress. Greece and Israel are also making good use of available resources and have achieved favorable rates of economic growth. Both Israel and Greece are reaching the point where they will be able to progress without development loans by the United States on concessional terms. Other countries in the region are also devoting their energies and resources to the task of development. In all countries, U.S. financial assistance is used not only as a means of achieving progress but also to provide a nucleus around which to rally resources and the will of the people for sacrifices for national advancement.

Transportation and communications programs, essential to increased independence from outside assistance, are in progress in almost every country in the region. Major highways provide quicker transportation for essential commodities between the major cities of the area; feeder roads provide access to markets for farmers; improved railway facilities and administration provide transportation for industry and workers alike; better telecommunications systems expand the contacts and scope of local businesses. Even though they are expensive to com-

plete, these projects—whether loan- or grant-financed—provide a means of attaining future self-sustained economic growth.

The United States also continued its assistance to the Central Treaty Organization (CENTO), an alliance of Turkey, Iran, Pakistan, and the United Kingdom. This organization, in addition to its military work, strives to promote the free movement of people and goods throughout the region through better roads and communications, and encourages educational and scientific cooperation for the good of all.

Almost every country in the Near East and South Asia region receives assistance in the form of surplus agricultural commodities from the United States. Many countries buy grain and other foodstuffs from surplus stocks and pay the United States in local currency. Valuable foreign exchange that would otherwise be needed to buy foodstuffs are thereby released for development purposes. Food may also be distributed through voluntary agencies to children and the needy in many countries, or may be donated by the United States in the wake of some disaster. In some cases, food is sold to a country for U.S. dollars, to be paid for over a period of years. All these uses of American agricultural surpluses benefit the people of the recipient country either directly or indirectly and contribute to economic development.

Social Development

Greece is an excellent example of the social and economic benefits of the technical cooperation program. Since 1945, technical assistance has been given in every sector of the economy at a total cost of about \$14 million. During the past 4 years, technical assistance was provided on a decreasing scale as Greece achieved the technical prerequisites for sustained economic growth. At the end of fiscal year 1962, the technical assistance program in Greece was terminated by mutual agreement.

The United States has also made a major contribution to Iran through technical training—improving the basic skills needed for future development.

During fiscal year 1962, Iranian farm and home agents, trained by AID specialists, worked with more than 1,375,000 farmers, housewives, and children in rural areas, teaching them better methods of farming, home economics, and sanitation. Since 1953 through fiscal year 1962, the United States has contributed \$1,711,000 in dollar costs for services and goods for Agricultural Extension Service projects in Iran, while the Government of Iran has provided services and allocated \$4,720,000 of its own funds for this purpose.

Not all projects require years to complete; quick, low-cost projects can also be effective. In Jordan, the pools that supply the cities of Bethlehem and Jerusalem with most of their drinking water date

back to Biblical days. These pools would have gone dry if AID, working with the Jordanian Government, had not arranged for 200,000 feet of U.S. Army pipe to be shipped to the area. In 36 hours, pipe was laid linking the pools and a newly dug well south of the city of Hebron. The pools are now safe from contamination and provide ample water for the needs of both cities. The project was widely publicized both here and abroad.

Political Independence

All AID programs—whether grant or loan, whether for economic development, defense, or budget support—contribute to the political and economic independence of the recipient countries. Our contributions to economic development programs lessen the dependence of recipient countries on Soviet bloc trade, aid, and technicians and lessen the possibility of Soviet domination through economic pressures. The economic advancement of a nation's people generally contributes to the stability of the government and of the region.

Summary of Near East and South Asia Programs for Fiscal Year 1962

(In millions of dollars)

Country	Total	Development lending	Supporting assistance	Development grants
Total	\$1077. 4	\$759. 5	\$253. 1	\$64. 8
Near East	324. 0	105. 7	196. 8	21. 5
Cyprus	0. 7	0	0	0. 7
Greece	30. 3	10. 0	20. 0	. 3
Iran	54. 4	6. 0	44. 0	4. 4
Iraq . . . . .	. 8	0	0	. 8
Israel	45. 4	45. 0	0	. 4
Jordan	43. 8	0	37. 0	6. 8
Lebanon . . . . .	. 4	0	0	. 4
Syria	23. 9	14. 7	9. 0	. 2
Turkey	73. 2	10. 0	58. 0	5. 2
United Arab Republic (Egypt)	41. 9	20. 0	20. 0	1. 9
Yemen	6. 8	0	6. 8	0
CENTO	2. 4	0	2. 0	. 4
South Asia	749. 7	653. 8	56. 1	39. 8
Afghanistan	38. 5	0	31. 1	7. 4
Ceylon	1. 4	0	0	1. 4
India	465. 1	445. 9	0	19. 2
Nepal	3. 8	0	0	3. 8
Pakistan	240. 9	207. 9	25. 0	8. 0
Regional	3. 7	0	0. 2	3. 5

V. FAR EAST

In fiscal year 1962, the United States provided \$399.3 million in economic aid to nine Far Eastern nations—Korea, the Republic of China (Formosa), the Philippines, Vietnam, Thailand, Laos, Cambodia, Burma, and Indonesia. The program included \$269.4 million in supporting assistance grants, \$68.3 million in development grants, and \$61.6 million in development loans. In addition, the United States provided through the sales, grant, and loan provisions of Public Law 480, approximately \$238.1 million in surplus U.S. agricultural products to five countries in this region—South Korea, Taiwan, South Vietnam, the Philippines, and Indonesia.

Military assistance to the Far East amounted to \$848.7 million, divided among Cambodia, Republic of China, Indonesia, Japan, Korea, Laos, Burma, the Philippines, Thailand, and Vietnam. Largest recipient was Korea, with \$218.7 million.

The United States reduced grant aid by more than \$100 million and increased dollar-repayable loan aid by \$20 million in the Far East in fiscal year 1962 compared with fiscal year 1961. The economic progress of the Republic of China and the Philippines made it possible to terminate supporting assistance programs in those two countries. However, the heavy defense burden borne by the Taiwan economy required a partially offsetting increase in surplus agricultural product assistance. No economic aid was furnished under the Foreign Assistance Act to Japan and Malaya, very little to Burma, and a relatively small amount, in per capita terms, to Indonesia.

With U.S. assistance, Japan has developed a dynamic, free economy with one of the highest rates of growth in the world. Japan has become one of the principal sources of aid for less-developed Asian nations—\$380 million—and is second only to Canada as a market for U.S. exports. As in earlier years, a dominant problem for much of the Far East in fiscal year 1962 was to maintain the security essential to order and progress.

One of the most critical areas is Vietnam, where U.S. economic and military aid is playing a vital role in checking Communist aggression. During 1961, several significant steps were taken to assist Vietnam.

In July 1961, a special U.S. financial group, headed by Dr. Eugene A. Staley of the Stanford Research Institute, worked with the Vietnamese Government to identify measures needed to meet the special economic problems confronting the country.

Recommendations were made by the Staley mission for programs aimed at helping the rural population. It is among rural Vietnamese that Communist subversion has been most active. As in Malaya, a basic factor in the outcome of the war with the Communists will be the extent to which the peasants resist Communist pressure.

Recommendations also were made for Vietnamese fiscal and exchange reforms as part of a long-range program to raise domestic revenues and unify the exchange rate.

At the end of 1961, financial moves set in motion by the Staley mission were announced. A comprehensive action program for the rural population was set forth jointly by the United States and Vietnam on January 4, 1962.

In the fall of 1961, Gen. Maxwell Taylor went to Vietnam at the request of President Kennedy to survey the military situation. General Taylor's trip not only gave reassurance of U.S. support, but was followed by action by the Vietnamese Government to cope with a fast-moving guerrilla warfare situation.

On the basis of General Taylor's findings, the Government of Vietnam in cooperation with the United States initiated a "counterinsurgency" program during fiscal year 1962. This is a comprehensive program of military, economic, and political action, including local security, communications, public health, agriculture, and other types of assistance. Its immediate objective is the building of resistance to Communist terrorism and propaganda.

Economic Development

Free China is making rapid economic progress. In 1961, agricultural production increased about 7 percent, manufacturing output about 13 percent, and gross national product about 7.5 percent in constant prices. In the last half of fiscal year 1962, exports were up almost 30 percent over the same period last year. Manufacturing wages rose by about 20 percent while the cost of living index rose by about 7 percent in 1961, producing a substantial net gain in living standards.

The new Philippine Government eliminated exchange and import controls, increased customs on nonessentials, introduced other desirable financial measures, and created a healthier climate for investment and trade. Customs revenues increased sharply, indicating that the law is being enforced and corruption curtailed.

The military government of South Korea undertook serious negotiations with Japan for a reparations settlement which would be very beneficial to the Korean economy. It instituted strong measures against tax evasion and graft in government, began a program to give farmers relief from usurious money lenders, drafted a 5-year development plan, and attracted foreign investment interest from Europe and America. The government also brought more effective management to public enterprises, and generally established an energetic spirit of national purpose.

South Vietnam, although prevented by the war from turning its attention to long-range development, adopted an exchange rate reform

and increased tax collections. A 29 percent increase in tax revenues was recorded for the last 6 months of fiscal year 1962 over the same period in fiscal year 1961.

Economic planning assistance was a feature of AID programs throughout the region, especially in Indonesia, Thailand, and the Philippines.

Supporting Assistance

Approximately three-fourths of the worldwide supporting assistance appropriations went to the Far East, nearly two-thirds to two countries, Vietnam and Korea. This form of financial aid serves a double purpose. It normally provides foreign exchange for essential imports, closing deficits in the balance of payments of defense-burdened nations. Most of these imports are handled through commercial channels and sold by private businessmen on the local markets. The local currency paid by importers for U.S. dollars goes into counterpart funds which are disbursed for U.S.-approved purposes such as support of the aided nation's defense budget and the local costs of U.S.-aid projects. In much the same way, our distribution of surplus agricultural products under Title I of Public Law 480 provides both balance-of-payments assistance and local-currency aid for economic and defense purposes.

Supporting assistance contributes to economic stability as well as strengthening security. It was the lifeblood of the economies of Vietnam and Korea in fiscal year 1962. Laos could not exist as an independent nation without it. Cambodia's defense forces are to a substantial degree dependent upon it. Supporting assistance financed road construction in Thailand and Vietnam essential for their development and security. In Korea, local currency generated by this form of aid has helped finance 159 medium and small industries, of which 45 plants went into operation in fiscal year 1962. It has similarly financed new and expanded industry in Vietnam and has supplemented local capital for agricultural and industrial credit institutions in Korea and Vietnam.

Survey teams of U.S. specialists assessed development potentials and requirements in those three countries and passed their findings on to the national leaders. In addition to general surveys, the United States provided experts to examine Indonesia's tin and coal mining and its skilled manpower requirements and training. A U.S. contract team of economists and engineers worked closely with the Indonesian Government in assessing the feasibility of development plans and projects.

Examples of U.S.-Financed Projects

Highway construction and highway engineering and advisory-training services were a major cost element in the Far East programs in fiscal year 1962.

For instance, a U.S. construction firm completed a 5-year program of highway building in Vietnam, and a U.S. engineering company completed bridge-design and training assignments. The Vietnam Highway Department, whose staff includes administrators, engineers, and equipment-handling operators trained under U.S. programs, assumed responsibility for future construction in secure areas. The Vietnamese army engineers will handle construction in less secure areas. These two Vietnamese agencies, assisted by U.S.-provided equipment and funds, intend to undertake construction of about 1,500 miles of new low-cost roads and rehabilitation of 1,000 miles of other roads in rural areas.

The United States completed grant financing of major road construction in Thailand in fiscal year 1962. Construction was begun on a 33-mile section of the Bangkok-Saraburi Highway, and by the end of the fiscal year, 40 percent of this project had been completed. Construction also started on a 36-mile section of the Korat-Nongkai Highway; bridge construction was almost completed, as well as 86 percent of engineering and design work. Economic and engineering feasibility surveys were completed for the Bangkok-Nakornpathom and Chumporn-Nakornsripathamaraj Highways. A national bridge-replacement program neared completion, with 137 structures put into use during the year.

In Cambodia, the Khmer-American Friendship Highway, which was completed in May 1959, was found to require extensive base rebuilding as well as resurfacing to prevent further deterioration in certain sections. Arrangements preliminary to negotiating a reconstruction contract were made.

A highway, bypassing congested areas of Djakarta and linking its seaport with the main interior highway network, was nearing completion by the end of the fiscal year. Other road improvements in Indonesia were assisted by grants of local currency receipts from Public Law 480 surplus agricultural product sales.

Throughout the region, another high priority was the expansion of electric power production. A \$20.9 million loan to Korea was authorized for a thermal powerplant at Pusan. Rehabilitation of Korea's Chongpyong power dam was started. Surveys of rural electrification systems in both northeast and southern Thailand were completed. Installation of diesel generators brought practical, low-cost power to parts of Vietnam and Indonesia. In Taiwan, the second Shenao thermal plant and KuKuan hydro were completed and work progressed on the Shihmen hydroelectric and irrigation project.

An AID loan to Thailand, at 3 percent interest repayable in dollars, was authorized to help build three major irrigation projects, two of which are in the economically depressed northeast. Nearly half of the local currency proceeds of sales of surplus U.S. agricultural products to Indonesia were obligated in fiscal year 1962 to finance irrigation works.

Improvement of water supplies was a prominent element of the AID programs in Cambodia, where approximately 400 rural wells were dug with equipment furnished by the United States, and in Burma, where \$500,000 was obligated to provide materials for a water-supply system serving a resettlement area for retired servicemen.

The United States assisted farm population of the Far East in a variety of ways. Throughout the region, U.S. specialists helped agriculture departments and agricultural training schools develop better methods and make better use of fertilizers. Fertilizer was in fact a major import financed by U.S. aid in Korea and Vietnam, and the United States provided further assistance to fertilizer production in several countries.

Far East AID missions began concentrating their technical assistance programs on fewer, high-priority fields, and more directly correlating technical and development aid. Particular emphasis was placed on electric power, coal mining, transportation, telecommunications, and on basic industries such as cement.

Social Progress

All programs supported by the United States in the Far East are intended to promote social development in the sense of helping a nation's whole populace to achieve a better life. In a more direct sense, however, the United States sought through advisory training, community development, and general education programs to broaden popular opportunities.

This is a basic objective of rural community development work at the grass roots in Laos, Vietnam, Thailand, the Philippines, and elsewhere. The work of the Joint (U.S.-Chinese) Commission for Rural Reconstruction on Taiwan, coupled with a thorough-going land reform, has helped raise rural living standards and is strengthening the middle class there.

Education was also emphasized in the Far East during FY 1962. With U.S. aid, Cambodia continued a long-range improvement of its Vocational Trade School. An Education Training Center was completed which will graduate 200 teachers annually for new rural schools. Since 1955, public school attendance in Cambodia has more than doubled. To meet the great need for additional teaching staff, the United States planned to help develop a second teacher-training center. Preliminary steps also were taken by AID to expand the

National School of Agriculture and to help establish an Institute of Technology and a Cambodian-American high school.

In Indonesia, AID strengthened higher education through contracts with the Universities of Indiana, Kentucky, and California (Berkeley and Los Angeles). Indonesian faculty members and government officials on educational leave made up a large part of the student bodies reached by these programs. In addition, 88 selected graduate students were brought to the United States for up to 2 years of study in professions where Indonesian facilities are still inadequate.

Economic development in the Far East is greatly handicapped by the incidence of disease. Malaria is a particularly critical problem. With U.S. assistance, eradication of malaria has been completed on Taiwan, and striking progress was made during fiscal year 1962 in Indonesia, Thailand, Vietnam, and the Philippines.

Summary of Far East Programs for Fiscal Year 1962

[In millions of dollars]

Country	Total	Development grants	Supporting assistance	Development loans
	\$399.3	\$68.3	\$269.4	\$61.6
Burma . . . . .	.9	.8	.1	. . . . .
Cambodia	29.1	11.8	17.3	. . . . .
China	28.4	3.2	. . . . .	25.2
Indonesia	22.8	17.3	5.5	. . . . .
Japan . . . . .	.4	. . . . .	.4	. . . . .
Korea	125.7	8.0	92.5	25.2
Laos	27.5	. . . . .	27.5	. . . . .
Philippines	4.0	3.9	. . . . .	.1
Thailand	34.0	9.7	13.2	11.1
Vietnam	124.3	11.4	112.9	. . . . .
Regional	2.2	2.2	. . . . .	. . . . .

VI. AFRICA AND EUROPE

The Africa/Europe Bureau embraces 32 countries, 30 of which are in Africa.

In fiscal year 1962, \$312.8 million in economic aid was obligated for African programs, including \$59.2 million in supporting assistance, \$102.9 million in development grants, \$65.1 million in contributions to international organizations, and \$85.6 million in development loans. In addition, approximately \$121.6 million in surplus U.S. agricultural products was provided under the grant and loan provisions of Public Law 480, including such projects as the Food for Wages programs to combat unemployment in Tunisia and Morocco, the emergency food program for war-torn Algeria, and the flood-relief aid to Somalia and Tanganyika.

Aid to Africa from all other free world sources has risen from about \$900 million in fiscal year 1959 to nearly \$1.3 billion in fiscal year 1962. France remains the largest contributor with annual obligations, mostly grants, of close to \$700 million, excluding Algeria.

The Common Market Development Fund is currently approving social and economic projects in 17 associated African states at a rate of about \$200 million per year. U.K. grants and loans to African countries average over \$150 million annually. West German obligations reached a peak of almost \$113 million in fiscal year 1962, while Belgium, Italy, Japan, and Israel also extend some aid to Africa.

The large number of newly independent African nations (18 within the last 2 years) poses a number of development problems not present in longer established nations in other regions. Africa ranks among the least developed in terms of world exports, GNP, literacy, urbanization, and trained manpower. Its resources are unevenly distributed; natural resources abound in many African countries, while others have few known assets of any kind.

Literacy ranges from 4 percent in Ethiopia to 25 percent in Ghana, averaging approximately 18 percent in contrast with an overall average of 33 percent for underdeveloped areas. Infant mortality rates have been estimated at from 80 per 1,000 in Nigeria to 150 per 1,000 in other areas of Africa, compared with 26 in the United States.

Tribal ties are still strong and the integration of various tribal units with diverse cultures, languages, and loyalties into cohesive national entities with unified goals and purposes presents a formidable challenge. Leaders are often inexperienced in government and administrative procedures and quite a few countries have only a very small nucleus of professional and technically trained nationals.

As the African nations have achieved their independence, many have come to recognize the need for more practicable, systematic, and comprehensive development efforts. Steps were taken to establish national planning agencies and economic development commissions, but it was evident that the necessary skills for national planning and program implementation frequently were lacking. It was apparent that the AID policy for Africa would have to be heavily weighted toward activities designed to accelerate the development of human resources.

During fiscal year 1962, a few high-priority areas such as education, agriculture, and public administration, have been stressed in our aid programs in order to help provide the trained manpower necessary for institution building which will enable these African countries to govern themselves effectively.

Quite a few of the African countries have already made impressive progress. Budget reforms varying in scope and type have occurred in numerous countries. Tax reform—modified or new taxes, improved tax administration or collection measures—has also occurred in the

majority of aid-recipient countries. Additional or new customs duties on luxury imports and taxes on nondurable nonessential consumer goods have augmented domestic revenues in a number of countries.

A number of African countries are instituting savings campaigns. Incentives for reinvestment are being offered in the Ivory Coast. Nigeria is planning to finance all the recurrent expenses and 50 percent of the capital costs of their new development plan with funds derived from their own resources.

Economic Development

In many African countries, economic progress must be based largely upon agricultural development. Others are in a position to move toward a more diversified economy.

About 24 percent of development grant funds obligated for African programs was devoted to agricultural development, largely in terms of assistance to extension, education, and research activities. In one project, providing for the establishment of regional poultry centers, a poultry adviser helped the Nigerians to plan and construct laying and brooder houses, feeders, waterers, and nests at a regional poultry substation and training center at Abakaliki. Inexpensive houses were made of indigenous materials—mud, wire netting, thatch—to demonstrate how easily facilities could be built for year-round egg production.

AID funds were programed for importing 1,300 chicks and two 7,000-egg incubators from the United States. A total of 54 range shelters have been completed and construction is underway for a processing plant to teach proper methods of preparing chickens for market. The center's most important facet—the extension and training of farmers, farm managers, and additional extension workers—now includes facilities for 28 students, with additional classrooms and dormitories planned for next year. In addition, instruction in poultry farming is conducted by the U.S. advisor using Nigerian radio and television facilities.

The success of the program throughout eastern Nigeria is indicated by the rapidly falling egg prices from their previous high of \$1.25 a dozen to 70 cents a dozen. Six commercial producers are in business, and large numbers of eastern Nigerians have been made aware of the changes in poultry raising which have taken place within the past 2 years.

One of the largest agricultural aid projects was undertaken in Cameroon, Chad, Niger, and Nigeria, aimed at the eradication of the rinderpest cattle disease. More than \$6,300,000 has been programed by joint agreements between AID, the Commission for Technical Cooperation in Africa (CCTA), and the European Economic Community (EEC) for a 3-year campaign aimed at eradication of the disease. Approxi-

mately 8 million head of cattle, representing a capital investment of \$300 million are pastured in these four countries which border on Lake Chad. In addition, many important cattle trade routes originate in or cross the region, posing a constant threat to cattle in other parts of Africa. The project calls for vaccine to be manufactured in laboratories at Vom, Nigeria and Tareba, Chad. About 7,650,000 head of cattle will be vaccinated each year for 3 years. By vaccinating all cattle within and entering the region each year of the campaign, at no cost to the owners of the herds, it is hoped the disease can be completely eliminated. Mobile field units will be equipped and maintained to wipe out isolated outbreaks. Total contributions by AID will amount to \$775,000, plus the services of one U.S. veterinarian. The African countries will contribute the equivalent of \$3,565,200 in goods, services, or monies. The European Economic Community will contribute \$1,972,000. The program will terminate in fiscal year 1965.

The Focus of the Program—Development Loans

The major areas for development lending in Africa which now have top priorities are: Transportation, industry, and power and water.

Improved transportation via highways, railways, and airways is a prerequisite to the economic development of this vast continent. Access to Africa from the outside world is still easier than movement within and between countries.

Power is another key to the development of Africa, whose unharassed water resources exceed those of any other continent. Almost every African economic development program calls for greatly increased power for operating new mines, factories, farms, village workshops, and homes. Despite an abundance of water resources in many parts of Africa, water shortages limit economic advancement in at least half the continent. A better utilization of water is vital to economic development for the sub-Saharan countries which face either perennial drought or seasonal flooding.

Some illustrations of development lending are:

Tunisia—3-Year Plan

Fiscal year 1962 marked a turning point in U.S. economic assistance to Tunisia. For several years the Government of Tunisia has been preparing for its formal development effort. Late in 1961, Tunisia published a 10-year perspective for 1962-71. Having met most of the AID criteria for long-term assistance, with particular emphasis on self-help and the promotion of social justice, the Tunisian Government was provided a U.S. multiyear commitment in support of that country's development plan. The 3-year commitment calls for heavy reliance upon loan financing with continuing emphasis on the use of Public Law 480 commodities.

Transcameroon Railway System—Federal Republic of the Cameroons

This project was undertaken to extend the present Cameroon railroad system to the north in order to develop the market economy of the country and promote agricultural production in the north.

It provides for a 205-mile extension of the Cameroon railroad system at an estimated total cost of \$35 million, to be financed by AID, the EEC, and France. Of the total, AID is making available a loan of \$9.2 million which will be utilized largely in the United States to finance the costs of material, equipment, and services. The agreement provides for the loan to be repayable in dollars over 40 years and carries a credit fee of $\frac{3}{4}$ of 1 percent.

Social Development

It is axiomatic that social development, particularly in the newly independent nations, goes hand in hand with economic progress.

In fiscal 1962, our assistance activities tried to advance social development with programs in education, health, community development, agricultural cooperatives, and rural development.

Foremost among the many needs in the field of social progress is the necessity of creating an educational base upon which future economic development can be built. A shortage of African high school graduates was one of the major bottlenecks in developing economic capabilities. Increasing educational opportunities for more Africans increases their potential to create and share the fruits of economic and social development.

During fiscal year 1962, the largest part of development grant funds obligated in Africa (about 31 percent), was devoted to education. Projects in 24 countries included aid to land-grant type universities, teacher-training institutions, technical education, and a wide range of adult education projects. The Peace Corps has also been an active contributor by furnishing teachers as part of its African program, complementing AID activities in this field.

One illustration of the results achieved in the educational sector may be seen in Nigeria. During the past year facilities at the University of Nigeria have been expanded to accommodate 1,000 students and 100 staff members in order to meet the high manpower needs of Nigeria's fast-growing economy and school systems.

Established in 1955, the university now has completed 14 academic, classroom, and laboratory buildings, plus staff and student housing. Negotiations were begun in 1962 for acquisition of sufficient farmland, adjacent to the campus, to establish an agricultural center for instruction, demonstration, and research. Twenty-four Peace Corps volunteers are serving as research fellows and instructors and the faculty has requested an additional 40 volunteers for next year, looking toward a

planned enrollment of 1,500. The AID contribution was almost \$2 million.

Another significant program, with a different but complementary approach to meeting the long-range needs in the development of Africa's human resources is the African Scholarship Program of American Universities (ASPAU).

The program represents a cooperative effort by AID, American universities, and voluntary agencies to train qualified African students. Four-year tuition scholarships are given by the 212 colleges and universities associated with ASPAU; international travel costs are provided by the African governments. The African-American Institute, with foundation support, administers the program, and students' living costs are provided by AID. The students spend one month with American families throughout the United States to become accustomed to the way of life here before going on to college. These homestays are arranged by the nonprofit Experiment in International Living. It is estimated that this joint effort of private American initiative, supplemented by AID financing, will provide training to more than 500 Africans, who will take back to their countries the technical and teaching skills so badly needed.

Political Independence

In view of the fact that most African nations gained their independence since 1960, the strides made toward developing workable government institutions have been encouraging.

For most countries in Africa, however, the attainment of self-sustaining development, lies well beyond our present decade. On the basis of this first year under AID, there are many indications that a reasonable basis for political stability has been developed by establishing the foundations for economic and social growth, while at the same time there has been sufficient achievement to create a sense of direction and accomplishment.

Supporting Assistance

Supporting assistance in the African countries during fiscal year 1962 was used for two principal purposes: to maintain effective use of facilities important to U.S. interests; and to provide assistance for political purposes in circumstances where the criteria established for development lending or grants could be met.

In fiscal year 1962, supporting assistance to Africa and Europe amounted to \$73.8 million, a marked decrease from the fiscal year 1961 level of \$151.7 million.

During fiscal year 1962, many of our administrative techniques were examined with a view to consolidation by combining the functions of State Department and AID personnel abroad on a cost-

sharing basis. As a result, Combined Administrative Management Operations (CAMO) are now in effect in five African countries and two additional countries currently are under study.

Summary of European Programs for Fiscal Year 1962

[In millions of dollars]

Country	Total	Supporting assistance	Development grants	Development loans	Other
Total	\$16. 4	\$14. 6	\$. 4	.	\$1. 4
Berlin	(¹)	(¹)	.	.	.
Spain	14. 5	14. 6	— . 1	.	.
Yugoslavia 5	.	. 5	.	.
Poland	1. 4	.	.	.	² 1. 4

¹ Less than \$50,000.

² Special authorization.

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Summary of African Programs for 1962¹

[In millions of dollars]

Country	Total	Supporting assistance	Development grants	Development loans	Other
Total	\$312.8	\$59.2	\$102.9	\$85.6	\$65.1
Algeria	0.3	0.3	. . . . .	. . . . .	. . . . .
Cameroon	12.5	3.0	.3	9.2	. . . . .
Central African Republic . . . . .	.2	. . . . .	.2	. . . . .	. . . . .
Chad . . . . .	.3	. . . . .	.3	. . . . .	. . . . .
Congo (Brazzaville)	1.2	. . . . .	1.2	. . . . .	. . . . .
Congo (Leopoldville)	66.9	. . . . .	3.6	. . . . .	63.3
Dahomey . . . . .	.7	. . . . .	.7	. . . . .	. . . . .
Ethiopia	6.3	. . . . .	6.3	. . . . .	. . . . .
Gabon . . . . .	.4	. . . . .	.4	. . . . .	. . . . .
Ghana	63.8	. . . . .	1.8	62.0	. . . . .
Guinea	6.1	3.5	2.6	. . . . .	. . . . .
Ivory Coast	2.1	. . . . .	2.1	. . . . .	. . . . .
Kenya	3.2	(²)	3.2	. . . . .	. . . . .
Liberia	10.8	. . . . .	10.8	. . . . .	. . . . .
Libya	11.2	9.0	2.2	. . . . .	. . . . .
Malagasy Republic . . . . .	.7	. . . . .	.7	. . . . .	. . . . .
Mali	2.6	2.6	. . . . .	. . . . .	. . . . .
Morocco	30.7	29.9	.8	. . . . .	. . . . .
Niger	1.2	. . . . .	1.2	. . . . .	. . . . .
Nigeria	21.0	. . . . .	21.0	. . . . .	. . . . .
Federation of Rhodesia and Nyasaland	2.8	. . . . .	2.8	. . . . .	. . . . .
Senegal	3.0	. . . . .	3.0	. . . . .	. . . . .
Sierra Leone	1.5	. . . . .	1.5	. . . . .	. . . . .
Somali Republic	11.5	.4	11.1	. . . . .	. . . . .
Sudan	9.8	. . . . .	7.8	2.0	. . . . .
Tanganyika	2.4	.2	2.2	. . . . .	. . . . .
Togo	1.2	.3	.9	. . . . .	. . . . .
Tunisia	28.2	10.0	5.8	12.4	. . . . .
Uganda	3.6	. . . . .	3.6	. . . . .	. . . . .
Upper Volta . . . . .	.9	. . . . .	.9	. . . . .	. . . . .
Zanzibar . . . . .	.1	. . . . .	.1	. . . . .	. . . . .
Regional	8.1	6.3	1.8

¹ Minor discrepancies result from rounding.

² Less than \$50,000.

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VII. MILITARY ASSISTANCE

The Military Assistance Program (MAP) is designed to implement the national policy of the United States by providing equipment, training, and advice to selected non-Communist nations. The program has assisted in equipping, in large part, the military forces of countries on the periphery of the Sino-Soviet bloc which are the first line of free world defense against Communist aggression. The program also serves foreign policy objectives by creating closer relationships between military personnel of the United States and those of the countries being assisted. In certain countries, military assistance helps to insure the availability of bases for use by U.S. forces, and in others it partially supports indigenous troops who assist in defending those bases. In addition, military assistance is provided to selected countries for checking Communist subversion, thus maintaining the stability necessary for economic and social development.

The Military Assistance Program is closely integrated with American foreign policy through the Department of State, and with economic assistance through the Agency for International Development. The fact that military assistance is administered by the Department of Defense, and budgeted competitively with other Department of Defense requirements, insures that funds used will provide maximum security value for the United States.

In light of the destructiveness of modern nuclear weapons, the fundamental goal of U.S. military strategy is to prevent the outbreak of a major nuclear war. Because nuclear war poses an immediate threat to our national existence, the United States understandably relies primarily on its own forces and facilities for the maintenance of the nuclear deterrent. There are, however, factors of geography and weapons technology which require the use of foreign forces and bases as a supplement to U.S. nuclear deterrent power. A key element of our deterrent power consists of an elaborate network of communications, warning, and control sites located throughout the world. Many have been constructed with military assistance funds, and are manned by MAP-trained foreign military personnel. A substantial part of the U.S. deterrent power is stationed on foreign bases, some of which are financed through military assistance. Others are made available on a reciprocal basis by nations receiving military assistance. MAP-supported allies and MAP-provided facilities thus represent an important supplement to the nuclear power of the United States.

The relative contribution of MAP-supported allied military forces in meeting the threat of conventional war is proportionately far greater than that of the United States. The United States is allied or associated with 22 nations on or near the Sino-Soviet periphery. These nations maintain armed forces with an active strength of more

than 5.5 million men, more than twice that of the entire U.S. military establishment. Most of the combat equipment in the hands of these forces has been provided through U.S. military assistance. All of these nations have received major quantities of U.S. military assistance. Many are still receiving such assistance, although the United States has curtailed or phased down the level of assistance for the more prosperous nations of Western Europe.

Greece, Turkey, Iran, Pakistan, Thailand, South Vietnam, the Republic of China, and South Korea currently receive more than half the total of U.S. military assistance to enable them to meet the threat posed by the presence of large Communist forces at or near their borders. These nations currently maintain a total of more than 2 million men under arms. Lacking sufficient resources themselves, they are heavily dependent upon U.S. military assistance for the effectiveness of their forces.

The Communist powers, confronted by the military power of the United States and its MAP-supported allies deployed along their borders, have resorted to a more subtle, more ambiguous way of using force as a means of furthering Communist aims—namely, the so-called “war of national liberation.” A Communist war of national liberation involves a type of pincer movement. One arm of the pincer consists of Communist guerrilla agents exploiting real or imaginary grievances against the local government. The other arm is the massing of armed forces along the country’s border.

This is the situation in southeast Asia, a top priority area for Communist wars of liberation. To meet this challenge, the United States has greatly accelerated its military assistance program to South Vietnam, Thailand, and Cambodia.

U.S. counteractions through military aid have been increased three-fold. Military assistance has been used to improve the capability of our allies which border on nations receiving large quantities of Soviet arms. In other areas, the United States has provided quantities of arms and training to preclude certain underdeveloped nations from forming alliances with the Soviet bloc in order to procure military equipment. In the case of some countries receiving Soviet arms, the United States is continuing small military sales and training programs to prevent these nations from becoming completely dependent upon Soviet military assistance.

Economic Benefits of Military Aid

Apart from its military and diplomatic significance, military assistance also fits into the framework of U.S. economic objectives. Through military assistance, a nation is relieved of part of the economic burden of maintaining military forces with its own resources. The total cost of maintaining a force with the help of U.S. military assistance is usually less than if the nation were to use only its own

resources. In the first place, some of the weapons provided through military assistance are excess to U.S. military needs and can be provided at very little real cost. Second, U.S. military assistance advisory groups provide military supply management and planning advice, enabling countries to avoid costly logistic mistakes and to eliminate military units of marginal utility.

Military assistance has also contributed to improving the skill of the labor forces in many of the underdeveloped nations, especially those which rely primarily on conscripts for their military manpower. Many of these conscripts acquire skills through U.S. military assistance training programs which are of value when they return to civilian life. In some countries, the period of military service is the only time when large numbers of men are brought together in an environment where they can be readily reached for educational purposes.

Civic action is another way in which military assistance furthers economic objectives. Civic action is the use of military forces for economic and social improvement, such as construction of roads, improvement of irrigation facilities, and air and sea lift for support of economic projects. These projects serve several purposes. They provide an economic dividend from our military assistance investment; they help create a better image of the local government in the eyes of the populace; and, in some countries, they help divert the local military establishment away from the political arena into a more beneficial area of endeavor. During the past year, military assistance support of civic action activities in the underdeveloped nations has been greatly expanded.

Perhaps the most significant economic contribution which military assistance is making, however, is providing underdeveloped countries with the capability to maintain a minimum level of law and order necessary for economic development. Greater emphasis has been placed on counterinsurgency and riot control training for MAP recipient forces for purposes of maintaining an environment of internal stability.

Military assistance also contributes to the economic well-being of the U.S. by producing an inflow of dollars to help alleviate the balance of payments problem. During fiscal year 1962, foreign purchases of military items in the United States amounted to more than three times the outflow of dollars resulting from military assistance expenditures abroad. To a large extent, these purchases have come about as a result of U.S. military assistance activities. The United States has concluded special cost-sharing arrangements with some of the more economically developed nations whereby military assistance funds are used to defray a portion of the costs of items, the balance of the cost consisting of dollar purchases in the United States by the recipi-

ent nation. In addition, the United States has discontinued the provision of spare parts support for items provided earlier under military assistance to the Western European countries, with the result that these nations now spend hundreds of millions of dollars to purchase spare parts for such items from the United States.

Latin America

In fiscal year 1962, the Military Assistance Program furnished arms, equipment, and training to 19 Latin American nations. About \$76.1 million was programmed for fiscal year 1962, of which \$18.9 was for training. This assistance was designed primarily for developing effective mobile forces which could preserve the security of the Latin American nations against Communist subversion, infiltration, and terrorism. In addition, this aid contributed to the defense against a possible external threat to the sea lanes linking the two American continents and the rest of the world.

The cornerstone of the United States foreign assistance program in Latin America is the Alliance for Progress. The Military Assistance Program furthers these aims by helping the Latin American governments develop well-trained and effective armed forces, which will provide the stability and internal security necessary during the critical period of economic and social reform.

The prospect for the near future is a continuing effort by the international Communist movement to obstruct and retard the Alliance for Progress. Consequently, the fiscal year 1962 Military Assistance Program placed paramount emphasis on strengthening internal security forces, doubling the number of small infantry units being supported and increasing by more than 50 percent the number of MAP-supported air transport squadrons. In addition, specialized counter-insurgency training was greatly increased.

To meet the threat to the sealanes, the antisubmarine warfare capability of selected maritime nations has been increased appreciably. The United States has loaned a total of twenty destroyers and submarines to South American countries. The U.S. Navy is working closely with the naval forces of these countries through combined training exercises. This support has contributed to their capability for patrolling sealanes and for protecting coastal waters against subversive infiltration by surface craft and submarines.

Africa

One way in which Africa is strategically important to the United States is as a source of essential raw materials. In addition, those countries bordering on the Mediterranean have special significance. Our airbases and communications facilities in this region are vital

links in our worldwide defense network. The Soviet bloc is seeking opportunities to extend its influence in this area, as demonstrated by recent offers of military assistance to Ghana, Guinea, Morocco, and Mali. It is most important that the United States prevent significant Communist infiltration in Africa.

Military assistance to African countries is designed primarily to improve the capabilities of military forces to maintain internal security, and thus strengthen the political stability essential for economic development. In certain instances, our military assistance programs will be helpful through civic action programs. In those countries where the United States has base requirements, military assistance helps to insure continued use of the facilities.

Europe

Two significant factors have influenced our military assistance programs for Europe during the past year. First, new-material programs have been sharply reduced and, for several countries, discontinued except for the completion of existing material commitments and limited training. Second, for those countries still receiving grant aid, new emphasis was given to the modernization of conventional forces, in order to bring them into balance with the advanced weapons which received the highest priorities of late.

As in recent years, no grant material was programed in fiscal year 1962 for Germany, France, Luxembourg, and the United Kingdom; and, during the past year, this policy has been applied to Belgium, Italy, and the Netherlands. Grant aid for all seven countries is now limited to the completion of existing commitments and to selective training courses.

Progress has been made in strengthening the military capability of NATO. Europe will soon reach volume production of the versatile F104G all-weather fighter and tactical-support aircraft, made possible through a pooling of the finances and production capabilities of Germany, the Netherlands, Belgium, and Italy.

The F104G aircraft consortium in Europe is not unique. There are other jointly financed efforts producing the Hawk anti-aircraft missile, the Sidewinder missile and the Mark 44 homing torpedo. All of these systems were originally American developments which are now being produced on a cooperative basis in Europe, with related purchases of many U.S.-produced components. European countries are also developing other items accepted for common production. For example, there are the G-91 fighter and reconnaissance aircraft in Italy; the French AMX series of tracked vehicles for use as self-propelled artillery, light tanks, and personnel carriers; the French SS-10/SS-11, and the more advanced ENTAC series of anti-tank mis-

siles. Development is nearing completion on a European design of a maritime patrol aircraft, and a vertical takeoff support aircraft.

Common-funded multilateral projects, such as NATO infrastructure and NATO military headquarters support, and cost-sharing projects now constitute a major portion of our remaining grant aid for Europe. Cost-sharing and incentive programs are typified by ship-building projects in Denmark, Norway, Portugal, and Italy, which are now well underway.

Annual defense expenditures by our European NATO allies follow the rising trend of recent years, as U.S. military assistance to Europe declines rapidly. In fiscal year 1953, U.S. military assistance deliveries were about 25 percent of the European NATO nations' total defense expenditures, whereas in fiscal year 1962 they were only 3 percent.

Near East and South Asia

Most of the military assistance program for fiscal year 1962 in the Near East and south Asia was directed toward Greece, Turkey, Iran, and Pakistan. Training programs were carried out for Afghanistan, Lebanon, Iraq, and Saudi Arabia. Jordan received modest material and training benefits. The cumulative military assistance programs, area-wide through fiscal year 1962, totaled \$4.6 billion.

Military assistance for the Near East-South Asia area is designed to help maintain internal security, promote political stability, and resist external aggression. This objective is particularly applicable to those countries on the southern periphery of the Soviet bloc—Greece, Turkey, Iran, and Pakistan. Pakistan, in addition to being a member of SEATO, is a participant, along with Iran and Turkey, in CENTO. Greece and Turkey provide substantial forces for the protection of NATO's southeastern flank.

Elsewhere in the area, the military assistance program has been employed primarily to improve internal security capabilities, as in the case of Lebanon. Since fiscal year 1959, military aid to Lebanon has declined steadily and is now confined exclusively to training. Similarly, the fiscal year 1962 program for Saudi Arabia has been limited to training, particularly for the Saudi air force.

The small fiscal year 1962 training programs for Afghanistan and Iraq were designed to expose a limited number of military personnel to U.S. techniques and doctrine as a modest counterbalance to extensive Soviet military influence in both countries.

Far East

The Far East is of increasing strategic importance to the United States. Through our military alliances there, our forward defense

area is 5,000 miles from the west coast of the United States. It lies across lines of communication to the Indian Ocean area and contains 300 million people allied with or friendly to the West. The loss of Southeast Asia to forces hostile to the interests of the free world could cut our sea and airlines of communications from the Pacific to the Indian Ocean area. Without rapid means of communications and transportation across this portion of the world, the United States would be hard pressed to provide rapid support to its Asian allies.

Since 1950, the Republics of Korea and China, with substantial U.S. assistance, have been successful in repelling all forms of Communist aggression, including military attack. Also, Communist attempts to subvert Malaya, Laos, and the Philippines have been repulsed. Our strong stand against Communist aggression, in which the MAP plays a key role, has also allowed Japan to emerge as a free and progressively responsible member of the free world.

Today, the Republic of Vietnam continues to be subjected actively to Communist attempts to gain control of this rich and important area.

The loss of any of the southeast Asian countries from the free world community would have substantial, far-reaching, and adverse effects on the security of the United States and the Western World.

Improvements in MAP

Over the past few years, efforts have been aimed at steadily improving the administration of the Military Assistance Program. One of the thorniest problems in the past has been spare parts management. MAP efforts to alleviate this problem include: A spare parts cutoff policy; the establishment of financial and "high dollar-value item" requisition controls; and the establishment of regional inventory control points and storage and distribution depots (U.S. Army Logistics Depot, Japan, and NATO Maintenance Supply Services Agency).

During 1962, another problem was attacked vigorously—that of the size of the undelivered portion of prior year programs, particularly spare parts and other consumables, which were suspected to have been overprogramed in the past.

This led to "Operation Shakeout," for revalidating the undelivered MAP balances and effecting the necessary adjustments of the records of the Unified Commands, ODMA, and the military departments as of July 1, 1962. By this review, the Defense Department hopes to accomplish a large recoupment of dormant funds.

Military Assistance Program for Fiscal Year 1962 by Country/by Region

[In thousands of dollars]

Total	\$1, 831, 979
Europe	<u>370, 569</u>
Belgium	15, 879
Denmark	44, 446
France	5, 049
Germany	387
Italy	70, 703
Luxembourg	21
Netherlands	25, 282
Norway	47, 148
Portugal	7, 811
Spain	35, 286
United Kingdom	21, 186
Infrastructure	56, 146
Mutual Weapons Development Program	8, 053
Europe area undistributed	<u>33, 172</u>
Africa	<u>34, 465</u>
North Africa:	
Ethiopia	11, 734
Libya	721
Morocco ¹	—
Tunisia ¹	—
Tropical Africa:	
Cameroon	284
Dahomey	104
Ghana	5
Ivory Coast	120
Liberia	1, 803
Mali	243
Niger	104
Nigeria	4
Senegal	2, 476
Upper Volta	108
Africa area undistributed	<u>16, 759</u>
Near East and South Asia	<u>411, 065</u>
Afghanistan	4
Greece	119, 372
Iran	53, 067
Iraq	36
Jordan	3, 894
Lebanon	52
Pakistan ¹	—
Saudi Arabia ¹	—
Turkey	179, 260
Near East and South Asia area undistributed	<u>55, 380</u>

¹ Data classified: Included in the figure for regional area undistributed.

Military Assistance Program for Fiscal Year 1962 by County/by Region—Continued

[In thousands of dollars]

Far East	\$848, 685
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Cambodia	9, 368
China, Republic of	174, 921
Japan	70, 553
Korea	218, 663
Laos	74, 558
Philippine Islands	27, 251
Thailand	81, 007
Vietnam	176, 482
Far East area undistributed	15, 882
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Latin America	72, 123
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Argentina	2, 234
Bolivia	1, 405
Brazil	22, 791
Chile	8, 269
Colombia	9, 808
Costa Rica	521
Dominican Republic	880
Ecuador	2, 291
El Salvador	815
Guatemala	2, 889
Haiti	1, 244
Honduras	1, 038
Mexico	324
Nicaragua	1, 766
Panama	815
Paraguay	519
Peru	9, 997
Uruguay	1, 838
Venezuela	944
Latin America area undistributed	1, 735
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Nonregional	95, 072
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Administrative expenses	24, 500
Other nonregional	70, 572

VIII. PROGRAMS OF OTHER COUNTRIES AND OF INTERNATIONAL ORGANIZATIONS

The efforts of the industrialized free world countries to expand aid contributions on more favorable terms were increased during fiscal year 1962. The Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) was the primary instrument for this purpose. Bilateral discussions

among representatives of donor countries, consortia led by the World Bank (IBRD), and OECD discussions in the United Nations, the Colombo plan, and other international organizations in this field were also utilized to achieve the objectives of increasing the flow of aid and of making it more effective.

The Development Assistance Committee

The Development Assistance Committee (DAC) of OECD, composed of aid-giving countries of Western Europe, the United States, Canada, and Japan is the successor of the development assistance group which was formed in 1960 as a forum for consultation on assistance to less developed countries. Member countries agreed to expand the flow of resources to the less developed countries, to improve the effectiveness of development assistance, and to provide for increased assistance in the form of grants or loans on favorable terms.

The first annual review of the development assistance programs of DAC member countries took place in May and June, 1962. An important expansion was reported in the amount of aid in 1961 over 1960—an increase of \$1.1 billion (22 percent) in total official net disbursements of development resources to less developed countries. In addition, private capital flows of \$2.5 billion in 1960 and \$2.7 billion in 1961 were reported. The report also indicated significant liberalization in the terms of aid.

Coordinating groups established in DAC provide effective instruments for increasing, improving, and coordinating the aid extended by various donors to individual recipient countries. Membership in any group by DAC countries is voluntary and non-DAC members may be invited to join. Agreement was reached in the OECD on organizing aid consortia for Greece and Turkey.

The DAC also showed increased interest in the technical assistance needs of Latin America, and recognized the importance of the Alliance for Progress in the achievement of economic and social development in the area. Through the efforts of the DAC working group on technical cooperation, several European countries increased the number of scholarships available to Latin America.

On May 17, 1961, in his address to the Canadian Parliament, President Kennedy proposed the establishment of a development center under the sponsorship of the OECD. A center was agreed on by the OECD in 1962 and should begin operation during 1963.

IBRD Consortia and Consultative Groups

The India and Pakistan consortia, organized under the auspices of the World Bank, held meetings during fiscal year 1962 to consider the financing requirements of the development plans of India and Pakistan. The Pakistan consortium, meeting in January 1962, succeeded in raising \$945 million in commitments for the second and third years

(fiscal years 1962 and 1963) of Pakistan's second 5-year development plan. The United States provided \$500 million, or about 53 percent of this total.

The India consortium also met in January 1962 to review progress in disbursements of the amounts previously committed by consortium members. A meeting in May was adjourned because member countries, and several prospective new members, were not yet in a position to announce additional commitments.

The IBRD, as administrator of the Indus Basin Development Fund, held a number of meetings with representatives of the contributing countries during the first half of 1962, to discuss a substantial increase in the estimate of costs for the Indus Basin program. At the request of the other contributors to the fund, the IBRD undertook negotiations with the Pakistan Government to reduce the total cost, mainly through the elimination or rescheduling of certain projects in the overall system of works. The bank will continue to meet with the other contributors and with Pakistan officials to reach a mutually acceptable solution.

The IBRD also organized consultative groups to review the development financing problems of Nigeria and Tunisia. These groups are less formal than the consortia and are designed to facilitate consultation among the donor countries regarding the coordination and utilization of assistance.

Coordination With the United Nations and its Specialized Agencies

In line with the U.S. policy of close cooperation with the United Nations, AID increased its emphasis during fiscal year 1962 on relating U.S. bilateral aid programs with those of the United Nations. As the major contributor to U.N. technical assistance programs, the United States has a strong interest in assuring the efficiency and effectiveness of U.N. programs, as well as in assuring coordination with U.S. aid operations.

To carry out these functions, the AID staff was expanded, and coordination with the Bureau of International Organization Affairs of the Department of State was strengthened at both the policy and operational levels. An AID officer was assigned in November 1961, for the first time to the staff of the U.S. mission to the United Nations, as an advisor to the U.S. Ambassador to the U.N. Economic and Social Council, and as liaison officer with the U.N. Secretariat on operational matters.

Circular instructions were sent to all AID missions as a supplement to AID program guidance and in relation to the U.N. Decade of Development, informing them in some detail of the U.N. technical assistance programs, and instructing them to concern themselves more

directly with the U.N. programs in their countries and to work more closely with the U.N. resident representatives in the field.

AID is deeply involved in regular operational coordination activities at the U.N. headquarters level, particularly in relation to the programs of the Special Fund and of the Expanded Program for Technical Assistance, to insure consistency with U.S. operations and to prevent duplication of effort.

U.N. World Food Program

Activities were continued to translate into an effective operating program the U.S. commitment to support a U.N. world food program.

Colombo Plan

The role of the Colombo plan in the economic development of South and Southeast Asia was reviewed to see how we may benefit most from the constructive potentialities of this organization.

Asian Institute of Economic Development

One of the central concepts of the program for the Decade of Development is the development of sound country economic plans and programs as the basis for U.S. assistance. Because many of the less-developed countries do not have sufficiently trained personnel to develop economic plans, the United States assists in the training of such personnel. The United States has supported a proposal by member countries of the Economic Commission for Asia and the Far East (ECAFE) to establish an Asian development institute designed to improve economic planning. The institute is to be a center for the training of about 60 persons annually, largely officials for economic planning groups and related ministries of Asian countries. The faculty will also perform research and advisory services that contribute to their own and the institute's effectiveness.

IX. DEVELOPMENT FINANCE AND PRIVATE ENTERPRISE

Private Enterprise

Among the important tools provided by Congress to encourage the participation of private enterprise in the task of economic development abroad are the Investment Guaranty, the Private Enterprise (Cooley) Loan, and investment survey programs.

Investment Guaranty Programs

The investment guaranty program is one of AID's basic tools for facilitating and increasing the participation of American private investors in developing the economic resources and productive capac-

ities of the less developed countries. The Foreign Assistance Act of 1961 expanded the scope of the specific risk investment guaranty program and added two new programs; the extended risk investment guaranty, and the extended risk guaranty for housing in Latin America.

The Specific Risk Investment Guaranty Program

The oldest and most widely known of the guaranty programs is the specific risk investment guaranty program which has been available to private investors since 1948. This program protects American investments against the risks of inconvertibility, expropriation or confiscation, and loss due to war, revolution, or insurrection.

The specific risk guaranty program experienced the biggest year in its history in fiscal 1962. AID issued 91 guaranty contracts for a total value of \$307 million, almost one-third of the cumulative total of \$974 million in guaranties written since the inception of the program. During the last quarter of fiscal year 1962 alone AID issued almost \$200 million in specific risk guaranties. As of June 30, 1962, \$796 million of these guaranties were still outstanding.

The continuing interest of the American business community in this program is shown by the more than 500 applications received during fiscal year 1962, an increase of 85 percent over the previous year. This brought the total of applications in process to 664 for a total of \$2.3 billion to provide investments in 44 less developed countries. This sharp increase is expected to continue during the current fiscal year.

The prerequisites to guaranties in any country is a basic bilateral agreement between the country and the United States, instituting the guaranty program setting forth the procedure to be followed in case of claims. Forty-four less developed countries have signed the basic bilateral investment guaranty agreement providing for guaranties of convertibility of foreign (local) currency received as a remittance of earnings or repatriation of capital from insured American investments. Forty of these countries have also agreed to guaranties against loss from expropriation of investment. Twenty-one have agreed, in addition, to guaranties against loss by damage to physical property from war.

During fiscal year 1962, bilateral agreements were signed with six countries; Ivory Coast, Uruguay, Togo, Niger, Dominican Republic, and Guinea. Negotiations are underway either to expand the coverage in existing agreements or to extend the guaranty program to more countries, particularly in Latin America and Africa. Accordingly, AID is in the process of revising the bilateral investment guaranty agreements in the hope of extending guaranties to investors in countries where bilateral agreements are not yet in force.

Extended Risk Investment Guaranties

The extended risk investment guaranty program, patterned after a similar authority contained in the earlier Mutual Security Act, gave AID the authority to insure up to 75 percent of any investment against any risk (other than normally insurable risks) provided the loss did not arise out of fraud or misconduct for which the investor was responsible. The 1961 legislation provided that emphasis in this program was to be placed upon projects fostering social progress and the development of small independent business enterprises. No single guaranty issued could exceed \$10 million and the total face amount for all such guaranties outstanding at any one time was limited to \$90 million.

The 1962 amendments to the Foreign Assistance Act extended this guaranty to cover more than 75 percent (when necessary) of loan investments for housing projects where there was participation by the private investor in the loan risk. The maximum amount for single-loan guaranties was increased from \$10 million to \$25 million and the ceiling on the aggregate face amount of all extended risk guaranties was raised by the Congress from \$90 million to \$180 million.

The establishment of the new extended or all-risk guaranty program has posed difficult policy and administrative problems, and has progressed comparatively slowly. Its judicious use is now one of AID's priority tasks.

Extended Risk Investment Guaranties—Latin American Housing

The Foreign Assistance Act of 1961 established a special housing guaranty program for Latin America. Under this program, AID was authorized to issue extended risk guaranties covering investments in self-liquidating pilot or demonstration housing projects in Latin America, housing similar to that insured by the Federal Housing Administration, and suitable for Latin America. Under the 1961 Act, the aggregate face amount of all such guaranties was limited to \$10 million. Here again, under the provisions of the Foreign Assistance Act of 1962, Congress strengthened the program and raised the ceiling to \$60 million.

While no housing guaranties were issued in fiscal year 1962, the backlog of applications suggests that the entire \$60 million authority is likely to be used in fiscal year 1963.

Investment Surveys

Title IV of the Foreign Assistance Act of 1961 authorizes AID to encourage private enterprise to undertake surveys of investment opportunities in less developed countries. AID pays up to 50 percent of the cost of these surveys. Congress appropriated \$1.5 million for fiscal 1962 to start this program.

Experience had shown that many potential investments were not being made because companies were unwilling to spend the necessary funds to identify investment opportunities in less developed countries. Under newly revised guidelines, AID proposes to cover on either a pay-as-you-go or reimbursement basis, up to 50 percent of the cost of any qualified investment survey. If the potential investor proceeds with the investment, he will repay AID's contribution to the survey cost. If he decides not to invest, he will turn over to AID a professionally acceptable investment survey report which will remain the property of the U.S. Government for dissemination to other potential investors.

In exceptional cases where the making of the survey is of particular importance to the AID program, the new guidelines provide for sharing 50 percent of the cost regardless of the outcome of the survey. For example, if an AID field mission had identified an area of investment as desirable within the framework of a country or regional program and the Agency solicited the interest of a potential U.S. investor, the 50-percent sharing provision would apply, regardless of the outcome of the survey.

By the end of June 1962, AID had received several hundred inquiries about the investment survey program and the first grant had been made. This grant was for a survey to determine whether it would be technically and economically feasible to manufacture resins in Pakistan. If, on the basis of the survey, the American company determines that such an operation is feasible, the company plans to invest its own funds, in conjunction with funds to be invested by local Pakistani partners, to build resin plants in East Pakistan, West Pakistan, or both. Under the terms of the program, if the firm takes action to proceed with its investment by September 25, 1963, it will repay AID's contribution to the survey costs.

Private Enterprise Pilot Project

A pilot project to demonstrate joint venture arrangements between American firms and businessmen of the less developed countries was initiated at the end of the fiscal year. AID and the Department of Commerce, working closely with the host governments in Colombia, Pakistan, Nigeria, and Thailand, plan to encourage and assist the formation of specific joint investments in selected industries which will contribute rapidly and effectively to the economic growth of the host country.

After the Embassy and AID missions—together with host governments—have identified specific industries which are appropriate to the private sector and of a germinal and priority character, the Department of Commerce and AID will bring these opportunities to the attention of American business.

In the promotion of these joint ventures, AID will utilize the several tools provided by Congress including investment surveys, direct dollar development loans, local currency "Cooley" loans, and specific risk investment guaranties.

Development Banks

One of AID's programs for encouraging private enterprise, especially in the less developed countries, is the development bank program. Although development banks may be government-owned institutions, private entities, or joint public-private institutions, they are designed primarily to make loans to private borrowers.

The primary function of development banks is to serve as a catalyst and channel for investment in the private sector by injecting capital, enterprise, and management into a developing economy. Such banks offer a practical solution to the problem of making moderate amounts of foreign or local currency available to small enterprise at reasonable rates of interest and with medium- or long-term maturities. A development bank may also provide managerial and technical assistance to borrowers in such fields as business management, engineering, accounting, and law. Finally, through economic studies and surveys, a development bank may investigate, stimulate, and promote promising investment opportunities and bring them to the attention of both foreign and local investors.

AID assists development banks through feasibility studies, technical assistance, and local currency and dollar loans. In the newly emerging nations, AID finances initial surveys of the needs and requirements for a development bank. Such studies were made in fiscal 1962 for Cyprus, Ghana, Niger, Senegal, and Sierra Leone.

Once the need for a development bank has been clearly established, AID provides technical assistance and training to organize a new bank or to improve the management of an existing bank. In Vietnam, for example, an American consulting firm has been working with the Industrial Development Center, providing management training and assistance in the review of loan applications. In Thailand, two American technicians worked full time with the Industrial Finance Corporation. Four AID mission officers assisted the Korean Medium Industry Fund and the Small Industry Fund in the implementation of their loans. Similar technical services were performed by American consulting firms in Colombia, Nepal, and Turkey. In addition, contracts were negotiated to provide technical assistance to the Liberian Development Corporation and the Development Bank of Sudan.

Local currency loans, either from the proceeds of Public Law 480 sales or from counterpart funds (owned by the local governments but subject to AID approval as to use), are a third means of assisting development banks. Local currency loans were authorized to banks

in El Salvador, Iran, Nepal, Turkey, and others during the reporting period.

Finally, AID authorized nine dollar-loans aggregating \$114.5 million to development banks to assist in financing the foreign exchange required for subloans to private enterprises. Of the nine loans, two were to institutions which had previously received financing from the United States (the Industrial Finance Corporation of India and the Pakistan Industrial Credit and Investment Corporation), and the others represented financing of entirely new programs for the expansion of industrial and agricultural credit. From April 1958 to June 30, 1962, development banks had made 924 subloans totaling \$66.2 million.

The terms of AID loans to development banks were designed to provide sufficient "spread", usually about 2 percent, between the rate which the bank charged on its subloans and the rate it must pay under the AID loan. This enables it to maintain a satisfactory financial position. The actual interest rates charged by AID to the banks varied from 4 percent to 5.75 percent and the maturities ranged from 7 years with no grace period, to 20 years and a 5-year grace period.

Development Financing

Under the Foreign Assistance Act of 1961, the development loan operations of the Development Loan Fund (DLF) were transferred to AID as of November 3, 1961. Many of the legislative criteria and implementation policies of the DLF were continued. AID loan terms differ in two major respects: First, all repayments are required in dollars instead of local currency as was the practice of the DLF; secondly, repayment terms for individual transactions are based primarily on the overall capacity of the country to service dollar debt rather than on the character of the activity financed.

Title I of Chapter 2 of the Foreign Assistance Act authorizes loans, payable as to principal and interest in U.S. dollars "to promote the economic development of less developed friendly countries and areas, with emphasis upon assisting long-range plans and programs designed to develop economic resources and increase productive capacities." This title requires that development loans may be made only where there are reasonable prospects of repayment. The following additional criteria are taken into account and apply to all borrowers, governmental, quasi-governmental, or private:

- a. Whether financing could be obtained in whole or in part from other free world sources on reasonable terms,
- b. The economic and technical soundness of the activity to be financed,
- c. Whether the activity gives reasonable promise of contributing to the development of economic resources or to

- the increase of productive capacities in furtherance of the purposes of title I,
- d. The consistency of the activity with other development activities being undertaken or planned, and its contribution to reliable long-range objectives,
 - e. The extent to which the recipient country is showing a responsiveness to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures, and
 - f. The possible effects upon the U.S. economy, with special reference to areas of substantial labor surplus, of the loan involved.

To ensure compliance with these legislative criteria AID developed the following policies and procedures. In the first instance, AID considered only those loan applications to which local authorities attached a high priority in their own scheme of development and in which local interest was sufficient to warrant confidence in the success of the activity.

Secondly, AID pursued several approaches to ensure that development loans supplemented rather than supplanted other free world sources of finance. In two countries, India and Pakistan, formal aid consortia provided the mechanism through which AID coordinated its lending activity with the World Bank and other participating foreign governments. Informal consortia provided some coordination of this type for Iran and Nigeria.

Another approach followed by AID to increase free world capital assistance to less developed countries was to participate with non-U.S. sources in specific projects, as the Transcameroon Railway which is being financed jointly with the European Economic Community (EEC). (See chapter VI for details.)

Formal AID procedures provide for coordination of all loan applications with the Export-Import Bank and with other U.S. Government and international financial institutions through the National Advisory Council. Cooperation with the Export-Import Bank has been particularly productive, resulting in joint AID-Export-Import Bank loans to several projects.

Another important criterion is the potential impact of the loan on the U.S. economy. This impact may take one of two forms; the positive impact of the purchase of U.S. goods and services, and the essentially negative aspect of creating industrial capacity abroad which could result in competition with U.S. products. With respect to the former, AID assures a favorable impact on the U.S. economy and on the overall U.S. balance-of-payments position in the overwhelming majority of cases either by requiring that the funds loaned to cover the foreign exchange costs of projects and activities be used

strictly for U.S. procurement purposes or, in case of local cost financing loans, by providing for special accounts to insure that the proceeds of dollar loans used to finance local costs are devoted to U.S. procurement.

The potential negative impact on the U.S. economy of AID development lending in fiscal year 1962 will be minimal, since nearly three-fourths of the loans approved were of a type (nonproject, public works, and feasibility studies) which will not result in the production of goods and services competitive with U.S. producers. In the case of most loans to credit institutions, AID approval is required prior to the granting of subloans in an amount in excess of \$100,000. In other instances, ceilings are set on the maximum amount of subloans from which a single local industry can benefit. Finally, AID specifies in some loan documents a number of industries (e.g., cotton textiles) which are in any case ineligible for subloans.

The majority of the industries being financed by AID loans to private enterprises produce goods solely for domestic consumption. In one case where the issue of direct competition with U.S. producers was raised, a special condition was included in the loan agreement that no commercially significant exports were to be made by the borrower to the United States.

The economic and technical soundness of each loan proposal is thoroughly examined by AID's engineering staff, frequently in consultation with independent technical personnel and technical agencies of the U.S. Government. In some instances, loan agreements have included the condition that a qualified consulting firm will supervise the installation and construction of the project and provide training for the operating personnel.

Several precautions are taken to ensure reasonable prospects for repayment of development loans. All of the loans to subsidiary government agencies include guaranties by the host country governments. To assure repayment of loans to some private corporations, a limitation on the payment of dividends is requested as a condition of the loan. Finally, some form of security is required in a few of the loans where the financial condition of the borrower is not clearly adequate.

Loan Policies and Terms

The relatively large proportion of development loans for two countries, India and Pakistan, and for commodity import programs, as opposed to specific projects, stems from a fundamental change of emphasis from a project approach to a country approach.

First, priority is given to those nations where U.S. foreign policy objectives require support, where conditions are best for rapid economic gains, and where the governments are taking self-help measures which contribute to long-term development objectives.

Secondly, lending decisions are based on an appraisal of a country's overall problems and prospects rather than an analysis solely of an

isolated activity. While AID lending is geared to specific activities, the choice of projects and programs, as well as the conditions, reflects the overall assessment.

Thirdly, the country approach means that AID development lending is not confined to individual projects. Financing for development requires a variety of assorted capital items, raw and semifinished materials, and even consumption imports needed to keep an economy alive and growing. Thus, an attempt is made to maintain a balance between project and program lending in the recipient countries.

AID loan terms, whether for development loans or for loans under supporting assistance, contingency funds, or the Latin American Development Act, are based primarily on fostering long-term economic growth and political stability. They are also based on an estimate of the borrowing country's capacity to service long-term foreign debt. In accordance with this policy, AID established as early as December 1961, a flexible set of terms which were applied to its development loans. (These terms subsequently were applied, as amendments, to most loans authorized prior to that time.) These are the principal loan terms.

- a. A 40-year maturity, including a 10-year grace period and three-fourths of 1 percent per annum credit fee is applied in loans to governments of most developing countries.
- b. In cases where a borrowing country's prospects are relatively favorable, harder terms may be applied. One of the following two combinations of terms may be employed:

Maturity	40 years	15, 20, or 25 years
Grace Period	10 years	0 to 5 years
Interest	¾% credit fee	¾%, 3½% or 5¾%

- c. For countries with temporary balance-of-payments problems, terms on loans include a maturity of up to 5 years, 3½ percent (or more) interest, and a grace period of up to 2 years, when deemed necessary.
- d. Terms on loans to private borrowers and to public self-liquidating, revenue-producing projects are set to impose normal debt burdens. At the same time, an effort is made to avoid unduly aggravating the host country's balance-of-payments positions. The usual case of this type will encompass a two-step repayment arrangement to be concluded between the host country government and AID. Provision will be made for dollar repayment by the borrower on normal terms. The borrower has the option, however, of repaying the loan in local currency to the host government. That government will then assume the obligation to repay AID in dollars on terms similar to those that would have been established for government-to-government loans.

AID also retains discretion to make direct loans on normal terms to private enterprises and self-liquidating, revenue-producing public projects. In these cases, the Agency will bear in mind the capacity of the country to repay.

The relatively low interest rates and long repayment periods are part of a program to induce the other free world nations to increase the amount of their loans, decrease interest rates, and increase maturities of their loans to the developing countries. It is hoped that other free world countries will adopt AID terms in their lending operations.

X. MATERIAL RESOURCES

Material resources accounted for approximately one-half the total economic assistance provided under the foreign aid program during fiscal year 1962. Significant progress was made in the use of resources in meeting foreign aid objectives while remaining responsive to the needs of the U.S. economy.

Considerable success was attained in several resource management fields, such as the use of surplus agricultural products in economic development projects, the utilization of U.S.-owned excess personal property in foreign aid development programs, and the use of surplus national stockpile materials, wherever practicable, to meet the requirements of aid recipients.

Food for Peace

AID administers those segments of the Food for Peace program relating to foreign aid activities, as authorized by the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480, as amended). Sales and grants abroad of U.S. surplus agricultural commodities under the four titles of Public Law 480 totaled \$2.1 billion in fiscal year 1962.

Title I permits the sale of agricultural commodities for foreign currencies. Sales agreements during the fiscal year totaled \$1.6 billion. Of the foreign currency proceeds, 84 percent is earmarked for country programs with \$1.096 billion for economic development, \$147 million for common defense uses, and \$100 million for loans to private enterprise under that provision of the loan sponsored by Congressman Cooley.

The portion earmarked for loans is by far the largest single use of foreign currency sales, comprising more than 43 percent of the total amount expected as a result of sales agreements concluded in fiscal year 1962. Disbursements in fiscal 1962 were for various uses, including river valley development in India; hydraulic works, railroad rehabilitation and other construction in Spain; literacy training of the

armed forces in Turkey; and development and rehabilitation of roads in Indonesia and Iran.

Title II authorizes grants of agricultural commodities for emergency assistance and economic development purposes. These grants may be made to assist friendly governments or voluntary relief agencies in programs for child feeding or refugee relief, or as partial wages to unemployed or underemployed working on development projects such as land clearing, earthen dams, central access roads, and irrigation and drainage ditches. During fiscal year 1962, almost \$240 million was authorized for more than one million tons of commodities and ocean freight costs. Of this total, about 969,000 tons valued at \$156 million were authorized for disaster relief and refugee programs in 25 countries including Algeria, the Congo, Jordan, Brazil, and others. About 107,000 tons of commodities—at an estimated Commodity Credit Corporation cost of \$84 million—were provided for child feeding, economic development, and voluntary agency programs in 11 countries.

Under *Title III*, surplus agricultural commodities may be donated to American voluntary agencies and intergovernmental organizations for free distribution to needy persons outside the United States. These agencies play an important supplemental role in U.S. foreign aid. During fiscal year 1962, 16 voluntary agencies plus the American Red Cross and United Nations International Children's Emergency Fund (UNICEF), shipped and distributed foods to more than 16 million recipients, about half of whom were children.

Title IV authorizes long-term supply and dollar credit sales of surplus agricultural commodities. The first sales agreement under this title was entered into during fiscal year 1962. Involved were sales to six countries of commodities valued at \$51 million.

It is planned to use increasing amounts of U.S. surplus agricultural commodities for economic development in underdeveloped areas. Plans include the use of food to institute or expand: (1) economic development work plans in areas where segments of the population are underemployed and underfed; (2) resettlement and land reform programs to enhance social and economic progress; (3) livestock and feeding programs to increase animal protein foods where needed; and (4) child-feeding programs, including school lunch and similar institutional programs.

Excess Personal Property

Section 102 of the Foreign Assistance Act of 1961 states:

It is the sense of the Congress that assistance under this part should be complemented . . . by disposal of excess property under this and other acts.

In fiscal year 1962, domestic and foreign U.S. Government-owned property with an acquisition cost of \$34.4 million was transferred to AID-financed projects as assistance complementary to new procurement. In addition, \$17.1 million of excess property was authorized under the authority of section 607, in which the recipient country pays all charges incident to such terms.

Under section 608 of the Act, excess property may be acquired in advance of specific requirements. This enables AID to mesh excess property availabilities to demands and to offer more effective program support on a planned basis. This stockpiling authority was implemented domestically through agreements with the Department of the Army. Marshalling site facilities are being established in Europe and the Far East to increase the utilization of excess property located abroad.

A wide variety of excess property is in use in the foreign aid program. Examples are: Excess clothing for Vietnam; excess machine tools for India to develop a strengthened railway and mining industry; excess machine shop equipment and tools for vocational educational institutions in Ecuador, Colombia, and other Latin American countries; foreign excess for jointly sponsored United States/Turkey economic development programs.

In addition to achieving more effective use of AID funds, the utilization of domestic and foreign excess property promotes appreciation of and preference for products of U.S. manufacture.

Stockpile Excess Disposal

It is AID policy to meet requirements of recipient countries for material resources with items excess to the national stockpile whenever practicable. AID is participating with other U.S. agencies in developing methods and procedures for disposing of these materials through the foreign aid program.

Based on the approved disposal plan for crude rubber, the following action was taken in fiscal year 1962:

AID required suppliers of tires and tubes to purchase crude rubber from General Services Administration in amounts equal to the sales price of the tires and tubes they supply. From March 1962, when this program was initiated, until June 30, 1962, over \$1 million in stockpile crude rubber was contracted for purchase from General Services Administration under this requirement.

All AID-financed crude rubber purchases in grades held in the stockpile are tied to procurement from General Services Administration: This involves price equalization with world prices and, when required, the thawing of rubber through

the use of U.S. commercial processing facilities to bring hardened stockpile rubber up to standard quality.

Additional items will be used in the foreign aid program during fiscal year 1963 as stockpile disposal plans are developed for commodities such as aluminum, copper, nickel, and tin. This activity benefits the United States by conserving appropriated funds, improving the balance-of-payments situation, reducing stockpiling costs, and making viable the assets represented by our excess stockpile material.

Use of U.S.-Flag Vessels

The Cargo Preference Act, Section 901 (b), of the Merchant Marine Act of 1936 as amended (Public Law 664, 83d Cong.) requires that at least 50 percent of U.S. Government-financed cargo be shipped in U.S.-flag vessels wherever the latter are available. If these services do not exist, determinations of nonavailability may be made by AID for individual shipments under unusual circumstances, or on a blanket basis where there is a total absence of the required U.S.-flag service.

During fiscal year 1962, greater emphasis was given to U.S. source procurement, and freight financing by AID was generally limited to U.S.-flag vessels. This resulted in greater U.S.-flag participation as shown by the following data (in thousands of tons).

	<i>Total</i>	<i>Number U.S. flag available</i>	<i>Net cargo preference requirement</i>	<i>Shipped on U.S. flag</i>	
				<i>Tons</i>	<i>Percent</i>
Fiscal year 1961. . .	7, 852	1, 757	6, 095	3, 574	58. 6
Fiscal year 1962. . .	7, 358	1, 595	5, 760	4, 701	81. 6

Current plans call for a more intensive analysis of anticipated cargo movements to assure adequacy of U.S.-flag vessels, and an acceleration of traffic information and statistical data to promote improved service by the shipping industry.

Cooperatives, Credit Unions, Savings and Loan Associations

Section 601 of the Foreign Assistance Act of 1961 states in part:

. . . It is declared to be the policy of the United States to encourage the development and use of cooperatives, credit unions and savings and loan associations. . . .

This statement of policy resulted in a significant expansion in cooperative activities during fiscal year 1962. The objectives are to build cooperative institutions, credit unions, and savings and loan associations in the private sector, and where appropriate, in governments as well, and to build a management capability through training programs for local people.

Projects are encouraged which tend to bring the overall cooperative program into balance between agriculturally oriented cooperatives and other phases of cooperation, such as credit unions, savings and

loan associations, rural electric arrangements, consumer services, and others.

A leading role was taken by U.S. private groups in giving their counsel to AID. A special advisory committee was set up to help to coordinate proposed projects and to advise on proposals made by AID, regional bureaus, and other interested groups.

U.S. private groups increased their already significant contributions to projects in the developing countries. AID funds were also provided to expand ongoing projects or initiate new ones. These included: Regional and country training and consultation service for credit unions in 9 Latin American countries; a feasibility study of national and international cooperative financing institutions in 6 Latin American countries; preparation of country development plans for cooperatives in 18 Latin American countries; and the training of young farm organization and cooperative leaders in Africa and Latin America.

Negotiations also were begun for expansion of the above-mentioned contracts and for new contracts in such fields as rural electrification and housing.

Agricultural Resources

Foreign aid pertaining to agricultural resources is tailored to priority needs of less-developed areas. Most recipient countries depend upon agriculture almost entirely for food and clothing as well as for foreign exchange generation to finance essential imports.

During fiscal year 1962, more than \$60 million was obligated for AID-financed procurement of agricultural commodities. Purchases consisted primarily of production requirements such as fertilizer, seeds and pesticides, and were made through private trade channels. These commodities are sold within cooperating countries and generate local currency counterpart, some of which is used for agricultural projects within the country.

Small Business

The Foreign Assistance Act requires that advance information be given to American firms, particularly small business, on proposed procurement to be financed with AID funds. Information obtained is published in small business circulars which are available without charge to any U.S. supplier on request. During fiscal year 1962, the mailing list for these circulars reached 16,000.

AID also publishes procurement information bulletins announcing the issuance of AID authorizations to governments abroad, and small business memos giving U.S. suppliers helpful information regarding export operations involving AID funds.

AID reviews specifications to assure that requirements are expressed in terms of American standards and that competitive offers are pos-

sible. The Agency supervises a marking program whereby commodities financed with AID funds are identified as aid from the United States.

During fiscal year 1962, U.S. small business participation in the foreign aid program was encouraged by issuance of a new "Directory of Combination Export Managers," through panels to discuss AID procurement policies and procedures, and by direct advice and help to individual firms.

Voluntary Agencies

American voluntary agencies engender good will for the United States by demonstrating the concern of individual Americans for peoples denied basic necessities of life and opportunities for self-improvement. Their humanitarian activities have their roots in American tradition and in our firm belief in human dignity.

In addition to Public Law 480 activities discussed above, AID encourages and assists American voluntary nonprofit agencies by paying the overseas freight costs of relief and rehabilitation supplies donated to, or purchased by, these agencies. Twenty-seven U.S. voluntary agencies are participating and are sending supplies to approximately 80 countries and areas. These supplies consist of items such as food, clothing, medicines, hospital and school supplies and equipment, and tools, in support of emergency and disaster relief, self-help projects, and assistance to refugees. The voluntary agencies at their own expense maintain U.S. citizen representatives in the field to work directly with the people. For their part, recipient countries must permit duty-free entry of supplies. During fiscal year 1962, the value of privately financed relief deliveries abroad was roughly \$60 million against U.S. Government expenditures of about \$3 million for overseas freight. For every dollar spent by AID in support of this program, nearly 20 times as much in value of goods was delivered overseas to people who need our help.

Many of these private agencies engage in a wide range of technical assistance projects supported by their own financing. Under contract with AID, a technical assistance information clearinghouse was established by the American Council on Voluntary Agencies for Foreign Service to provide a channel for the exchange of information and ideas between AID and the American voluntary sector.

A substantial increase in voluntary foreign aid during the 5 years is expected both in supplies shipped and personnel assigned abroad.

XI. UNITED STATES PROCUREMENT

To minimize any adverse effect on the balance of payments caused by aid operations, the Agency has continued to follow restrictive procurement policies adopted late in 1959 and 1960. In the absence

of a specific waiver, granted only when justified by special circumstances, recipient-country imports financed from development loan funds must be procured in the United States and those financed from other appropriation categories must be procured either in the United States or in the less-developed countries of the free world.

Under these policies, the share of AID-financed commodities procured in the United States rose from 44 percent in fiscal year 1961 to 50 percent in fiscal 1962. As expenditures from obligations made prior to the abandonment of unrestricted worldwide procurement taper off, the U.S. share will continue to rise to an estimated 63 percent in fiscal year 1963 and 70 percent in fiscal year 1964. As long as the U.S. balance-of-payments problem persists and these policies continue, offshore procurement will eventually be concentrated in the less-developed countries, where foreign exchange earnings are quickly spent for needed imports, many of which will be obtained in the United States. This procurement pattern makes a significant contribution to the development efforts of the supplying countries, thereby reducing their need for aid, while representing a minimal drain on the U.S. balance of payments.

As a further protective step, AID adopted a new policy applicable to dollars transferred directly to recipient governments or used to purchase foreign currencies needed for local expenditures in the host countries. Under the new policy these dollars must be used by the receiving country only for the purchase of U.S. goods and services. Waivers will be granted only when essential to the fulfillment of program objectives.

In addition, a policy has been adopted to discontinue the financing of commodities of which the United States is a net importer. As a result of this measure it is anticipated that the share of U.S. procurement of goods and services in the AID program will rise in future years to 80 or 85 percent. The remaining hard core of offshore costs consists of contributions to international organizations, overseas operational expenditures including contract services, some procurement in less-developed countries, and cash support in a very few essential cases.

XII. ADMINISTRATION

A New Agency

Fiscal year 1962 was a year of transition in the administration of the foreign assistance program. Formerly, the program was diffused among several agencies. The Agency for International Development was designed to weld the various elements of the foreign assistance program into one cohesive and smoothly functioning agency.

During fiscal year 1962, the primary administrative concern of AID was the establishment and operation of the new organization. It has required a major restructuring of the organization involving complex human relationships and unusual internal and external institutional relationships, and a major recasting of planning and operating concepts. Some of the more general administrative accomplishments achieved in the past fiscal year are:

- a. The organizational structure has been established.
- b. Those personnel of the predecessor agencies determined to be necessary were transferred to AID and appropriately placed within the new organization. As a result of the staff review required by Section 621 of the Foreign Assistance Act of 1961, 274 ICA employees were terminated because they were determined not to be necessary for transfer to AID.
- c. Most of the key positions have been filled, a large number with outstanding people from outside the Government service.
- d. The installation of a new program development and execution system, giving increased authority and flexibility to U.S. Ambassadors and mission directors for both program planning and execution, is well underway.
- e. A reorganization of the personnel administration function has been initiated, including expedited updating of procedural directives, to insure more effective management of the Agency's manpower resources.
- f. Plans have been developed for a strengthened personnel-training program designed to better prepare employees for their work, and to prepare both employees and their families for more effective dealing with people in foreign countries.

Continued progress also was made in improving the administration of the program. Following are some of the more significant improvements introduced during the year.

Goal-Oriented Missions

As a pilot program, basic organization changes were made in the missions in Costa Rica, Venezuela, Panama, and Chile. The basic feature of the new organizational concept, called the "goal-oriented mission," is a structure built around those country development goals identified as requiring U.S. support. The goal-oriented organization replaces the old pattern of a technical division for every technical field in which activities were undertaken. The internal structure of the new divisions is small and fluid, requiring only a limited number of full-time advisers and technicians supported by short-term consul-

tants or contract employees. In addition to facilitating program planning and implementation, this new structure will permit more effective utilization of manpower by integrating the efforts of a variety of specialists to obtain a clearly defined goal. The goal-oriented mission concept is being initiated in Latin America because of the priority given the Alliance for Progress.

Korean Mission Reorganization

An intensive management survey has been made of the largest AID mission (Korea) to adjust its organization structure to the reoriented economic assistance program in Korea and to achieve more economy and efficiency in its operation. The reorganization simplified reporting relationships by reducing the number of individuals directly responsible to the director.

Consolidation of Administrative Services for Selected Oversea Posts

During fiscal year 1962, Consolidated Administrative Management Organizations (CAMO) became operational in five African posts (Sierra Leone, Gabon, Ivory Coast, Cameroon, and Sudan). CAMO is a single administrative unit with responsibility for supporting *all* elements of the country mission, i.e., State, AID, USIA, and Peace Corps. The essence of this approach is to obtain highly qualified personnel representing a broad range of experience with various foreign affairs agencies. CAMO was created to increase the efficiency of providing administrative support to all U.S. field elements and to improve utilization of scarce administrative talent, especially in an area such as Africa where it is difficult to attract and retain competent administrative personnel.

Executive Staffing

A special campaign was launched during fiscal year 1962 to recruit top-level executives from the American business and industrial community for service overseas as mission directors, deputy directors, or in other high-level posts. As a result, a total of 27 highly qualified executives entered on duty during the fourth quarter. Prior to their departure for oversea posts, all participated in a 6-week orientation program for senior officers which placed special emphasis on: U.S. goals and AID responsibilities in the conduct of foreign policy; the economic development process; individual regional and area studies; and the process of communicating in a cross-cultural environment. A significant supplement was a 4-week program conducted for wives and adult dependents accompanying the new executives to their posts of duty.

Decentralized Contracting Procedures

The reorganization has required the drafting of new procedures designed to enable the regional bureaus to carry out their new operational responsibilities.

A pilot contract processing and reporting system has been designed and approved for installation in the Near East/South Asia regional bureau. This system has been prepared to clarify the role and responsibilities of individuals who are involved in various aspects of preparing and monitoring contract actions for technical service work in overseas AID missions.

Revised Program Guidelines

During fiscal year 1962, the Agency began to develop new fiscal year 1964 program guidelines to carry forward the concepts expressed in the President's messages leading to the Foreign Assistance Act, as well as to implement the congressional intent specified in that act, as amended. The guidelines are basically designed to assure the coordination of U.S. foreign assistance programs with all other elements of U.S. foreign policy and national security interests.

Simplification of Regulations

In cooperation with the State Department, a significant project has been undertaken to review State-AID administrative policies and regulations to eliminate nonessential differences between agencies. It is anticipated that these efforts will greatly simplify field administration.

Participating Agency Relationships

In order to increase cooperation between AID and other departments and agencies of the Federal Government, AID is reexamining all its agreements with the "participating agencies." Pursuant to Section 621 of the Foreign Assistance Act of 1961, AID seeks to use the resources of all such agencies to the maximum extent practicable.

A study in depth of interagency relations has been completed. Its extensive recommendations are now being given full and careful consideration by AID. A new general agreement already has been signed between the Housing and Home Finance Agency and AID. For the first time, AID is also about to sign such an agreement with the Federal Home Loan Bank Board.

Financial Reports

During this fiscal year, a comprehensive review of the format, distribution, and use of the Agency's financial reports was undertaken. One example was the "Pipeline Analysis Report" which was redesigned so as to: (a) Itemize the number of months required to liquidate the unpaid obligations outstanding at field installations each

month; (b) compare each field installation with the regional and worldwide average; and (c) depict the 10 installations which have the most unsatisfactory pipeline condition.

Funding of Participating Agencies

Arrangements were initiated with the Department of Commerce for the purpose of effecting reimbursements directly to each of the bureaus incurring costs on behalf of AID. Under the new reimbursement procedure, improved accounting and reporting techniques were made possible and the prior system under which AID allocated funds to the Department (which in turn suballocated funds to each of the bureaus) was eliminated.

Automatic Data Processing

During fiscal year 1962, AID increased the core-storage capacity of its computer from 4,000 to 16,000. This added capacity will enable the Agency to expedite processing of its own applications, including one report now prepared under contract.

Some of the additional uses initiated during the past year included :

Adaption of AID payroll operations to automatic data processing. The computer will be utilized to calculate salaries, maintain payroll records, and prepare derivative reports. The system will be faster and more accurate than the previous entirely manual operation when it is fully implemented. The target date for completion of the system was January 1, 1963.

Development and adaptation to automatic data processing of a project accounting system and a project progress reporting system. Together the two systems will provide information on the management progress as well as the fiscal status of the project.

Records Management

A records survey program was begun in fiscal year 1962 and actual installation of the new system in Washington and the missions will take place in fiscal year 1963. This is one of three pilot programs being conducted with the assistance of the National Archives and Records Service of the General Services Administration and may be the basis for a governmentwide revision of filing systems.

AID is well conceived organizationally and should provide the structure necessary for a unified and smoothly functioning foreign assistance program. However, administration and management does not cease with reorganization. Much remains to be done in the establishment of a program development and execution system, the revision of procedures, and in the improvement of the general administration of the program and the Agency.

APPENDICES

APPENDIX I

New Development Loan Authorizations in Fiscal Year 1962*

ELECTRIC POWER—\$196.6 MILLION

Ghana, \$7 million 30-year 3.5-percent loan of September 9, 1961. Loan number 641-H-002. Borrower: Government of Ghana. This loan supplements a \$20 million loan previously authorized by the Development Loan Fund in May, 1961. It represents part of the U.S. contribution to the financing of a Volta River dam and power project. The total cost of the project is about \$200 million, of which a substantial portion is being covered by loans from the International Bank for Reconstruction and Development, the Government of the United Kingdom and the U.S. Export-Import Bank.

When completed, the dam and powerplant will prompt a substantial increase in the development of Ghanaian natural resources, particularly in the processing of bauxite. The principal consumer of electricity generated by this project will be an aluminum smelter, yet to be built. In addition to developing Ghana's aluminum potential, the project offers subsidiary opportunities for irrigation and inland water transportation.

A task force was specially appointed by President Kennedy to study this one loan. The group's chairman was Industrialist Clarence Randall. The loan was authorized only after this citizen's group had investigated the political and fiscal ramifications of this project and had recommended approval.

India, \$33.6 million 40-year $\frac{3}{4}$ -percent loan of January 19, 1962. Loan number 386-H-052. Borrower: Government of India. The Government of India will relend these funds to the Gujarat State Electricity Board. The interest rate will be no less than $3\frac{1}{2}$ percent per annum; a repayment period will be no longer than 20 years. The loan will then assist in financing the construction of a 250-megawatt, thermal-electric, power-generating station at Dhuvaran, New Cambay, Gujarat State, India. Associated transmission lines and substations will also be financed.

*Not net figures; do not reflect reductions from prior loan authorizations.

Continued emphasis on industrialization in India requires vigorous efforts to close the energy gap on which industrialization depends. The increase in power-generating capacity which will result from this project will be one of the biggest sources of energy in western India. It will permit existing industry to expand in the Cambay area. Also accommodated will be new industries, such as cement, textiles, petroleum, heavy manufacturing and chemicals. These industries are to begin operations in the area during India's third 5-year plan.

India, \$38 million 40-year $\frac{3}{4}$ -percent loan of January 30, 1962. Loan number: 386-II-056. Borrower: Government of India. The Government of India will relend these funds to the Electricity Board of the State of West Bengal. Interest rates will be no less than $3\frac{1}{2}$ percent. The repayment period will be no longer than 20 years.

The loan will then assist in financing foreign exchange costs of a 300-megawatt, thermal-electric, power-generating station at Bandel, State of West Bengal, India.

The region of West Bengal (which includes the city of Calcutta) is one of India's most industrialized areas; extensive industrial growth is planned here in the nation's third 5-year plan. Shortages of foreign exchange have prevented the construction of the necessary power-plants to keep up with industrial developments. Thus, a power shortage is currently a limiting factor in further development. Power from the Bandel power project will be distributed over existing transmission lines. This power will then serve industrial lands in the area around Calcutta, provide energy for railway tract electrification, and pump water connected with irrigation in the area.

India, \$20.2 million 40-year $\frac{3}{4}$ -percent loan of March 23, 1962. Loan number 386-H-061. Borrower: Government of India. The Government of India will relend the funds to the State Electricity Board of Kerala at an interest rate no less than $3\frac{1}{2}$ percent and a repayment period no longer than 15 years.

The loan will finance foreign exchange costs of the Pamba-Kakki hydroelectric project in the State of Kerala, India.

The industrial development of the State of Kerala largely has been retarded by a lack of adequate electric power for industrial uses. This power project will more than double the installed power generation capacity in Kerala. It will help attract industry to Kerala, and should serve to diversify the economy of the state. The project will also benefit in adjacent areas in helping irrigation as well as salinity and toxicity control.

India, \$17.9 million 18-year $3\frac{1}{2}$ -percent loan of May 29, 1962.* Loan number 386-H-063. Borrower: The Tata Power Co., Ltd.; The Tata Hydroelectric Power Supply Co., Ltd., and, the Andhra Valley

*The borrower may repay the host government on the above terms, provided the latter agrees to repay the United States in 40 years at $\frac{3}{4}$ percent.

Power Supply, Ltd., India. The loan will assist in financing foreign exchange costs of purchasing and installing a fourth thermal-electric generating unit, of 125-megawatt capacity, at the Trombay Thermal Power Station, Bombay, Maharashtra State, India.

The Tata Electric system serves the Bombay-Poona region of Maharashtra State, one of India's most populous and heavily industrialized regions. Apart from commerce and shipping, the industries in this area include textile mills, oil refineries, rayon, chemical, automobile and light engineering. These industries are to be expanded under the third 5-year plan. Availability of adequate power is a major need for that expansion.

India, \$8.4 million 40-year $\frac{3}{4}$ -percent loan of June 29, 1962. Loan number 386-H-068. Borrower: The Government of India. The Government of India will relend these funds to the State Electricity Department of the State of Andhra Pradesh. Interest rates will be no less than $3\frac{1}{2}$ percent per annum and a repayment period will be no longer than 15 years. The loan will then assist in financing foreign exchange costs of purchasing and installing a thermal-electric generating unit of 60-million-watt capacity. This unit will be at the Ramagundam Thermal Power Station in the State of Andhra Pradesh, India.

Largely to meet the demands of India's expanding industrial sector, installed electric-generating capacity is to be increased from 5.7 million kilowatts at the end of the second-plan period (1960-61) to 13.4 million kilowatts by the end of the third-plan period (1965-66). The present installed capacity of the Ramagundam Station is unable to meet peak power loads. The load demand is growing rapidly. Power generated by the Ramagundam project will, therefore, make a significant contribution to the providing of local power for cement factories, collieries, paper mills, etc.

India, \$16 million 40-years $\frac{3}{4}$ -percent loan of June 29, 1962. Loan number 386-H-069. Borrower: The Government of India. The Government of India will relend these funds to the Punjab State Electricity Board and the Municipal Corp. of Delhi. The interest rates will be no less than $3\frac{1}{2}$ percent per annum. Repayment will be no longer than 15 years. The loan will assist in financing the foreign exchange costs of constructing a thermal-electric generating station at New Delhi. Also included will be three 60-megawatt turbine-generator units, boiler and turbine auxiliaries, and ancillary equipment.

At present, generating plants are unable to meet the growing demand for electric power in this region. In fiscal 1962, the estimated Delhi shortage was 27 megawatts. By 1965, the shortage is expected to rise to 45 megawatts. The estimated Punjab shortage is expected to rise to 303 megawatts during the same period. The power output

of the project financed by this loan will be used in the Delhi and Punjab areas.

Korea, \$20.9 million 40-year $\frac{3}{4}$ -percent loan of December 18, 1961. Loan number 489-H-014. Borrower: Government of Korea. The Government of Korea will relend the funds to the Korea Electric Co. The interest rates will be no less than $3\frac{1}{2}$ percent with repayment to the Government of Korea within 22 years. The purpose of this loan is to assist in financing foreign exchange costs of equipment, materials, and services necessary for installing a 132-megawatt thermal power-plant and ancillary facilities near Pusan, Korea.

The plant will represent a major step toward successful accomplishment of the accelerated electric-power generation effort of Korea. It will help remove existing bottlenecks in power generation and transmission. These bottlenecks slowed down and disrupted industrial production, imposed major hardships on household consumers, and contributed to the inhibition of economic growth in Pusan and the rest of the country.

Pakistan, \$8.6 million 40-year $\frac{3}{4}$ -percent loan of April 18, 1962. Loan number 391-H-043. Borrower: The Government of Pakistan. The loan will assist in financing the foreign exchange costs to the expansion and improvement of the power-distribution systems in the Dacca and Chittagong areas of East Pakistan, the two principal load centers which will utilize power from the Karnafuli Hydroelectric project.

Increasing industrial production and population in the cities of Dacca and Chittagong, East Pakistan, is expected to increase power consumption from 47 megawatts to 141 megawatts by 1967. This increased demand will be satisfied by the new power provided by the Karnafuli Hydroelectric project only if present distribution and secondary transmission facilities are substantially modified and expanded as provided by this investment. The Government of Pakistan will relend these funds to the East Pakistan Water and Power Development Authority. Interest rates will be no less than $3\frac{1}{2}$ percent per annum; the repayment period will be no longer than 25 years.

Pakistan, \$26 million 25-year $3\frac{1}{2}$ -percent loan of April 18, 1962.* Loan number: 396-H-042. Borrower: The Karachi Electric Supply Corp., Ltd. (KESC). The loan will assist in financing foreign exchange costs in the construction of a 132-megawatt thermal-electric power-generating station and allied works at Karachi, Pakistan.

The development of an adequate supply of electric power has not kept pace with the increase of industrial and commercial as well as residential demand in Karachi. By the end of 1962, KESC's capacity is expected to increase to 101 megawatts while demand is expected

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to rise to 175 megawatts. The completion of this new generating station in 1965 should provide Karachi with a firm capacity of 200 megawatts. That capacity will, for the first time since partition, give the city an adequate power base to meet its growing requirements.

TRANSPORTATION—RAILROADS—\$93.2 MILLION

Cameroon, \$9.2 million 40-year $\frac{3}{4}$ -percent loan of June 29, 1962. Loan number 694-H-001. Borrower: The Government of the Federal Republic of Cameroon. The loan will assist in financing foreign exchange and local costs of material, equipment, and services required for the construction of an approximately 205-mile extension to the Cameroon Railway system from Yaounde to Goyoum. The European Economic Community and the Governments of France and the Cameroon are contributing an additional \$27.65 million to this linking of Yaounde to Goyoum.

About two-thirds of the Cameroon's output never enters the market economy. This is partly due to a lack of adequate transport facilities. The rate of economic growth has been the greatest in the south. There the transport system is well developed; the north, on the other hand, has remained economically backward in the absence of adequate facilities. Containing 40 percent of the country's population, the north has considerable potential in agriculture and minerals. The extension of the railway up to Goyoum will expand the development potential of this area and bring the south port of Douala within easy access.

India, \$43 million 40-year $\frac{3}{4}$ -percent loan of May 31, 1962. Loan number 386-H-058. Borrower: Government of India. The loan will assist in financing foreign exchange costs in the acquisition of diesel locomotives. The loan will also finance spare parts and maintenance equipment. Operating personnel will be trained.

India's third 5-year plan anticipates an expansion of railway traffic from 154 to 245 million tons by 1966. The 158 diesel locomotives financed under the loan will make a significant contribution toward increasing the carrying capacity of India's present railways.

Pakistan, \$31 million 40-year $\frac{3}{4}$ -percent loan of June 26, 1962. Loan number 391-H-045. Borrower: The president of Pakistan. The loan will be used to finance foreign exchange costs of acquiring locomotives, coaching vehicles (other than passenger cars), wagons, truck material, and materials for other engineering works. This loan implements a portion of a plan for developing and rehabilitating Pakistan's railways during the second 5-year plan (1960-65).

The railways presently are operating at full capacity. Except by modernizing and expanding their facilities, they will be unable to

handle the traffic that is expected to be generated during the second 5-year plan. The ton-mile freight traffic during the 5-year span is expected to increase by 37.1 percent on the Pakistan Western Railway and by 42.1 percent on the Pakistan Eastern Railway. Modernization will provide the additional capacity needed for the Indus Valley development, a key to economic progress in west Pakistan.

Turkey, \$10 million 40-year $\frac{3}{4}$ -percent loan of May 31, 1962. Loan number 277-H-033. Borrower: Government of Turkey. The Government of Turkey will relend these funds to the Turkish State Railways Administration at an interest rate no less than $3\frac{1}{2}$ percent per annum. The repayment period will be no longer than 15 years. The loan will then finance foreign exchange costs of approximately 33 diesel electric locomotives, related spare parts, tools, training aids, and other services will also be financed.

These diesel locomotives will bring a significant increase in the carrying capacity of the Istanbul-Ankara Railway line, the backbone of Turkey's transportation system. This line has reached the limit of its capacity with single-track and steam operation. Since engine replacements are necessary in any case, this project will permit replacement at lower initial capital cost, as compared to engine replacement with comparable steam units, and result in reduced operating cost as compared to existing steam facilities.

TRANSPORTATION—ROADS—\$7.3 MILLION

Bolivia, \$2.4 million 40-year $\frac{3}{4}$ -percent loan of February 8, 1962, of which only \$0.4 million represented a new commitment. Loan number 511-H-009. Borrower: Government of Bolivia. This loan will finance foreign exchange costs of highway maintenance equipment, spare parts, and shop tools. These items will help complete a plan of Bolivia's National Road Service. Equipment procured under this loan will be used primarily for current maintenance work on roads already improved by the road service.

Only \$400,000 of this loan was committed from AID development loan funds. The remainder of \$2 million had been allocated (committed) but not obligated by the former Development Loan Fund.

Iran, \$6 million 17-year $3\frac{1}{2}$ -percent loan of February 8, 1962. Loan number 265-II-011. Borrower: Government of Iran. This loan will assist the plan organization of the Government of Iran in financing costs connected with the construction of primary roads linking the Persian Gulf to the Caspian Sea.

Improvement of the Iranian highway network will reduce the geographic isolation of many communities. Farm-to-market roads, for instance, will be provided.

Nicaragua, \$3.7 million loan of February 9, 1962, of which only \$0.9 million represented a new commitment. (Terms not yet established.) Loan number 524-H-005. Borrower: Government of Nicaragua. The loan will assist in financing construction cost for approximately 124 kilometers of roads in the western part of Nicaragua. This AID loan is a follow-on loan to an earlier highway construction credit authorized by the Development Loan Fund in an amount of \$4.3 million in May 1961. Only \$900,000 of this loan was committed from AID Development Loan Funds. The remainder of \$2.8 million had been allocated (committed) but not obligated by the former Development Loan Fund.

The roads are priority highways within the framework of the Nicaraguan national highway program. Their completion will link portions of Nicaragua's best agricultural zones to major urban markets and to the principal seaport on the Pacific coast.

TRANSPORTATION—AIRPORTS—\$1.2 MILLION

Bolivia, \$1.2 million 40-year $\frac{3}{4}$ -percent loan of May 31, 1962. Loan number 511-H-011. Borrower: Government of the Republic of Bolivia. This is an increase in a loan authorized by the Development Loan Fund in 1951 (original amount: \$1.5 million). The increment will cover increased costs of airport construction and engineering services for the terminal building of the El Alto Airport at La Paz, Bolivia.

Improvement of the El Alto Airport will permit its operation on a round-the-clock basis. Safety factors for airplanes using the airport will be improved.

TRANSPORTATION—PIPELINES—\$2.8 MILLION

Pakistan, \$2.8 million 12-year $5\frac{3}{4}$ -percent loan of June 15, 1962*. Loan number 391-H-044. Borrowers: Sui Gas Transmission Co., Ltd., Karachi, Pakistan. The loan will finance foreign exchange costs for the establishment of a gas-compressor station at Nawabsha. The station will maintain required working pressure in a pipeline for the growing Hyderabad and Karachi communities.

Natural gas is one of the few natural resources of Pakistan. Two primary benefits will be derived from its development. *First*, encouragement of its use in industrial development will directly aid the balance-of-payments situation in Pakistan: Not as much fuel will have to be imported. *Second*, the use of the Sui gas pipeline will greatly alleviate an overburdened transport system: The pipeline will provide means independent of rail and port facilities for carrying fuel to dis-

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tribution centers. It is estimated that substitution of the indigenous supply of gas for other fuels will save \$95 million in foreign exchange during the first 18 years of operation.

INDUSTRIAL—MINING—\$59.2 MILLION

Ghana, \$55 million 20-year 5¾-percent loan of June 28, 1962. Loan number 641-H-003. Borrowers: Volta Aluminum Co., Ltd. (VALCO). The loan will assist in financing the foreign exchange requirements of an aluminum smelter to be constructed at Tema in Ghana in conjunction with the Volta River hydroelectric project.

The smelter, in fact, will be the principal consumer of electricity to be generated by the facility.

The Export-Import Bank, which signed a loan agreement with the borrower on February 8, 1962, is making and administering this loan. AID is sharing in the loan by providing the Export-Import Bank with one-half of the funds; AID will receive its pro rata share of the repayments, of both principal and interest.

India, \$4.2 million 40-year ¾-percent loan of January 24, 1962. Loan number 386-H-057. Borrower: Government of India. The Government of India will relend the funds to the Hindustan Steel Co., Ltd. The interest rate will be no less than 3½ percent per annum. Repayment period will be no longer than 15 years. The loan will then assist in financing foreign exchange costs of constructing and equipping a coal washery plant. This processing facility will be located at Patherdih in the State of Bihar, India.

Reserves of metallurgical coals in India are limited in relation to demands by India's steel mills. Requirements of washed coal for the major steel plants are estimated at about 8 million tons per annum. Against this requirement, five washeries presently operate supplying about 4 million tons. The new Patherdih Coal Washery is expected to add another 2 million tons per annum to India's washed-coal capacity.

INDUSTRIAL—AUTOMOTIVE—\$32.5 MILLION

India, \$3 million 15-year 5¾-percent loan of December 18, 1961.* Loan number 386-H-059. Borrower: The Premier Automobiles, Ltd. The loan will assist in financing foreign exchange costs for import machinery required to produce sheet metal components for Premier trucks and automobiles, and modernize and expand the capacity of related parts of the borrower's plant. It supplements an earlier DLF loan of \$7.2 million for the same purpose.

The third 5-year plan calls for expanding the highway network; a corollary to this is an increased emphasis on the production of commercial vehicles. Expansion of the vehicle plant will contribute im-

*See footnote on p. 73.

portantly to the achievement of India's long-range transportation objectives. The loan will increase the indigenous component of Premier's automotive production, providing foreign exchange savings of up to \$2.1 million. The loan will also be used to modernize the firm's capacity. The project will serve to strengthen and stimulate the private sector of the Indian economy; that strengthening in turn should help to ensure that private enterprise continues as the major producer of automotive vehicles in India.

India, \$15.8 million 10-year 5¾-percent loan of June 26, 1962.* Loan number 386-H-066. Borrower: The Hindustan Motors, Ltd., Hooghly District, West Bengal, India. The loan will assist in financing foreign exchange costs of expanding and improving the Hindustan Motors, Ltd., truck and automobile manufacturing plant. The financing will increase plant capacity and production, and increase the domestically manufactured content of Hindustan motor vehicles.

The third 5-year plan indicates a greater recognition of the critical role to be played by commercial highway transport in carrying India's goods and services. This appraisal is reinforced by the serious transport bottlenecks of the past 2 years, bottlenecks that have had a deleterious effect on India's development efforts. The increase in domestic production resulting from this investment will help overcome the shortage of vehicles for road transport.

India, \$13.7 million 15-year 5¾-percent loan of June 26, 1962.* Loan number 386-H-067. Borrower: The TATA Engineering & Locomotive Co., Ltd. (TELCO). The loan will assist in financing foreign exchange costs of expanding the capacity of the TELCO TATA-Mercedes Benz truck plant from 12,000 vehicles a year to 18,000 by 1964; and increasing the domestically manufactured content of the TELCO truck from 78 percent to 86 percent. Thus, this loan will effect a direct reduction in the anticipated third-plan commercial traffic deficit; will help to reduce the drain on India's foreign exchange; and will, accordingly, contribute to India's economic development.

INDUSTRIAL—GENERAL—\$19.45 MILLION

India, \$9.8 million 12-year 5¾-percent loan of March 28, 1962.* Loan number 386-H-060. Borrower: The Delhi Cloth & General Mills Co., Ltd., New Delhi, India. The loan will assist in financing foreign exchange costs of equipment, materials, and services required to establish a plant to produce filament yarn and rayon tire cord fabric, and a related plant to produce rayon-grade pulp from cotton linters. The linters will be the cellulose raw material for the filament yarn facility.

To meet the third 5-year plan requirements for tires, it is estimated that the major Indian tire producers will have to increase their input

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of tire cord from the present 13.4 million pounds to over 27 million pounds. Since all rayon tire cord is currently imported, an annual foreign exchange saving of \$3.8 million is estimated once both plants are in operation.

India, \$2.3 million 9-year 5¾-percent loan of June 29, 1962.* Loan number 386-H-070. Borrower: NAPCO Bevel Gear of India, Ltd., Faridabad, Punjab State, India. The loan will assist in financing foreign exchange costs of equipment and services required to establish a precision-gear plant in India. Basically, the project involves the purchase and transfer to India of the precision-gear manufacturing equipment of the Detroit Bevel Gear Division of NAPCO Industries, Inc. A factory is being built at Faridabad to accommodate this equipment, and some additional new equipment is being provided.

NAPCO Bevel Gear of India will produce gears for vehicle production in India. Since a large portion of these gears are currently being imported, this project will save valuable foreign exchange and, in addition, is expected to earn approximately \$2.4 million annually through the export of gears in excess of Indian requirements.

Korea, \$4.25 million 12-year 5¾-percent loan of February 21, 1962.* Loan number 489-H-015. Borrower: Hyun Dai Construction Co., Ltd. The loan will assist in financing foreign exchange costs of building a cement plant in the vicinity of Tanyang, Korea. The plant will have a production capacity of 150,000 metric tons per year. The new facility will help satisfy the heavy Korean demands, stemming from economic development needs and reconstruction requirements. Domestic cement production is well below the level of demand, necessitating foreign exchange expenditures for very costly cement imports.

Philippines, \$0.1 million 10-year 5¾-percent loan of September 29, 1961. Loan number 492-H-012. Borrower: Bataan Pulp & Paper Mills, Inc. This is an increase of a \$5.3-million loan originally authorized by the Development Loan Fund in 1959. The increment will be used to procure items urgently needed to complete the construction of an integrated pulp and paper mill on the Bataan Peninsula in the Philippines.

When completed, the plant will produce pulp and paper to replace imports estimated at a value of about \$5 million annually. The project will also lead to an improvement of bamboo cultivation in the area and give employment to 600 people, thus enhancing the income potential of local residents. Greater availability of locally produced paper will permit increased use of paper for many purposes and will help meet material requirements of the developing Philippine economy.

*The borrower may repay the host government on the above terms, provided the latter agrees to repay the United States in 40 years at ¾ percent.

United Arab Republic, \$3 million 12-year 5¾-percent loan of April 26, 1962.* Loan number 263-H-014. Borrower: Societe Misr Pour La Rayonne, Kafr El Dawar, United Arab Republic. This loan will finance foreign exchange costs of a project to expand an existing viscose and cellophane production plant.

Foreign exchange shortages have recently resulted in import restrictions on cellophane and rayon staple fiber. The project will result in import savings insofar as it eliminates the import of these products. Some cellophane may still be imported, however. Although this project will produce consumer products, it is regarded as significant in the overall development of the Egyptian economy.

INTERMEDIATE CREDIT INSTITUTIONS—\$114.5 MILLION

Chile, \$40 million 40-year ¾-percent loan of June 26, 1962. Loan number 513-H-017. Borrower: Corporacion de Fomento de la Produccion (CORFO). The loan will assist in financing the costs of goods and services for capital projects. The projects will involve electric power, transportation, housing, school and hospital construction, irrigation, ports, water and sanitary works, urban paving, airport improvement, credits to private industrial and agricultural enterprises, and other economic and social development projects. CORFO is to relend the funds to help finance capital projects of public entities covered by the Government of Chile budget, to public corporations and to private sector enterprises. A U.S. engineering consulting firm is to be contracted by CORFO under the loan to approve all subprojects and to assist in administering the loan.

The projects eligible for financing under this loan cover a wide range of activities basic to economic development. Hence, the loan will contribute to the overall growth of the Chilean economy, as well as to the social welfare of the Chilean population. The loan is related to a larger U.S. commitment of economic assistance to Chile.

Ecuador, \$5 million 20-year 5¾-percent loan of February 9, 1962.* Loan number 518-H-014. Borrower: National Securities Commission of Ecuador.

The loan is designed to help finance, through the National Securities Commission (an autonomous government agency), the establishment and expansion of industrial enterprises in Ecuador. The funds will be used by the National Securities Commission to purchase industrial mortgage bonds issued and guaranteed by the banking system to finance procurement of goods and services for enterprises within categories approved by AID. A portion of the loan is to be set

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aside and used for financing assistance to small and handicraft enterprises in the Ecuadorean economy.

Use of AID funds through the intermediary of the National Securities Commission will contribute to Ecuador's industrial development objectives by helping to increase domestic production, employment and income and by relieving pressure on Ecuador's foreign exchange position. Investments will be directed into those economic activities in which Ecuador enjoys comparative cost advantages.

Greece, \$5 million 15-year 4½-percent loan of May 31, 1962. Loan number 240-H-021. Borrower: The National Bank of Greece, S.A., Athens, Greece. The loan will assist in providing foreign exchange required for medium- and long-term subloans by the borrower to private enterprises in Greece. The loan will be used for projects contributing to the economic development of Greece.

The current Greek 5-year plan, covering the years 1960 to 1964 inclusive, projects an investment total of some \$3.67 billion, two-thirds of which is anticipated for the private sector. This development bank loan is intended to make some contribution toward the latter goal since it will provide external financing requirements for Greek small industry.

Greece, \$5 million 15-year 4½-percent loan of May 31, 1962. Loan number 240-H-022. Borrower: The Economic Development Financing Organization, Athens, Greece; a government corporation. The loan will assist in providing foreign exchange required for medium- and long-term subloans to private enterprises in Greece. The loan will be for projects contributing to the economic development of Greece.

The current Greek 5-year plan, covering the years 1960 to 1964, projects an investment total of some \$3.67 billion, two-thirds of which is anticipated for the private sector. This development bank loan is intended to make some contribution toward the latter goal. The loan will provide the external financing requirements for Greek small industry.

India, \$20 million 15-year 5-percent loan of March 23, 1962.* Loan number 386-H-062. Borrower: The Industrial Finance Corp. of India, (IFC). The loan will provide foreign exchange to be reloaned to private entrepreneurs in India. It will then be used to cover the foreign exchange costs of industrial projects contributing to India's economic development.

The development of a viable and expanding private sector is essential for success in meeting the goals of India's third 5-year plan. The IFC has been fostering industrial development by providing loans and guarantees of medium- and long-terms to the growing Indian

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entrepreneurial class. Its local currency resources have been adequate, but its normal functioning in granting long-term industrial loans has been hampered in the past by the lack of foreign exchange. This loan will contribute to an expanding private industrial sector in India.

Mexico, \$20 million 40-year $\frac{3}{4}$ -percent loan of June 20, 1962. Loan number 523-H-020. Borrower: Nacional Financiera, S.A. This loan to Nacional Financiera, a financial agency of the Mexican Government, is to be administered by the Bank of Mexico through the Fund for the Guarantee and Promotion of Agriculture, Livestock, and Poultry Farming. This will assist the Bank of Mexico and the fund in a program for the extension of medium- and long-term credit to owners of small-scale farms.

Pakistan, \$7.5 million 7-year 5-percent loan of January 3, 1962.* Loan number 391-H-041. Borrower: The Pakistan Industrial Credit & Investment Corp. (PICIC), a privately held development bank. The loan will provide foreign exchange to be relented to private entrepreneurs in Pakistan. It will cover the foreign exchange costs of industrial projects contributing to Pakistan's economic development.

PICIC currently represents virtually the only source of foreign exchange for new private investment in Pakistan. As such, it plays a central role in the economy and is recognized by the government as a key operation in apportioning foreign exchange. Provided an enterprise is within a general industrial category approved by the government, PICIC's determination that the investment is financially and economically sound automatically entitles the borrower to the necessary government licenses.

Sudan, \$2 million 15-year 4-percent loan of December 18, 1961.* Loan number 650-H-023. Borrower: Industrial Bank of Sudan. The purpose of the loan is to provide the Industrial Bank of Sudan with foreign exchange funds needed for relending to industrial enterprises. The funds will be relented on medium- and long-term bases for mutually agreed upon categories of industrial activity. The Government of Sudan is to provide additional financial resources, in both equity and loan forms, to the borrower.

Although it is anticipated that agriculture will continue to constitute the principal field for investment in the Sudan and account for the largest proportion of the country's gross national product, the proportion of gross national product generated by industry is also expected to rise during the next decade. The Government of Sudan is making particular efforts to encourage industrial expansion. The establishment and provision of foreign exchange funds to the Industrial Bank of the Sudan will materially assist in reaching industrialization.

*The borrower may repay the host government on the above terms, provided the latter agrees to repay the United States in 40 years at $\frac{3}{4}$ percent.

Venezuela, \$10 million 20-year $\frac{3}{4}$ -percent loan of April 10, 1962. Loan number 529-H-003. Borrower: Agricultural & Livestock Bank of Venezuela. The loan will assist in financing a program of supervised agricultural credit in Venezuela. The program operates through the Agricultural & Livestock Bank, other Venezuelan Government agencies, a private institution of the United States, and the Agency for International Development. The program combines technical assistance with credit facilities, making it possible for low-income farmers with sufficient land resources to learn new production methods and to acquire facilities to make needed improvements in their farm, home, and production facilities. The objectives are to provide more stability for the farms, to increase net income and to improve living conditions and educational opportunities for the farm family.

AGRICULTURE—GRAIN STORAGE—\$31.7 MILLION

Syria, \$14.7 million 40-year $\frac{3}{4}$ -percent loan of June 22, 1962. Loan number 276-H-008. Borrower: Government of the Syrian Arab Republic. The loan will finance a national system of grain storage and handling facilities in the Syrian Arab Republic. The project consists of the full engineering and construction of 11 storage facilities, 1 feed mill, and 3 certified feed facilities.

Syrian authorities have been exploring the feasibility of a national system of grain storage since the mid-1950's. The project financed by this loan will, on the basis of conservative estimates of avoidable storage losses, result in a potential annual saving of 8 percent of produced grains. This will represent an annual saving to the national economy of \$11 to \$12 million a year.

United Arab Republic, \$17 million 40-year $\frac{3}{4}$ -percent loan of April 26, 1962. Loan number 263-H-015. Borrower: The Government of the United Arab Republic. The purpose of the loan is to finance the first of a two-phased national system of grain storage and handling facilities in Egypt. The total project consists of the full engineering and construction of 49 silos. Of these, three are port facilities, four are terminal facilities, four are large distribution silos, and 38 are small distribution silos.

The present facilities, equipment, and system for storing, handling, and distributing grain in Egypt are completely inadequate to cope even with the existing situation. Unless improved facilities and a more efficient system are provided, this inadequacy will become more acute under the pressure of a rapidly growing population. Physical losses of grain from rodents, insects, and related damages were estimated at nearly 8 percent of the total grain consumed in 1960, for an estimated value of \$10 million. The new system is expected to reduce these losses by 50 percent.

Peru, \$8.6 million 40-year $\frac{3}{4}$ -percent loan of February 9, 1962. Loan number 527-H-022. Borrower: Government of Peru. This loan is to help finance local costs of improving Lima's water and sewerage system. The foreign exchange costs of the project are to be met with a companion Export-Import Bank loan of \$6.5 million announced at the same time.

The project involves laying about 600 miles of water mains and more than 25 miles of sewer pipe with ancillary reservoir, meterage, and storage equipment. The project will serve to rehabilitate and expand Lima's present water system, one that has not been enlarged since 1920. The new system will remedy present deficiencies in the water and sewerage system. Since Lima contains much of Peru's total economic and industrial enterprise, completion of the project will make a vital contribution to Peruvian national growth and well-being.

Thailand, \$11.1 million 30-year 3-percent loan of May 31, 1962. Loan number 493-H-010. Borrower: Government of Thailand. The loan will help cover foreign exchange and local costs of three irrigation system projects in northern and northeastern Thailand. Two of the projects are in the Mekong River Basin (on the Lam Pra Plerng River near Korat and the Lam Pao River near Kalasin in the heart of the northeast region) while the third (on the Me Tang River) is near the Burmese border in extreme northern Thailand.

The project to be financed with the proceeds of this loan are key segments of the Thai program for developing presently depressed areas. By providing flood control and continuous irrigation for 118,000 acres of farmland, the projects will lead to an increase in both rice and upland crop production.

Tunisia, \$2.4 million 40-year $\frac{3}{4}$ -percent loan of December 18, 1961. Loan number 664-H-012. Borrower: Government of Tunisia. The loan will assist in financing foreign exchange costs of equipment, materials, and services required to increase the dependable water supply for Tunis and its suburbs. It will help construct a 2,800,000-cubic-meter regulating reservoir and the installation of related facilities, including principally a filtration plant. The cost of this project is \$1,547,000 of which this loan will finance \$800,000. The remainder will be provided by the Government of Tunisia.

The loan will also assist in financing foreign exchange costs of equipment, materials, and services required to increase the water supply for Sfax and its suburbs. It will help expand the capacity of the Sbeitla-Sfax main waterline to 3,600 gallons per minute and will improve and extend the water distribution system in and around Sfax. The cost of this project is \$1,428,000 of which this loan will finance \$600,000. The remainder will be provided by the Government of Tunisia.

Finally, the loan will assist in financing foreign exchange costs of equipment, materials, and services required to install wells, an electrical-distribution system, a pumping system, regulating basins, a water-distribution system, and land-development works necessary to provide irrigation for approximately 3,400 acres of land in the Cape Bon Peninsula. The cost of this project is \$2,070,000 of which this loan will finance \$1 million. The remainder will be provided by the Government of Tunisia.

FEASIBILITY STUDIES—\$9 MILLION

Bolivia. \$6 million 40-year $\frac{3}{4}$ -percent loan of June 8, 1962. Loan number 511-H-010. Borrower: Government of Bolivia. This loan will assist in financing costs of economic and engineering studies to determine the technical and economic feasibility of specific development projects in Bolivia. The proceeds of the loan will be used to finance contracts with U.S. firms for studies of specific projects. The projects will include economic and social matters, including road construction, agriculture, industry, mining, petroleum and natural gas, and power.

The loan will help to overcome deficiencies in the supply of technical skills in Bolivia; these skills are required to make effective and adequate studies of development project needs. By providing financing for the services of technicians, the loan will speed up the preparatory process. It should place Bolivia in position to submit complete applications for projects designed to stimulate economic growth and diversification.

Peru. \$3 million 40-year $\frac{3}{4}$ -percent loan of June 8, 1962. Loan number 527-H-023. Borrower: Government of Peru. This loan is to assist in financing foreign exchange and local currency costs of feasibility studies of priority development projects in Peru. The projects to be studied include activities in many social and economic fields, including water and sewerage, irrigation, highways, railroads, ports, and small powerplants.

The financing made available by this loan will help to remedy a serious obstacle to accelerated investment in Peru, i.e., the present inability of Peru to complete and finance economic and engineering studies needed to formulate development projects. The loan is expected to generate the information and data needed to underlie applications for assistance from major external lending institutions. The loan will also assist in the long run by training Peruvians in the correct procedures and methods of economic development planning and investment.

COMMUNICATIONS—\$5.2 MILLION

China (Taiwan), \$5.2 million 40-year $\frac{3}{4}$ -percent loan of February 9, 1962. Loan number 484-H-026. Borrower: Government of the Republic of China. The loan is to be used by the Taiwan Telecommunications Administration (an agency of the Republic of China). It will help improve telephone service in three large commercial and industrial centers. The project includes installation of 41,500 terminals of automatic equipment in 17 exchanges, conversion of selected manual service to dial operation, expansion of telephone exchanges, and the provision of power-supply packs, meters, and related equipment.

Telephone installations in Taiwan suffered heavy damage in World War II. At the present time, the use of telephones is restricted, with virtually no applications for new service being accepted. The need for improvement is especially great in the three major industrial areas around Taipei, Taichung, and Kaohsiung. Three more effective communications systems will result in greater abilities on the part of industries to meet the country's market and business needs. Rather than household subscriber needs, the project is designed primarily to satisfy commercial and business requirements.

NONPROJECT LOANS—\$501.5 MILLION

Argentina, \$20 million, 15-year $3\frac{1}{2}$ -percent loan of February 17, 1962. Loan number 510-H-005. Borrower: Government of Argentina. This loan finances exchange costs of essential imports into Argentina. All goods, materials, equipment, and services financed with loan proceeds are to be procured from U.S. sources.

Brazil, \$74.5 million 40-year $\frac{3}{4}$ -percent loan of November 16, 1961. Loan number 512-H-004. Borrower: Banco do Brasil, S.A. The purpose of this loan—released in stages since November 1961—is to provide assistance to the Brazilian Government's program of promoting economic and social progress under conditions of financial stability. These objectives are an essential part of the Alliance for Progress concept, as expressed in the Charter of Punta del Este. The proceeds of the loan will be used to help Brazil finance essential imports from the United States.

The loan is in implementation of financial agreements concluded between the United States and Brazil in May 1961. At that time, the United States announced \$338 million of new credits (accompanied by new credits from other governments, private sources, and international financial institutions). Up to \$100 million is to be provided from resources available through AID.

China (Taiwan), \$20 million 40-year $\frac{3}{4}$ -percent loan of June 12, 1962. Loan number 484-H-029. Borrower: Government of the Republic

of China (Taiwan). This loan will be used to finance imports from the United States of essential industrial commodities and equipment. These items will relate to the expansion of Taiwan's industrial and investment activity. U.S. assistance to Taiwan's accelerated development program is keyed to a series of self-help measures pledged by the Republic of China Government in 1960. In fiscal 1962, major assistance to Taiwan for essential imports was shifted from a grant to a loan basis.

The commodities to be procured include electrodes, hides and leather, zinc and lead, sulphur, rubber, pulp, iron and steel, chemicals, machinery, and spare parts, which will be of direct and indirect benefit to private enterprises in China and to the overall Chinese development effort.

India, \$200 million 40-year $\frac{3}{4}$ -percent loan of March 16, 1962. Loan number 386-H-055. Borrower: Government of India. The purpose of the loan is to assist in financing imports from the United States that are essential to India's development programs.

AID financing of imports is based on the levels and types of imports that are required to further India's developmental efforts. Another factor is the assistance that was pledged by other free world nations in the course of special meetings during May and June 1961.

Imports to be financed by this loan, a large part of which are for the private sector in India, include nonferrous metals, fertilizers, trucks and auto components, steel, machinery, synthetic rubber, tire cord synthetic yarn, dyes, drugs, plastic materials, tools, lubricants, and aviation fuel.

Israel, \$10 million 20-year $\frac{3}{4}$ -percent loan of December 18, 1961. Loan number 271-H-063. Borrower: Government of Israel. The loan will finance the acquisition and importation of capital equipment, materials, and related services by private industrial firms in Israel.

Israel, \$35 million 20-year $\frac{3}{4}$ -percent loan of June 29, 1962. Loan number 271-H-071. Borrower: Government of Israel. The loan will finance purchases of U.S. capital equipment materials, and services required in modernizing the Israeli economy, and purchases of U.S. raw materials and components for processing by Israeli industries.

Israel has been making rapid strides forward in its economic development. In the 5-year span from 1956 through 1960, total gross national product increased well over 50 percent. To maintain this rate, Israel requires heavy imports of investment goods, such as those financed by this loan. More than 95 percent of the new loan funds will be reloaned by the Government of Israel to private enterprises.

Pakistan, \$42 million 40-year $\frac{3}{4}$ -percent loan of June 29, 1962. Loan number 391-H-046. Borrower: The president of Pakistan. This

loan will assist in financing foreign exchange costs of selected essential commodity imports. These imports are essential to the development of Pakistan's industrial, agricultural, and institutional sectors.

The imports financed under this loan are needed for the achievement of productivity targets established in Pakistan's second 5-year plan. To realize this plan, the Government of Pakistan has begun liberalizing import controls. Key industries will be able to import commodities required for plant operation at 100 percent of one-shift capacity. In the agricultural sector, Pakistan hopes to achieve self-sufficiency in agricultural products by 1965; this will require increase in food-grain production of 21 percent. To foster this productivity, it is essential to import fertilizers, pesticides, tractors, and other farm machinery that is available in sufficient quantity only from abroad.

Pakistan, \$90 million 40-year $\frac{3}{4}$ -percent loan of June 29, 1962. Loan number 391-H-039. Borrower: The Government of Pakistan. The loan will assist in financing foreign exchange costs for imports to Pakistan of iron and steel. These items are required from January 1, 1962, and will carry forward Pakistan's second 5-year plan.

Although it had virtually no industry at the time of gaining independence 15 years ago, by 1960 Pakistan's industrial output was generating 14 percent of the gross national product. Since that time, strong needs have arisen for iron, steel, machinery, and raw materials, mainly to supply industrial plants. These imports—including pig iron, steel billets, sheets, plates, wire, structurals, rounds, and pipe strips—are essential to the furtherance of Pakistan's economic development.

Tunisia, \$10 million 40-year $\frac{3}{4}$ -percent loan of May 4, 1962. Loan number 664-H-011. Borrower: Government of Tunisia. The loan will assist in financing foreign exchange costs involved in procuring essential commodities from the United States, and transporting those commodities on U.S. flag vessels. The local currency generated by the loan will provide, as part of the economic development program, needed support for agriculture, forestry, transportation, manufacturing, service activity, and community development.

APPENDIX II

AID Advisory Committees

(as of June 30, 1962)

ADVISORY COMMITTEE ON ECONOMIC DEVELOPMENT

EDWARD MASON: Dean, Graduate School of Public Administration, Harvard University, chairman.

MAX MILLIKAN: Director, Center for International Studies, Massachusetts Institute of Technology.

VINCENT BARNETT: Director, Institute of Development Economics, Williams College.

EMILE DESPRES: Director, Research Center in Economic Growth, Stanford University.

LUCIAN PYE: Professor of Political Science, Center of International Studies, Massachusetts Institute of Technology.

LLOYD REYNOLDS: Director, Center for Quantitative Study on Economic Structure and Growth, Yale University.

EDWIN YOUNG: Dean of the College of Letters and Science, University of Wisconsin.

HOLLIS CHENERY: AID Headquarters, secretary.

Two-day monthly meetings are held to review AID economic policies and to advise on research.

DEVELOPMENT LOAN COMMITTEE

FOWLER HAMILTON*: AID Administrator, chairman.

HAROLD F. LINDER: Chairman of the Board of Directors of the Export-Import Bank of Washington.

GRIFFITH G. JOHNSON: Assistant Secretary of State for Economic Affairs.

JOHN M. LEDDY: Assistant Secretary of the Treasury dealing with international finance.

SEYMOUR M. PEYSER: AID Headquarters, secretary.

Meetings are held on an average of twice a month to establish standards and criteria for development lending operations.

*David E. Bell became Administrator in December 1962.

U.S. PUBLIC ADVISORY STAFF

- DETLEV W. BRONK: President, The Rockefeller Institute.
HARRISON SCOTT BROWN: Professor of Geochemistry, California Institute of Technology.
ROBERT ALAN CHARPIE: Director, Advanced Projects Research, Union Carbide Co.
FREDERICK H. HARBISON: Director, Industrial Relations Section, Princeton University.
J. GEORGE HARRAR: President, The Rockefeller Foundation.
ALLAN R. HOLMBERG: Professor of Anthropology, Cornell University.
WILLIAM A. W. KREBS: Vice President, Arthur D. Little Co.
ISADOR LUBIN: Economic Consultant, 20th Century Fund.
WALSH McDERMOTT: Chairman, Department of Public Health and Preventive Medicine, Cornell University.
MAX MILLIKAN: Director, Center of International Studies, Massachusetts Institute of Technology.
ROBERT SWAIN MORISON: Director for Medical and National Sciences, The Rockefeller Foundation.
ARTHUR T. MOSHER: Council on Economic and Cultural Affairs, Inc.
FRANK PRESS: Professor of Geophysics, California Institute of Technology.
ISIDOR I. RABI: Professor of Physics, Columbia University.
THOMAS J. WATSON: President, International Business Machines, Inc.
JERROLD RINACH ZACHARIAS: Professor of Physics, Massachusetts Institute of Technology.
LEONA BAUMGARTNER: AID Headquarters, Secretary.

Meetings held whenever required by the Executive Director of the Science Conference Staff preparing materials for the U.N. Conference on the Application of Science and Technology for the Less-Developed Areas, to be held in Geneva in February 1963.

LABOR ADVISORY COMMITTEE

- ANTHONY LUCHEK: Professor of Labor Education, University of Wisconsin.
JOSEPH P. O'DONNILL: Executive Director, Trade Union Program, New York State.
MAURICE F. NEUFELD: Professor of Industrial Labor Relations, Cornell University.
STANLEY RUTTENBERG: Director, Department of Research, AFL-CIO.
SYLVIA GOTTLIEB: Assistant to the President, Communications Workers of America.
FRED K. HOEHLER, JR.: Director, Labor Program Services.
LAWRENCE ROGIN: Director of Education, AFL-CIO.

DONALD S. BEATTIE: Executive Secretary, Railway Labor Executives' Association.

ANTHONY G. WEINLEIN: Director of Education and Research, Building Employees National Union, AFL-CIO.

Three or four meetings are held annually to advise on labor education and industrial relations.

ADVISORY COMMITTEE ON VOLUNTARY FOREIGN AID

CHARLES P. TAFT: Lawyer, Cincinnati, Ohio.

WILLIAM BATT: Retired Business Executive and Government Official.

MARGARET HICKEY: Contributing Editor, *Ladies Home Journal*.

UGO CARUSI: Retired Lawyer.

LESSING ROSENWALD: Chairman, Rosenwald Fund.

J. EDGAR RHOADS: President, J. E. Rhoads & Sons, Wilmington, Del.

ELMORE R. TORN: President, Gersbach-Wacker Company.

JAMES T. NICHOLSON: Retired Executive, American National Red Cross.

RAYMOND MCCOY: Dean, Graduate School, Xavier University, Cincinnati, Ohio.

GORDON CAIRNS: Dean, College of Agriculture, University of Maryland.

WILLIAM H. MCCAHOON: AID Headquarters, secretary.

No less than two meetings are held annually to correlate Government aid programs with those of voluntary aid agencies. The committee accredits American voluntary groups in foreign aid activities and offers guidance in the appropriate use of voluntary contributions for foreign aid.

COOPERATIVE ADVISORY EXPERIENCE

JOHN C. SATTERFIELD: President, American Bar Association.

MURRAY D. LINCOLN: President, Cooperative League of the U.S.A.

HOMER L. BRINKLEY: Executive Vice President of National Council of Farmer Cooperatives.

M. W. THATCHER: President, National Federation of Grain Cooperatives.

CHARLES SHUMAN: President, American Farm Bureau Federation.

JAMES PATTON: President, National Farmers Union.

HERSCHEL NEWSOM: President, National Grange.

WALTER REUTHER: President, United Auto Workers, Vice President, AFL-CIO.

R. C. MORGAN: President, Credit Union National Association.

LEON KEYSERLING: Economic Consultant, Washington, D.C.

GERRIT VANDER ENDE: President, National League of Insured Savings Associations.

BISHOP EDWARD E. SWANSTROM: Chairman, Executive Committee of the American Council of Voluntary Agencies for Foreign Service.
CLYDE T. ELLIS: General Manager, National Rural Electric Cooperative Association.

HERBERT J. WATERS: AID Headquarters, secretary.

Meetings are held at the call of the AID Administrator to exchange experiences and knowledge on programs of cooperatives.

AD HOC ADVISORY COMMITTEE ON FERTILIZER PROCUREMENT

JOHN C. BENNETT: Group Manager of Phosphates & Nitrogen Products, American Cyanamid Co., Princeton, N.J.

PORTER BRINTON: President, Hydrocarbon Products, New York, N.Y.

EDWARD W. GAMBLE, Jr.: Vice President of Washington Office, Monsanto Chemical Co., Washington, D.C.

EARL GETTINGER: President, Woodward & Dickerson, Inc., Philadelphia, Pa.

JOHN W. HALL: President, Potash Company of America, Denver, Colo.

LEONARD LINTON: Vice President, Central Resources Corp., New York, N.Y.

WILLIAM F. PRICE: Vice President, Swift and Co., Chicago, Ill.

W. E. SHELBURNE: President, Armour Agricultural Chemical Co., Atlanta, Ga.

U. S. TEN EYCKE: President, Interore & Fertilizer Corp., New York, N.Y.

NELSON POST: AID Headquarters, Secretary.

Meetings are held at the call of the AID Administrator to review proposed AID procurement policies and practices. The committee is not requested to offer any advice on proposals that might touch areas in which members of the committee or their firms have interest.

SUBCOMMITTEE OF THE FOREIGN EXCHANGE COMMITTEE OF NEW YORK BANKS

JOHN L. O'HALLORAN: Vice President, Manufacturers Trust Co.

FRANK SAUTER: Assistant Vice President, First National City Bank.

VINCENT G. POTTER: Assistant Vice President, Morgan Guaranty Trust Co.

ERNEST D. SHAW: Assistant Vice President, Irving Trust Co.

ARTHUR C. KRYMER: Vice President, Chemical Bank New York Trust Co.

E. G. GRIMM: Assistant Vice President, Bankers Trust Co.

MILTON S. COE: Assistant Vice President, Chase Manhattan Bank.

EDWARD TENNANT: AID Headquarters, AID Liaison

This group meets at the request of AID or on its own initiative. It advises AID on foreign exchange matters and on methods of financing the foreign assistance program through the U.S. banking system.

CITIZENS' COMMITTEE FOR THE ALLIANCE FOR PROGRESS

ERNEST ARBUCKLE: Dean, Graduate School of Business, Stanford University.

EMILIO COLLADO: Director, Standard Oil of New Jersey.

MILTON EISENHOWER: President, Johns Hopkins University.

FRED FOY: Director, Kroger Co.

JOHN GALLAGHER: Vice President, Sears, Roebuck & Co.

ALBERT HIRSCHMAN: Professor of Economics, Columbia University.

EDGAR KAISER: President, Kaiser Industries Corp.

CLARK KERR: President, University of California.

O. A. KNIGHT: President, International Federation of Petroleum Workers.

MURRAY LINCOLN: President, Nationwide Insurance.

MAX MILLIKAN: Director, Center for International Studies, Massachusetts Institute of Technology.

JOHN D. F. MOORE: Vice President, W. R. Grace and Company.

THEODORE SCHULTZ: Chairman, Department of Economics, University of Chicago.

KALMAN H. SILVERT: Department of Government, Dartmouth College.

GEORGE WOODS: Chairman, Board of Directors, First Boston Corporation.

AID COORDINATION ADVISORY GROUP

JEFFREY C. KITCHEN: Deputy Assistant Secretary, Department of State.

WILLIAM P. BUNDY: Deputy Assistant Secretary, Department of Defense.

Rear Adm. HARRY SMITH: Joint Chiefs of Staff, Department of Defense.

KENNETH HANSEN: Assistant Director, Bureau of the Budget.

ROBERT W. KOMER: Consultant, White House.

HOLLIS CHENERY: AID Headquarters, Secretary.

Meetings are held whenever necessary to advise on content and to consider draft reports.

INTERAGENCY COMMITTEE ON COMMUNITY PARTICIPATION

ROBERT CLARK: Department of Agriculture.

MISS BETTY WEST: Department of Labor.

MISS HELEN RINGE: Executive Secretary of National Council for Community Services to International Visitors.

CHARLES E. JOHNSON, Jr.: Census Bureau.
PETER C. LOGTENS: Housing and Home Finance Agency.
NOAH N. NORMAN: Department of Health, Education, and Welfare.
COL. J. S. HARBISON, USA: Department of Defense.
MISS DORIS FESSLER: Department of Health, Education, and Welfare.
GEORGE C. RUHLE: Department of Interior.
MISS MARGUERITE SMITH: Federal Aviation Agency.
A. J. WADDELL: United States Information Agency.
JOAN D. TREUX: Department of the Interior.

Meetings are held once each quarter to offer guidance to committees extending hospitality to short-term foreign students. The committee also prepares educational materials interpreting U.S. cultural resources to the foreign visitors.

STEERING COMMITTEE ON RURAL DEVELOPMENT

CLIFFORD M. HARDIN: Chancellor, University of Nebraska.
C. CLEMENT FRENCH: President, Washington State University.
ALFRED M. BOYCE: Dean of Agriculture, University of California, Riverside.
ROY L. LOVVORN: Director Research, North Carolina State College.
JOHN W. HICKS: Assistant to the President, Purdue University.
WILLARD W. COCHRANE: Director Agricultural Economics, Department of Agriculture.
GERALD TICHENOR: Deputy Administrator, Department of Agriculture.
HERMAN RODENHISER: Deputy Administrator, Department of Agriculture.
SHERMAN E. JOHNSON: Deputy Administrator, Department of Agriculture.
LEWIS M. ROBERTS: Associate Director for Agricultural Sciences, Rockefeller Foundation.
GLENWOOD L. CREECH: Director, Division of Agriculture, W. K. Kellogg Foundation.
ERVEN J. LONG: AID Headquarters.
LYALL E. PETERSON: AID Headquarters.
J. L. MORRILL: Director, Overseas Development Program, Latin America and Caribbean, The Ford Foundation.
JOHN R. CAMP: Executive vice president, American International Association.
TEODORO MOSCOSO: AID Headquarters, secretary.

Meetings will be called by the Assistant Administrator for Latin America, AID. Members will coordinate U.S. agricultural assistance for the Alliance for Progress.