CONFIDENTIAL

PROPOSED

MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS—FY 1966

ECONOMIC: AGENCY FOR INTERNATIONAL DEVELOPMENT

MILITARY: DEPARTMENT OF DEFENSE

PRESENTATION TO THE CONGRESS

UNCLASSIFIED

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THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE OF THE UNITED STATES WITHIN THE MEANING OF THE ESPIONAGE LAWS, TITLE 18, U.S.C., SECTIONS 793 AND 794, THE TRANSMISSION OR THE REVELATION OF WHICH IN ANY MANNER TO AN UNAUTHORIZED PERSON IS PROHIBITED BY LAW.

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January 25, 1965

CLASSIFICATION OF VOLUME

This year A.I.D. is again presenting its funding proposals in one volume. The classified, loose-leaf volume entitled "Proposed Mutual Defense and Development Programs - FY 1966" provides the Congress the long-term aid objectives of A.I.D. and the FY 1966 economic assistance programs proposed for various countries, including frank evaluations of the political, economic and social situations existing in these countries. Such candid judgments by the U.S. Government cannot be published on an unclassified basis. It is essential, however, that specific country aid proposals and related evaluations be made available to the Congress in order to inform them of the foreign policy interest underlying this aid request, as well as specific information for the various country aid proposals themselves. Security classified portions of the narrative and amounts are **shaded**. All other material is unclassified.

For general information, a completely unclassified book entitled "Proposed Mutual Defense and Development Programs - FY 1966" is being prepared for the convenience of all members of Congress. This book, of course, excludes country aid proposals, statistical data and other classified material.

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MUTUAL DEFENSE
AND DEVELOPMENT
PROGRAMS

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INTRODUCTION

Our investment in the recovery of Western Europe and Japan is completed and the returns are plainly visible. We now have prosperous and militarily strong allies. They no longer need help, but share with us in helping others.

Our investment, through foreign assistance, in the continued independence and the progress of the less-developed countries of Asia, Africa and Latin America is still under way. Of necessity, this is a long-term investment because development is a much more difficult challenge than recovery.

We undertook to help, not because success was certain or imminent, but because help from outside offered the only hope of success either for those countries trying to withstand Communist pressure, or those trying to break the bonds of age-old poverty without resort to the harsh disciplines of Communist dictatorship.

The destiny of the hundreds of millions of people in the less-developed countries is of immediate concern to us. In helping them, we act in our own self-interest. But it is also true, as President Johnson has said, that "the pages of history can be searched in vain for another power whose pursuit of that self-interest was so infused with grandeur of spirit and morality of purpose."

There is no lack of evidence that progress in Asia, Africa, and Latin America is difficult. But there is also clear evidence that progress is possible, given serious effort on the part of the country involved and practical help from the outside.

A decade ago, the immediate threat in the great arc of Asia from Turkey to Korea was the threat of direct and continuing Communist pressure. In response, two-thirds of our aid was military assistance, and a great part of our economic aid was defense support to help threatened countries survive in the short term.

--Today, survival is still directly at issue only in Southeast Asia; elsewhere in Asia, development goes forward behind a defensive shield built up by our military assistance programs. The ratio of our aid has been reversed: two-thirds of our foreign assistance is now economic, and all but 15% of that provides capital and technical assistance for long-term development and progress toward self-support.

In the years since 1950, the less-developed countries of Asia, Africa and Latin America have:

--increased total production at an average of over 4% a year;

--increased industrial output at an average of 8% annually (except for Latin America, which averaged 6%); and

--increased the value of their exports from $19 billion to $29 billion between 1950 and 1962, despite falling world prices for primary products.

Since 1958, the less-developed countries have increased their investment in education an average of 15% annually.

Great strides have been made in health:

--Reported cholera cases dropped from 211,943 in 1950 to 32,827 in 1960, and cholera deaths from 130,481 to 12,806 in the same period.

--By 1963, 700 million of the 1.4 billion people who live in the less-developed world's malarious areas were protected by malaria eradication programs; for more than 300 million of these the threat of malaria has been completely eliminated.

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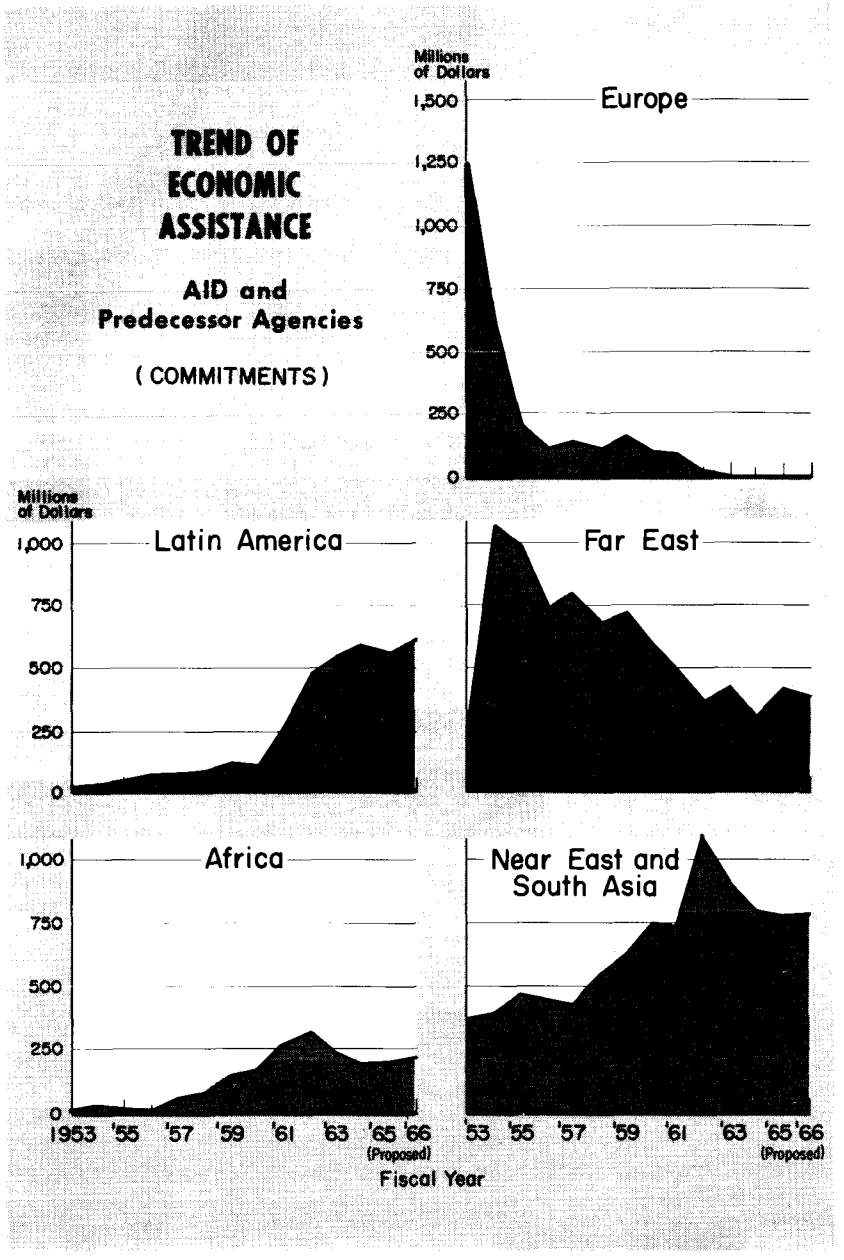

The most significant sign for the future, however, may well be the growing determination of the less-developed countries to help themselves and their increasing competence in the task.

--For every $1 of U.S. bilateral assistance, the 20 major U.S. aid recipients in Asia, Africa, and Latin America allocated an average of $6 for development from their own limited resources.

The U.S. contribution (including P.L. 480 surplus agricultural commodities) represents less than 1% of the GNP in a country where per capita GNP now exceeds $3,000 a year. The developing countries' own contribution to their progress represents about 12% of GNP, in countries where GNP per capita averages about $145 a year.

In Latin America today, widespread poverty, rapidly rising population and political unrest remain continuing threats to orderly progress. But the war on poverty in Latin America is beginning to move. A major development effort, matched by substantial U.S. assistance under the Alliance for Progress is beginning to show results.

In the Near East and South Asia, ancient hostilities and new political disputes still trouble the region. Yet its three largest countries -- Turkey, Pakistan, and India -- press forward with sustained development efforts, financed primarily from their own limited resources. With our help, Greece and Israel have reached the threshold of economic self-support.

In the Far East, Vietnam and Laos are still locked in bitter conflict with Communist insurgents, and our help is essential to their continued resistance. But Korea has survived a ruinous war with our help, and now mounts an increasingly effective development effort. A.I.D. assistance to the Republic of China on Taiwan can end this year, for China can now progress on her own.

In Africa, a few countries like Tunisia and Nigeria start with the leadership and experience to mount substantial development efforts, matched by substantial assistance from Western Europe, the United States and international agencies. But in most African countries the immediate needs are for more trained leadership and the forging of national unity. The tragic turbulence in the Congo illustrates what could happen elsewhere, if the hopeful beginnings are permitted to falter.

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Much has been achieved, but there is still a long way to go. Vietnam and the Congo are plain evidence that the Communists will still feed civil strife wherever they find an opening. The Communists' growing belief in the importance of the less-developed world is spelled out clearly by the sharp increase in their activities this past year, which pushed Communist aid commitments to $1.3 billion -- the highest level in their history.

FY 1966

The Foreign Assistance Act of 1961 set our assistance goals. Consistent with that Act and its objectives, the program for FY 1966 will:

--intensify the concentration of our aid and our insistence that aid be tied to self-help and performance;

--improve the quality of assistance through greater reliance on private skills and resources;

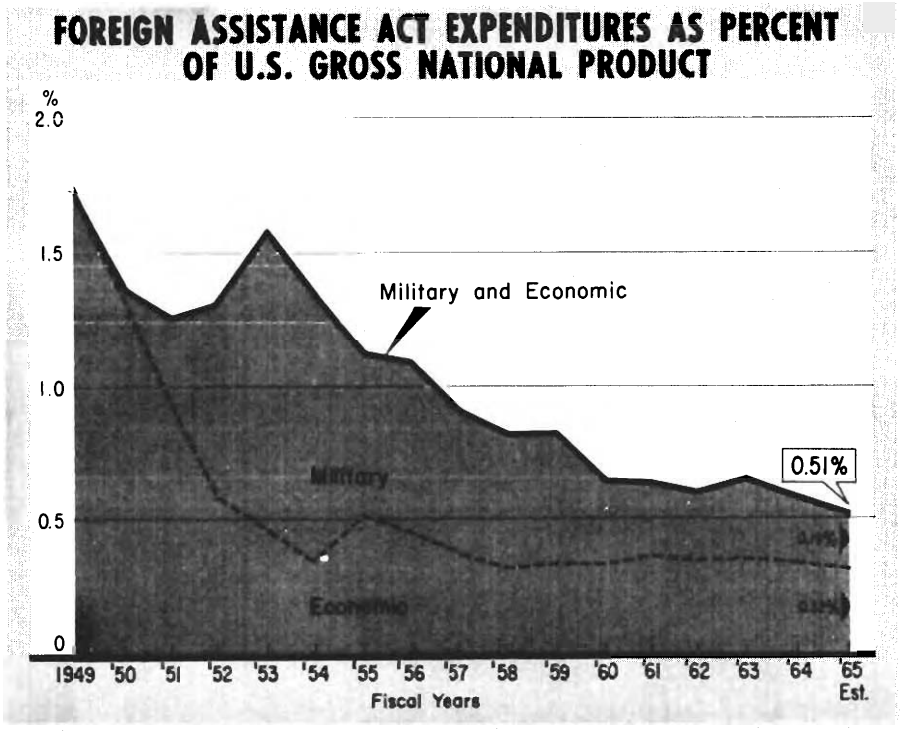
--continue tightening the management of assistance; and

--increase reliance on multilateral aid coordination, and seek to put more free world aid on a multilateral basis.

The $3,380 million request for FY 1966 is the lowest request in the history of the foreign assistance program.

This minimum request reflects a determination to present to the Congress the lowest aid budget consistent with the national interest. It takes full account of the increasing efficiency of the assistance program, and the increasing availability of assistance funds from international agencies in which the costs are shared among a number of countries.

It represents the smallest burden on the American taxpayer: one-half of 1% of our GNP (compared with 2% of GNP at the height of the Marshall Plan), and 3-1/2% of the federal budget (compared with nearly 12% 17 years ago).



BEST AVAILABLE

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Concentrating Assistance

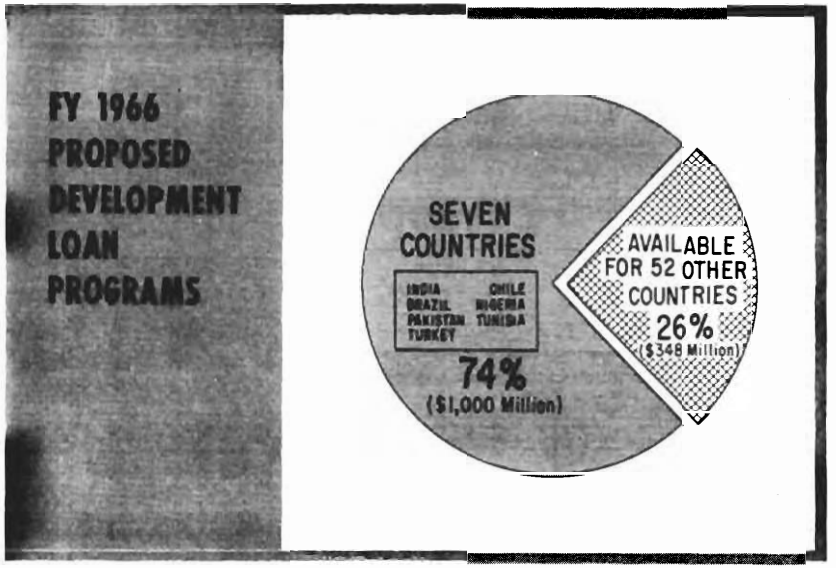
The program proposed for FY 1966 will intensify the concentration of U.S. assistance in countries of priority need and best performance.

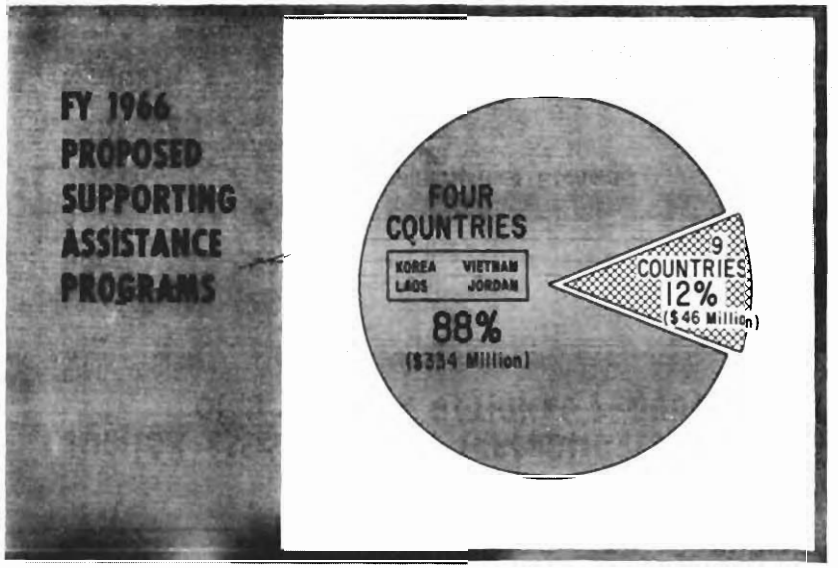
--Of a proposed total of $1,667 million in development assistance (Technical Cooperation and Development Loans), two-thirds is presently planned for seven countries which are engaged in strong, self-help, development programs: Brazil, Chile, Nigeria, Tunisia, India, Pakistan, and Turkey.

--Of a proposed $380 million in Supporting Assistance, nearly 90% is planned for four countries whose security or stability depends on continued U.S. support: Vietnam, Laos, Korea and Jordan.

--Of a proposed $1,258 million Military Assistance Program, nearly three-quarters is planned for 11 countries now maintaining 3-1/2 million of their own men under arms in defensive forces rimming the Communist world.

In recognition of the priority the United States places on the progress of our Latin American neighbors and in response to the momentum achieved under the Alliance for Progress, Latin America will again be the scene of our most intensive assistance effort. The $596 million planned for Alliance countries during FY 1966 represents nearly a third of total A.I.D. country assistance and a per capita aid level of $2.73, by far the highest for any region.





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Emphasis on Self-Help

Foreign assistance can add an important margin of resources and skills to the self-help efforts of other countries. But it cannot spare others the need to make the major effort themselves.

Self-help was formally made a criterion for aid in the Foreign Assistance Act of 1961. Since then, A.I.D. has led the way among free world donors in relating assistance to sound self-help measures.

At the simplest level, this means cost-sharing in any A.I.D.-assisted project, with the U.S. contribution of experts or American commodities related to the host government's carrying its share of local costs.

--In Thailand in 1964, for example, the Thai Government contributed more to the cost of A.I.D.-assisted development projects than we did. A.I.D.'s contribution for American experts and commodities totaled $6.9 million, and the Thais contributed the equivalent of $7 million for local costs: labor, materials, support services and the like.

Performance in development, however, is more than a matter of sharing project costs. It involves every major aspect of a country's development effort: tax policies, budgeting, exchange controls, government actions that effect the climate for private initiative, the relative emphasis being given to agriculture, industry, education, health and the like.

In countries to which the United States is giving substantial development assistance, self-help and the measurement of satisfactory performance is a complex matter. Over-all country performance must be thoroughly reviewed and taken into account. In some instances assistance agreements are entered into which contain specific provisions as to what an aid recipient will or will not do. For example:

--Disbursement of a large program loan to a Latin American country was explicitly tied to action on measures to slow a sharp rise in living costs, including specific limits on government surpluses, reform of foreign exchange rate policy and fixed limits to the expansion of bank credit. The conditions were met and the loan was disbursed on schedule.

--In an Asian country an increased commodity loan to finance essential U.S. imports for the private sector was linked to elimination of controls that slowed the import of needed raw materials, stifled private sector growth and invited corruption. The country removed import licensing requirements, introduced an excise tax to discourage speculation, and the loan was authorized.

--The U.S. assistance program for another Latin American country was tied to performances on a stated series of reforms including reduction of the government's cash deficit, tax reform, tighter money control and the adoption of measures to eliminate operating deficits in public enterprises. U.S. assistance was to be released in stages, based on performance. On the basis of performance at the time, the bulk of the assistance was withheld.

In measuring self-help, A.I.D. is concerned with performance that directly affects economic growth and social development. Assistance is not tied to political conformity or the way a country chooses to vote in the United Nations.

But when countries divert their scarce resources into arms in order to mount political adventures against their neighbors, they waste substance badly needed for the welfare of their own people.

The United States cannot afford to provide major assistance to countries that choose to make their own development a minor concern.

The minimum appropriations requests for both FY 1965 and 1966 reflect A.I.D.'s determination to limit assistance to those making the best use of it. The 1966 request leaves no room for the support of marginal activities or for costs that aid-receiving countries are able to carry themselves.

Improving the Quality of Assistance

Many efforts are under way to make better use of the tremendously productive and diverse skills and resources of the private sector of the American economy.

For example, the agricultural revolution in the United States was sparked by the nation's great land grant colleges and universities, which provided both a research and a training base for the agricultural extension network that helped to make American agriculture so productive.

In the developing countries today, it is proving very difficult to raise farm output. As a result, food supplies are lagging

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behind demand in several countries and serious shortages could develop in a few years' time unless strong measures are taken quickly.

Surplus American food, provided through the Food for Peace Program, can help greatly, but the ultimate answers lie in improving these countries' ability to buy food from abroad and, most important, in making their farms more productive.

The United States is relying heavily on the same institutions that transformed American agriculture to apply their skills and experience to the difficult agricultural problems of the developing nations. Through more extensive contracts with the land grant universities and colleges and broader use of Department of Agriculture experts provided through inter-agency agreements, A.I.D. will increase emphasis in its FY 1966 programs on agricultural development in Asia, Africa and Latin America.

A great share of A.I.D. technical assistance is already carried out by non-governmental institutions and private firms.

--American colleges, universities, business and professional firms and service organizations hold more than $400 million in A.I.D. contracts for technical assistance work in 76 countries.

--A.I.D. emphasis on the development of cooperatives and thrift institutions overseas has increased sharply since 1962, with four times the technicians now at work in the field. Of the 360 technicians now helping other countries developing savings and loan associations, credit unions, electric distribution, housing and farm marketing cooperatives, more than 200 are the employees of private American thrift and cooperative associations with whom the Agency contracts.

--Private American engineering and construction firms are now at work in over 50 countries, supervising the design and construction of more than $4 billion in A.I.D.-assisted capital projects; irrigation systems, power dams, fertilizer factories, and the like.

ENCOURAGING PRIVATE INVESTMENT

Private investment puts management skill as well as capital to work in the less-developed countries, and encouragement of more private American investment in Asia, Africa and Latin America remains a priority objective in the A.I.D. program.

Since the establishment of A.I.D. in 1961, there has been a dramatic growth in programs available to American investors through A.I.D., and a significant improvement in the management of existing incentive programs.

--More developing countries have undertaken formal agreements with the United States which enable A.I.D. to extend Investment Guaranty coverage to new American private investments in these countries. The number of less-developed countries with Investment Guaranty agreements has risen from 40 in December 1961 to 63 by December 1964. Investment Guaranty coverage during the same period nearly quadrupled from $487 million to a total of $1.8 billion by the end of December 1964.

--The handling of Investment Guaranty applications was streamlined in 1964, and the 468 specific risk contracts written during the calendar year is more than double the 188 contracts written the previous calendar year.

--Increased use is being made of the Investment Survey program initiated in 1962, under which A.I.D. will share the cost of studying a potential investment opportunity overseas. By the end of 1964, A.I.D. had issued 110 survey grants. As a result of surveys already completed, American investors have decided to proceed with new investments with total potential of $15 to $20 million.

--A.I.D. compiled a catalog of more than 1,200 recent economic and feasibility studies made in the less-developed countries -- the first such listing ever to be made available to potential American investors. The first printing of 10,000 was exhausted within six weeks of its release in May 1964; a second edition listing 351 more studies was issued in July; and a third edition, further enlarged, is scheduled for March 1965.

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The Congress has been asked to approve a tax credit for investments in the underdeveloped countries, which is expected to provide further inducement for American investors to risk the uncertainties of ventures in the less-developed countries and act to increase the flow of U.S. private capital to them. The proposal would grant a tax credit against the total tax liability of an investor equal to 30% of his new investment in underdeveloped countries.

Before the close of FY 1965, the Agency expects a report from its distinguished Advisory Committee on Private Enterprise which is reviewing current programs and will suggest new or more effective means to encourage greater private participation in economic development.

Strenghtening the Private Sector

The developing countries that have made the best progress are those in which private initiative and private enterprise have been encouraged to play a vigorous role in national growth.

A.I.D. has long provided technical assistance to private industry, encouraged government measures that improve the climate for private initiative and helped to strenghten productivity councils and trade associations designed to raise standards and performance in private industry.

One of the greatest bottlenecks to growth in both the private industrial and agricultural sectors has been a shortage of credit on reasonable terms. To ease this, A.I.D. has emphasized the establishment of thrift institutions and intermediate credit institutions such as development banks, housing and farm credit banks. Among the results by the end of FY 1964 are these:

--36 A.I.D.-assisted industrial development banks in 30 countries have made 2,400 sub-loans for private industrial ventures, including the expansion of existing enterprise as well as the initiation of new ventures.

--A.I.D.-assisted agricultural credit banks in ten countries (nine of them in Latin America) have made more than 40,000 sub-loans for farm improvements.

--Savings and loan associations organized with U.S. assistance, and almost non-existent in Latin America a few years ago, have accumulated local deposits of $75 million for investment in housing and other ventures.

Another continuing handicap in the growth of private enterprise in the less-developed countries is a shortage of experienced managerial help -- people skilled in management, marketing, and production control. With strong encouragement from A.I.D., the International Executive Service Corps was established under private auspices during 1964 to provide the help of experienced American businessmen to entrepreneurs in the less-developed countries. Private business firms in more than 30 countries have expressed interest in assistance from the Corps.

Finally, A.I.D. commodity loans have become an increasingly important factor in the growth of private enterprise in countries such as India, Pakistan, Chile, and Brazil. They are made available to countries with sound development programs, and they make it possible for private enterprise to import a wide variety of American goods and equipment needed to maintain or expand existing plants, repair or increase the supply of farm equipment, and the like. In India alone, for example, $220 million (about 80%) of $275 million in commodity loans made during 1964 went directly to finance American exports badly needed by India's private enterprise sector.

TIGHTENING MANAGEMENT OF ASSISTANCE

A.I.D. is continuing its drive for efficiency and economy in the management of assistance. The Agency has reduced the number of employees, raised performance levels, cut operating costs, and instituted improved management procedures.

In FY 1964, the Agency reduced direct-hire staff by 1,140 -- from 16,782 at the beginning of FY 1964 to 15,642 by the close of FY 1964.

Further reductions are being made through improved operating procedures and continued improvements in job performance.

A.I.D. has increased attention to the professional improvement of its staff, setting high performance standards, rewarding competence and weeding out ineffective employees. Procedures initiated to this end include a new performance evaluation system, field visits by headquarters staff to review personnel procedures on the spot, and an improved initial selection process.

We expect to take further steps in this direction, in the context of a program designed to strengthen the personnel capabilities of all foreign affairs agencies of the government.

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Rotating the foreign aid staff between headquarters and field assignments is important to the achievement of a common well-knit staff operation. Experience has also underscored the value of assigning new foreign service reserve appointees to headquarters operations before they undertake a first overseas tour. To this end, we are requesting broadened authority to appoint foreign service reserve officers to initial duty in Washington, without the existing limitations on the number, duration, or purpose of such assignments.

Cutting Operating Costs

The drive to reduce A.I.D. operating costs continues to produce substantial economies. A number of changes in operating detail have contributed to these cost reductions.

For example, during FY 1964, rescheduling air service within Laos for the movement of cargo and personnel saved an estimated $106,808. More than $200,000 was saved by a thorough screening of periodical Agency publications which eliminated some, and cut production costs on others. Savings estimated at more than $100,000 resulted from one change in handling routine communications between Washington and the field.

Tighter purchasing practices have contributed to lower costs. A.I.D. continued to utilize Government-owned excess property wherever possible, in place of new procurement for field needs. At the cost of some $4.1 million to the Agency, excess property with an original purchase price of $36.1 million was provided for use in A.I.D. projects overseas. Consolidated buying of DDT supplies for malaria control programs during the industry's slack season cut costs by $1,737,000.

Mechanizing routine operations wherever possible has also helped cut costs. For example, efficiency has been increased 20% by mechanizing the servicing of loan collections and investment guarantee premiums. The number of loan and guaranty agreements serviced annually increased from 900 in 1961 to 2,400 in 1965, but the man-hours required to service each agreement have been cut 58%.

IMPROVING THE FREE WORLD AID EFFORT

The United States strongly supports the principle of multilateral assistance for development. We will persist in our efforts to channel more free world aid through multilateral agencies and we will increase our own contributions to international institutions as rapidly as other members do so.

Use of Multilateral Agencies

There has been a steady increase in the amount of economic assistance provided through international agencies such as the World Bank, the International Development Association (IDA), the Inter-American Development Bank (IDB) and the European Development Fund (EDF).

The multilateral share of the total free world aid flow has increased from 12% in 1960 to 17% in 1963; in the past four years, the multilateral agencies have increased the amount of their capital assistance to the less-developed countries by 50%, to a total of $1.4 billion in new commitments in 1963.

The U.S. share of official contributions to multilateral agencies now ranges from 30% of World Bank subscriptions up to 43% of the subscribed ordinary capital of the IDB. (The United States does not participate in funding the EDF and other European multilateral assistance programs.)

Coordinating Bilateral Aid

The United States has been a leader in seeking improved international coordination of bilateral aid. The United States was instrumental in the formation of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), the central review body for major free world aid donors.
We have participated from the outset in the aid consortia and consultative groups set up by the World Bank and by the OECD for India, Pakistan, Turkey, Greece, and more recently, Colombia, Nigeria, Sudan and Tunisia. During FY 1966, 85% of all A.I.D. development loans in Asia and Africa will be committed through these multi-national consortia or consultative groups.

All U.S. assistance to Latin America is provided within the international framework of the Alliance for Progress. The Inter-American Committee for the Alliance for Progress (CIAP) is rapidly becoming a most useful forum for the coordination of assistance to Latin American countries.

The activity of the CIAP, and the World Bank's expressed willingness to expand its role as a sponsor of multi-national consultation will greatly strenghten the international framework within which a substantial portion of U.S. bilateral aid is already being provided.

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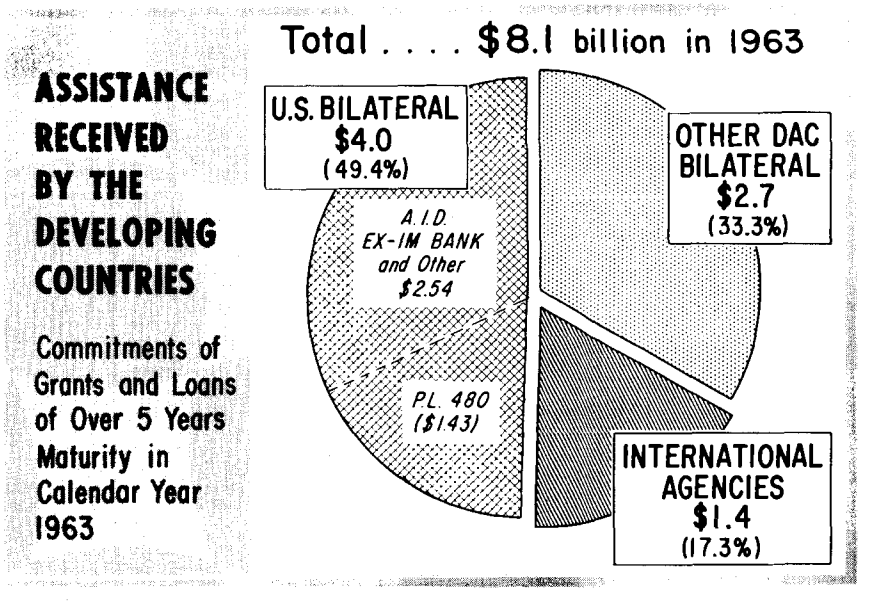
The U.S. share in the total free world aid burden has declined with the rise of other free world aid. By 1963 -- the last year for which complete figures are available -- the U.S. bilateral share declined to just under 50% of the $8.1 billion total in new aid commitments, a drop from 56% the previous year.



Working primarily through the Development Assistance Committee of the OECD, the United States is pressing other free world donors to continue enlarging their efforts.

THE PROBLEM OF A.I.D. TERMS

The most pressing problem in the common aid effort remains the terms on which aid is extended, and the effect these terms are having on the debt burdens of the recipient nations. Some improvements have taken place. But the aid terms of most other free world donors remain significantly harder than ours. In most cases their interest rates are higher and their maturities are shorter.

The growing debt service burden of Turkey illustrates the problem that will soon face many developing countries if the terms of other bilateral aid-givers aid commitments are not liberalized.

--In the next few years, 40% of Turkey's short maturity debt will fall due, and fully half its export earnings will be required for debt service.

The debt repayment burden of the less-developed countries now totals nearly $5 billion annually and is rising by 15% each year. The DAC has established a working party to study the problem, and to work actively for better terms in both official and private credits. Unless the debt service burden can soon be substantially reduced, the effectiveness of new assistance will be sharply reduced and the development prospects for a number of countries will dim.

AID AND THE U.S. ECONOMY

The Mutual Defense and Development Programs proposed for FY 1966 represent the smallest burden the American economy has been asked to bear since the beginning of the Marshall Plan. It is a burden the American economy can easily support. It represents one-half of 1% of our GNP. In per capita terms, it represents a drop from $30.52 for every American in 1949, during the Marshall Plan, to a cost of $17.51 per person for FY 1966. (Per capita GNP in the United States has nearly doubled in this time, rising from $1,760 in 1949 to an estimated $3,320 today.)

The U.S. procurement policies followed over the past four years have minimized the drain of our assistance programs on our balance of payments. Over 85% of all aid dollars is now committed directly for purchase of U.S. goods and services.

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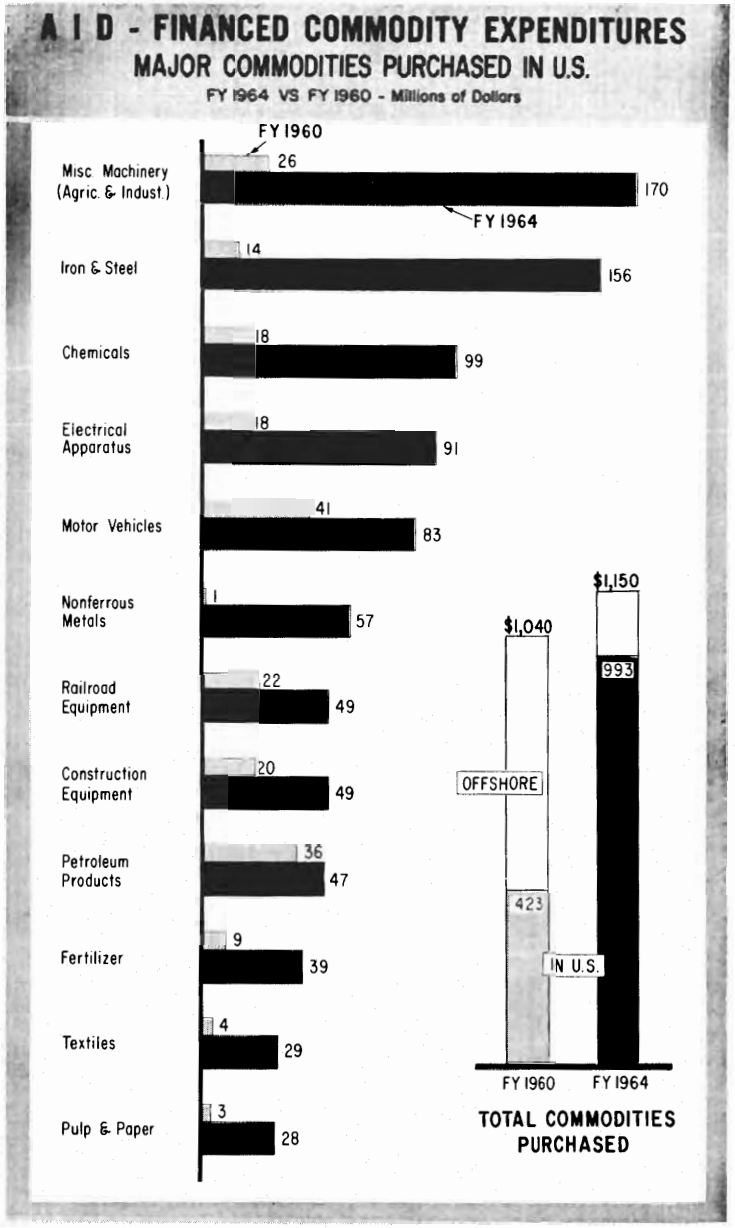

Another result of A.I.D.'s procurement policy is a substantial export business for American private enterprise. A.I.D. economic programs alone financed the export of nearly a billion dollars in American products during FY 1964, and American shipping lines were paid more than $80 million to carry these products to their destinations in the less-developed countries.

In effect, the A.I.D. program helps to introduce American products and American industrial know-how to new markets. American farm surpluses provided as aid to Japan after World War II changed the Japanese diet, and Japan is now the biggest single cash customer for U.S. farm exports -- some $500 million per year. The American Coal Exporters Association traces more than $250 million in current annual coal export business directly to new markets opened by aid shipments of U.S. coal to postwar Europe and Japan.

The most important long-term benefits of the mutual development program, however, are those that stem from the expanding export markets that are the product of successful development.

Since the Marshall Plan and the recovery of Western Europe, our exports to European markets have more than doubled. They have quadrupled to Japan during the same period.

Today, with the success of their effort and our assistance, the first of the developing countries are emerging as self-supporting cash customers. As Israel approaches self-support, American commercial exports to that country increase steadily. U.S. commercial exports to Israel (those not A.I.D.-financed) have nearly tripled -- from $85 million since 1958 to $235 million in 1963 -- and they continue to increase at a rate of 15% to 20% a year. U.S. commerical exports to the Republic of China on Taiwan, where economic aid ends this year, rose from $49 million in 1962 to an estimated $80 to $85 million in 1964. They are sure to rise further as the Taiwanese standard of living continues to improve.

The expanded trade opportunities already opened by the process of development make it clear that the economic progress of other free countries is in the direct, long-term interest of our own economy.

THE PROGRAM FOR
FY 1966

THE PROGRAM FOR FY 1966

Authorizations and Appropriations for FY 1966

Requirements for military and economic assistance for FY 1966 have been carefully reviewed, including a thorough study of the present situation and prospects for each country receiving U.S. help. Based on the best estimates that can be made today, minimum fund requirements will be $3,579 million. Of this amount, $199 million can be met from estimated loan repayments, recoupments of prior year obligations, etc.

This leaves a need for $3,380 million in new appropriations. $1,364 million of this amount will not require new authorizations, since authorizations enacted by the Congress in 1961 for Development Loans ($1.5 billion) and for the Alliance for Progress ($600 million) for FY 1966 are sufficient, as is the continuing authorization for State Department administrative expenses.

By appropriation account, the President's request for new authorizations and appropriations for FY 1966 is as follows:

(In millions of dollars)

	Authorizations	Appropriations
Development Loans	-	780
Technical Cooperation	210	210
Alliance for Progress (DL and TC)	-	580
Supporting Assistance	369	369
Contributions to International Organizations	155	155
Contingency Fund	50	50
American Schools and Hospitals Abroad	7	7
A.I.D. Administrative Expenses	55	55
State Administrative Expenses	-	3
Total Economic	846	2,210
Military Assistance	1,170	1,170
Total Military and Economic	2,016	3,380

The President is also requesting a special standby authorization for Military or Supporting Assistance to be used only in Vietnam and only in case funds are needed to protect vital U.S. interests.

Program for FY 1966

The total program for FY 1966 is slightly larger than the FY 1965 program, reflecting primarily a rise in requirements for the Alliance for Progress. A summary by funding category of actual obligations in FY 1964, current estimates for FY 1965, and proposed FY 1966 programs follows:

MUTUAL DEFENSE AND DEVELOPMENT PROGRAM

(In millions of dollars)

	FY 1964 Commitments	FY 1965 Estimated a/	FY 1966 Proposed
Development Assistance	1,616	1,573	1,667
Development Loans	836	814	840
Alliance for Progress Loans	479	435	508
Technical Cooperation	208	236	231
Alliance for Progress Technical Cooperation	93	88	88
Military and Supporting Assistance	1,703	1,700	1,688
Military Assistance	1,236	1,223 b/	1,258
Supporting Assistance	360	421	380
Contingency Fund	107	56 b/	50
Other Assistance and Administrative Expenses	193	212	223
Investment Surveys	1	1	1
American Schools and Hospitals Abroad	20	18	7
Contributions to Int'l. Organizations	116	134	155
Administrative Expenses	56	59	60
TOTAL	3,512	3,485	3,579

a/ $300 million of funds appropriated by the Congress for FY 1965 are reserved in accordance with Title I of the Foreign Assistance and Related Agencies Appropriation Act, 1965 (P.L. 88-634). Funds may be released from the reserve on a determination by the President that the release is in the national interest. It is now estimated that these funds will be required for use.

b/ Military Assistance estimated FY 1965 program includes an anticipated transfer of $50 million from the Contingency Fund.

THE PROGRAM FOR FY 1966

Increased Investment Guaranty Program

Investment Guaranty programs are basic to A.I.D.'s efforts to enlarge the role of American private enterprise in the development process. Increased private American investment in less-developed countries provides both know-how and capital to further the overall development of those countries.

Based on recent trends in applications, the Congress has been asked to provide authority for A.I.D. to issue additional investment guaranties in the following amounts. No additional appropriations are necessary.

--For Specific Risk Guaranties, to increase the present issuing authority of $2.5 billion by an additional $2.5 billion. More than $2.2 billion in specific risk guaranties were issued by December 31, 1964. Guaranties issued in calendar 1964 amounted to $708 million, almost double the amount of specific risk guaranties issued in 1963. The growth of this program -- which guarantees against loss due to expropriation, inconvertibility, or war risk and revolution -- has continued at a high rate in FY 1965.

--For Latin American Housing Guaranties, to increase the present issuing authority of $250 million by an additional $100 million for the next two years. This program provides extended risk coverage for self-liquidating housing projects in Latin America. More than 18,000 houses have been completed or are being constructed under guaranties already issued. It is proposed to modify the program on the basis of experience to date.

Regional Emphases in the Proposed Program for FY 1966

Development assistance is the prime focus of U.S. aid efforts in the Latin America, Near East and South Asia and Africa regions. In each of these regions, development assistance will account for at least 88% of proposed FY 1966 A.I.D. programs. In Latin America and Near East and South Asia, development assistance is concentrated in development lending. In the Africa region, development assistance is about evenly divided between Development Loans and Technical Cooperation funds.

The following table summarizes development assistance programs proposed for FY 1966 in each region.

DEVELOPMENT ASSISTANCE BY REGION

(In millions of dollars)

	Latin America	Near East South Asia	Africa	Far East
Total A.I.D. Regional Program	610	771	218	390
Development Assistance	596	736	192	84
Development Loans	(508)	(690)	(100)	(50)
Technical Cooperation	(88)	(46)	(92)	(34)
Development Assistance as % of A.I.D. Regional Program	97%	96%	88%	22%

In the Far East region, emphasis continues on Military and Supporting Assistance, to help the free nations of this region defend themselves against Communist aggression and subversion. Even in the Far East, however, efforts are continuing to shift from security support to development where possible.

ECONOMIC ASSISTANCE PROGRAM

Principles and Planning

A.I.D. assistance programs are developed on a country-by-country basis. Three basic principles determine the nature and amount of U.S. assistance allocations to individual countries. They are:

--The importance to the United States of strengthening the country's economy and development effort, its political and social structure and institutions, its security situations;

--The needs of the country for assistance, and the availability to the country of assistance from other sources;

--The effectiveness with which the country is using its own resources.

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These principles are applied to the formulation of a U.S. assistance program carefully tailored to achieve U.S. objectives in, and the needs of, each country situation.

Each proposed A.I.D. country program is developed over several months of painstaking review and analysis in the field and in Washington. Proposed country programs are reviewed in the field by the U.S. Ambassador and the A.I.D. mission director, and in Washington by the regional Assistant Administrators of A.I.D. and the Regional Assistant Secretaries of State, and by the A.I.D. Administrator. A continuing review process is maintained as programs are carried out, to make sure that adjustments are made to take advantage of new opportunities and to overcome obstacles.

Concentration and Types of Programs

This program review process and application of basic aid principles results in a highly selective and concentrated A.I.D. program. The following table sets forth a rough classification of countries receiving assistance from A.I.D. The table illustrates vividly the concentration of A.I.D assistance:

--Less than 1% of proposed FY 1966 A.I.D. country programs is planned for eight countries in transition toward self-support. These countries should complete the transition to self-support over the next several years. In six other countries denoted as "transitional" in FY 1965, no A.I.D. assistance is planned for FY 1966.

--95% of proposed FY 1966 country programs is planned for 31 major A.I.D. programs. 59% is planned for eight of these 31 general support countries.

--4% of proposed FY 1966 country programs is planned for limited programs of assistance in 33 countries.

Major Country Programs

A.I.D. conducts major porgrams of assistance in 31 countries which are of major importance to U.S. foreign policy, and which must deal with differing economic and political problems and opportunities.

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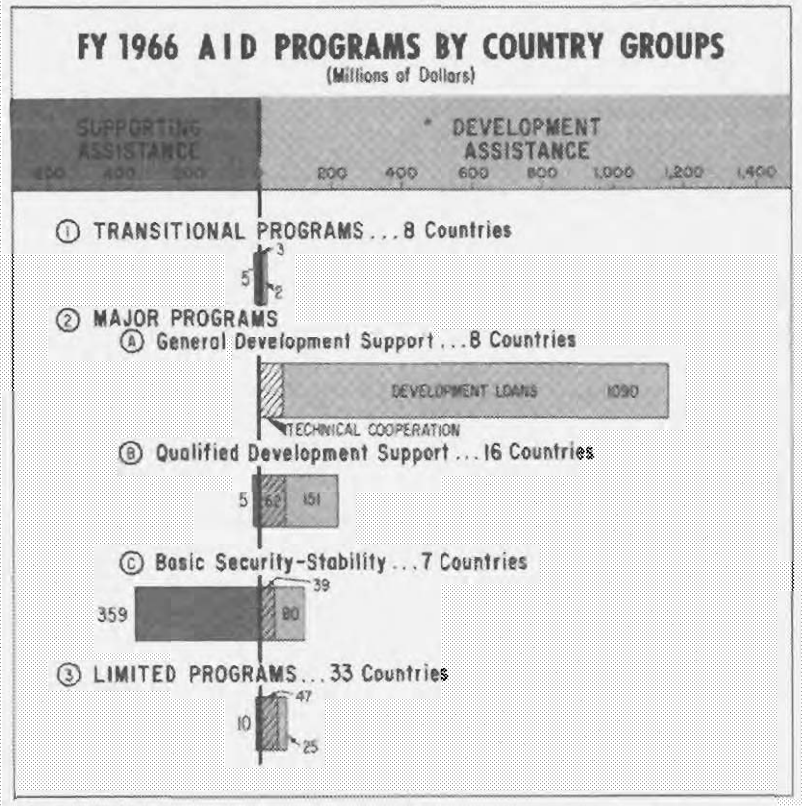

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Types of Country Assistance Programs

Program Characteristics	Countries	% of Proposed FY 1966 A.I.D. Country Programs
TOTAL	72	100%
Transitional countries in which A.I.D. assistance is expected to be ended over the next several years.	8 Iran Israel Jamaica Mexico Philippines Trinidad Uruguay Venezuela	1%
Major programs in countries important to the United States, where A.I.D. assistance is designed to help bring about substantial progress toward security and development. These include:	31	95%
General Development Support programs in countries undertaking major development and self-help efforts and where prospects for growth are good;	Brazil Chile Colombia India Nigeria Pakistan Tunisia Turkey	(59%)
Qualified Development Support programs in countries with good long-run growth prospects, but where development efforts and self-help records are erratic;	Argentina Central America Economic Comm. (5) Dominican Republic East Africa (3) Ecuador Ethiopia Liberia Morocco Panama Peru	(11%)

Types of Country Assistance Programs

Program Characteristics	Countries	% of Proposed FY 1966 A.I.D. Country Programs
Security-Stability programs in countries which must maintain large defense forces or which face grave internal or external threats;	Bolivia Congo (L) Jordan Korea Laos Thailand Vietnam	(25%)
Limited Programs contributing to growth and independence, under varied circumstances where, for example:	33	4%
--Other donors are providing most of the assistance needed;	Afghanistan Algeria British Guiana Burma	
--We cannot work effectively with present governments but can accomplish useful results in selected sectors;	Burundi Cyprus Ghana Guinea Haiti	
--We wish to encourage independence from Bloc dominance in sensitive areas; or	Indonesia* Malawi Mali Nepal	
--We wish to maintain access to bases or other vital facilities.	Paraguay Sierra Leone Somali Sudan U.A.M. countries (13) U.A.R. Yemen Zambia	

* Under review.

THE PROGRAM FOR FY 1966

Among the 31 major A.I.D. country programs proposed for FY 1966, 24 are focused directly toward building development. Seven programs provide assistance to promote security and stability in critical country situations.

Development Assistance Program

In 24 major development assistance programs, the United States is attempting to induce and assist sound efforts toward lasting economic and social development. The goal is to help these countries reach the point where foreign assistance on concessional terms is no longer necessary.

Successful development of a country depends primarily upon the performance of its people, institutions and government. Foreign assistance can help by providing a vital margin of resources and skills, and by providing effective incentives for self-help efforts. But foreign assistance will not produce development unless the country itself undertakes an effective effort.

Therefore A.I.D. development assistance strategy:

--concentrates aid in countries whose performance is good enough to make our assistance effective; and

--administers assistance so as to encourage and promote better performance by recipient countries.

A.I.D. applies these basic concepts in each of its major development assistance programs. By incentive programming, A.I.D. seeks country agreement with respect to specific needed improvements, by making provision of some part of A.I.D. assistance conditional on fulfillment of specific self-help measures. In some cases assistance for projects and programs may be deferred pending country adoption of improvements and reform.

A.I.D. development assistance strategies and criteria are applied in all major development assistance programs. However, two main sub-types of development assistance programs may be identified.

General Support for Development

59% of the A.I.D. assistance program for FY 1966 is proposed for eight general-support countries (see table on types of Country Assistance Programs on page 14). Each of these countries has relatively large needs for external assistance and each is expected to be able to use such assistance effectively in building development. Each is important to U.S. foreign policy. These countries are taking steps to improve self-help performance and to allocate investment funds and other resources effectively. Virtually all of A.I.D.'s program loans for development are made to countries in this group.

Program loans to these countries enable private enterprise to obtain scarce foreign exchange for the spare parts, equipment and raw materials needed for maintenance of production and expansion of capacity. Program loans are also useful in these countries to provide incentives for further self-help reform measures. Because of the large and increasing debt-service burden which these countries bear, A.I.D. loans to them are made on minimum terms thus maximizing development impact for each dollar of assistance.

Qualified Support for Development

This sub-group includes 16 country programs. Development in these countries is of major importance to U.S. policy interests and they have relatively good prospects for development. These countries have not, however, yet demonstrated an adequate and sustained commitment to sound development policies and effective resource use. In some cases, political and economic institutions in these countries have not been strong enough to undertake or effectively carry out needed self improvements.

Much of A.I.D. assistance to countries in this group is conditional on specific self-help performance. Assistance is carefully focused to develop bases of strength within their economies and to provide incentives for specific reforms and improvements. As countries in this group demonstrate willingness and capability to carry out major self-help efforts, the United States stands ready to support them further.

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Programs proposed for these countries in FY 1966 -- as in FY 1965 -- are based on realistic and conservative expectations of improvements in performance and ability to use external resources effectively.

Major Programs to Provide Basic Support for Security and Stability

This group consists of seven countries of critical importance in which basic conditions of internal and external security must be established and the government strengthened before serious development may be undertaken. Many of these countries face severe political and economic instability, caused by internal tensions or Communist subversion and aggression. Security-stability programs are funded primarily from Supporting Assistance. Programs proposed in these countries for FY 1966 will absorb 94% of the FY 1966 Supporting Assistance program.

The U.S. goal in these countries is to reach the point where improved security conditions permit elimination of Supporting Assistance and a shift to a development effort. In such countries as Pakistan, Turkey and Iran this goal has already been reached. In Korea, U.S. policy in the past few years has been gradually to decrease that portion of its assistance which is directed to security-stability and to increase the development portion.

Development
Assistance

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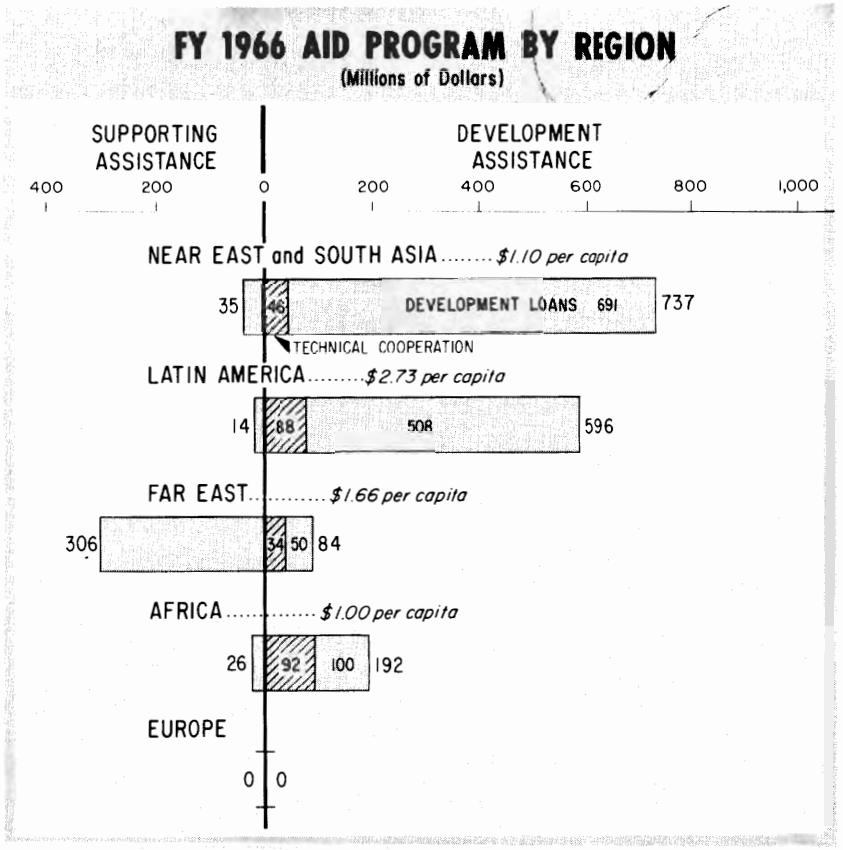

The proposed program for FY 1966 continues to emphasize assistance for sound economic and social development efforts of the emerging nations. The Congress has clearly stated in the Foreign Assistance Act of 1961, America's commitment to promoting growth as a primary objective of U.S. foreign aid. Development assistance--including Development Loans, Technical Cooperation/Development Grants, and Alliance for Progress Loans and Grants--has increased from less than a quarter of the total economic and military aid program in 1961 to about 45% of the total program during the past two years.

FY 1966 proposed development assistance is $1,667 million, or slightly above the level being carried out in FY 1965. The FY 1966 proposals are again based on realistic estimates of self-help performance by aid recipients

DEVELOPMENT ASSISTANCE PROGRAMS

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	836	814	840
Technical Cooperation	208	236	231
Alliance for Progress	572	523	596
Loans	(479)	(435)	(508)
Technical Cooperation	(93)	(88)	(88)
Total Development Assistance	1,616	1,573	1,667

Of the total development assistance proposed for FY 1966:

--more than one-third ($596 million) is for the Alliance for Progress; the remainder is for Africa and Asia.

--four-fifths ($1,348 million) is planned for Development Loans (including Alliance for Progress Loans) which finance U.S. goods and services and are repayable in dollars; one-fifth will finance Technical Cooperation and Development Grants (including Alliance for Progress grants).

Over the past four years, A.I.D. has sharpened its techniques for planning and implementing development assistance programs. Major improvements include:

--long-range studies of major development assistance programs enable A.I.D. to look further ahead in identifying and dealing with development opportunities and bottlenecks.

--incentive programming -- fuller and more systematic use of development assistance, particularly program loans, to induce and support self-help measures.

--improved coordination among free world donors through aid consortia and consultative arrangements such as the Development Assistance Committee of OECD, the Inter-American Committee for the Alliance for Progress (CIAP),

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and World Bank consultative groups. Such coordination arrangements are being used in all general development support countries, as well as in many other countries.

DEVELOPMENT LOANS

The A.I.D. program for FY 1966 requests $780 million in New Obligational Authority (NOA) for development lending in Africa and Asia. This amount, together with $60 million in repayments and recoveries, will finance a Development Loan program of $840 million for FY 1966.

The Development Loan program proposed for FY 1966 for Asia and Africa is shown below. In addition, a loan program of $508 million is proposed for Latin America under the Alliance for Progress.

REGIONAL LENDING PROGRAMS

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Near East & South Asia	726	678	690
Far East	30	56	50
Africa	80	80	100
Total	836	814	840

Development Loans are the major tool of A.I.D.'s development assistance efforts. They enable recipients to import from the United States necessary goods and services for development purposes that they could not finance from their own scarce foreign exchange or could not afford to obtain from commercial sources. The share of Development Loans in A.I.D. assistance has increased steadily since 1961.

Criteria for Development Loans

Development Loans, both project and program, must meet all applicable technical and economic feasibility standards set forth in the Foreign Assistance Act, as well as additional standards and criteria developed by A.I.D. to insure sound and effective use of funds. Each loan proposal is carefully reviewed by the A.I.D. mission and by responsible Washington executive and technical personnel, to insure that it meets all loan standards. Major loans are approved by the Administrator, on the advice of the Development Loan Committee, a U.S. Government inter-agency body including representatives of the Treasury, the Ex-Im Bank, and the State Department.

Moreover, Development Loans are considered and authorized only within the framework of A.I.D.'s coordinated country programs which takes into account the importance to the United States of each country's development, the country's development potential, and its over-all self-help performance. This is reflected in the concentration of loan funds: in FY 1966, 81% of all Development Loans (including Alliance for Progress Loans) will go to the general development support countries. (See Table on Page 14).

Project Loans

The most familiar type of Development Loan is that which finances a single specific development project. In FY 1964, over 120 project loans were authorized, for a wide range of projects:

--economic infrastructure works such as highways and bridges, ports, power plants, dams and irrigation works;

--construction or expansion of private industrial plants and factories;

--rural electrification cooperatives,

--local development banks which in turn lend to local private investors; and

--surveys of mineral resources, feasibility studies, consultative services to solve specific problems.

In reviewing project loan applications, A.I.D. follows essentially the same methods as do other development finance institutions, such as the Ex-Im Bank and the World Bank. Each project application is carefully studied for its technical soundness. Engineering and cost data must be adequate and accurate. The capital structure of commercial-type enterprises must be sound and cash flow analysis must show that the debt can be serviced. Management must be competent, and careful consideration is given to the fact that management talent and skills are among the most serious deficiencies in many of the less-developed countries. Finally, an informed banking judgment is reached on the over-all economic and technical soundness of the project. Although it takes time to meet these requirements, a thorough review is essential to assure sound use of U.S. and recipient country resources.

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Two-Step Loans

A.I.D. loan terms are fixed to take account of the limits on a country's ability to service external debt, and are ordinarily made at low interest rates and low maturities. Such terms are often not appropriate to the individual enterprise, private or public, which receives the goods and services financed by the loan. Such enterprises operate within the economy of the country where they are located and should, of course, pay costs for their capital which are appropriate in the light of market conditions in that country. For them to receive A.I.D. loan terms would give windfall profits and distort incentives.

To deal with such cases, A.I.D. has developed a two-step loan procedure under which the borrower pays back his loan in local currency at normal rates for the type of project involved. The government of the country then pays A.I.D. in foreign exchange on the terms fixed for that country. Thus, both objectives are achieved: the individual enterprise repays a reasonable price in relation to the character of the project, and the country repays A.I.D. on a reasonable basis in relation to its over-all balance of payments.

To illustrate, a recent loan to a privately owned Indian corporation to assist in expanding ball bearing production will be repaid by the corporation to the Government of India in Indian rupees at 5 3/4% over ten years, including two years' grace period. The Government of India will repay the United States Government in U.S. dollars over 40 years, including ten years' grace, with interest of 3/4% during the grace period and 2% thereafter.

Program Loans

Loans for specific projects can finance a wide variety of large and small activities. But they are not an effective way of meeting certain important development requirements. A sound development program is made up of thousands of small, undramatic improvements, replacements, additions, investments and raw materials as well as of major development projects. Such a program may justify and require more support than a series of large project loans can provide. Indeed, the preference of many aid donors for financing specific large projects has reinforced the tendency in many developing countries to overemphasize large-scale public sector projects and to neglect smaller investments and the private sector.

Moreover, as an economy expands, many plants which have been operating at less than full capacity can find a market for increased production -- if they can get the raw materials and spare parts they need. Successful agricultural extension services will increase the demand for fertilizers, pesticides, and farm machinery. Quickened economic activity will be reflected in greater demands on railroads and road transport -- and therefore, increased need for fuel. These development requirements can often most effectively be met by loans for development commodities rather than for specific projects.

To meet these needs, A.I.D. provides in limited and carefully-selected cases Development Loan-financed program loans for U.S.-produced equipment, spare parts, supplies and raw materials for countries whose vigorous and effective efforts to develop have generated requirements which cannot be met efficiently with project loans alone.

Development Loan-financed program loans must meet rigorous standards in addition to the criteria applied to all Development Loans.

The United States must be convinced that the recipient country is fully committed to a major development effort, and is following a consistent and sensible set of policies relating to internal finance, balance-of-payments problems, and development priorities which will ensure that commodities financed under the program loan in fact contribute directly and initially to the country's development -- and do not simply permit the country to avoid hard policy problems it must solve if it is to progress.

Because these standards are deliberately high and firmly maintained, program loans are limited to a few key countries -- probably only seven or eight countries will receive such loans in FY 1966.

(The criteria for Development Loan-financed program loans distinguish them sharply from Supporting Assistance-financed commodity import programs, whether in the form of loans or grants. The latter programs are provided to shore up the economies of countries facing acute internal security problems or the threat of external aggression, or to ease balance-of-payments crises in other countries where such action serves important U.S. foreign policy objectives. Commodity import programs financed under Supporting Assistance have been reduced in recent years.)

Program lending is often an effective means of providing incentives for major improvements in self-help performance. Major reforms and improved development policies are sometimes difficult for developing nations to adopt for domestic political reasons,

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and because of possible temporary strains on a country's limited resources which may be associated with such self-help measures.

For example, in Pakistan over-restrictive import controls were stifling private sector growth, causing many plants to operate at less than full capacity and inviting speculation and corruption. The elimination of licensing requirements for raw materials, coupled with certain tax and price adjustments, would solve these problems but would create a rush to import which would strain Pakistan's limited foreign exchange reserves. Assured of U.S. program loan support for commodities required for development, Pakistan ended licensing of raw material imports on July 1. Such imports have since risen substantially, and while it is too early to gauge the full impact on production, we already have clear evidence of substantially greater production and increased investment in the Pakistan private sector.

Program loan requests provide a logical opportunity for review and agreement with the country on its general economic policies and self-help requirements -- often in conjunction with reviews and agreements by the International Monetary Fund (IMF) and the IBRD. The level of program loans may be adjusted upwards or downwards to take into account the rise or fall in a country's ability to use the aid effectively depending on the self-help measures it adopts. Program loan agreements normally require periodic (often quarterly) reviews of progress toward the agreed objectives of the loan and may provide that funds will be released in segments contingent on evidence of effective performance.

Loan Terms

All Development Loans must be repaid in U.S. dollars. Loan terms within the limits set by the Foreign Assistance Act are established for each country on the basis of its particular circumstances and U.S. program objectives. Most loans are made at the new minimum terms set in 1964 by the Congress at 1% for the first ten years during the grace period and 2 1/2% for the remaining 30 years.

It is A.I.D. policy to grant terms more favorable than those available from the World Bank or the Ex-Im Bank only to the extent clearly necessary to achieve U.S. objectives efficiently. A.I.D. hardens terms on its loans when the recipient's economic growth and improved repayment capacity permit reliance on more normal capital sources. The Congress authorizes development lending at concessional terms primarily because normal credit sources cannot meet the needs of many less-developed countries on terms which recognize the limits on their repayment capacity. To impose harder terms prematurely would dangerously delay development progress and prolong dependence on concessional aid. The gross amount of aid required to maintain required levels of net investment would increase sharply.

Loan terms appropriate for a developing country depend mainly on its future capacity to service foreign debt. When a country has achieved a good rate of progress and can look forward with confidence to the time when it will no longer depend on concessional assistance, A.I.D. can realistically raise interest charges and shorten maturities. For example, the most recent (FY 1964) loans made to Greece, Iran and Israel bore interest rates of 3 1/2%, grace periods of 3 to 5 years, and maturities of 15 to 20 years. Jamaica and Mexico received loans at 3 1/2%, 2 to 5 years' grace, and 20 to 30 years' maturity. Harder A.I.D. terms are typically a first step toward transition from A.I.D.-financing to reliance on more normal sources of capital.

The debt-service burden builds up rapidly with short grace periods and maturities and high interest rates. At present minimum A.I.D. terms, cumulative payments during the first 10 years of a loan total only 10% of the amount loaned. This is reasonable for a country whose import needs and repayment burden will be increasing. At 3 1/2% interest, no grace period and 25-year maturity on the other hand, payments in the first 10 years would total over 60% of the amount loaned. For countries with bright prospects for the near future, the latter terms are reasonable. But for many A.I.D. recipients such terms would prevent the development process from getting under way.

A heavy debt-service burden in a less-developed country creates an unstable and risky economic situation. It is likely to inhibit foreign private investment and may also deter lending from the World Bank and other potential sources of capital.

The debt repayment burden of the less-developed countries has been rising rapidly and will continue to rise. Debt-servicing charges on official and officially guaranteed debt owed by developing countries rose from $700 million in 1956 to $2.4 billion in 1963. Already the debt-service burden of Latin America is the equivalent of one-half of its gross capital inflow. Even on the best of terms this burden will continue to rise rapidly through the 1960's. For many countries, debt is already a major obstacle to achieving a net inflow of resources sufficient to support a sound development effort.

The United States has been urging other lenders, and particularly members of the DAC of the Organization for Economic Cooperation

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and Development (OECD), to lower their interest terms and extend the maturities and grace periods on their development loans. This effort has met with considerable success, but to meet the growing need of the underdeveloped world, we and our allies must accomplish much more.

A.I.D. has launched a study of Development Loan terms and a review of the terms appropriate for each of the countries receiving Development Loan assistance. We expect to make available to Congress early in the 1965 session a fuller analysis of our loan term policies and their relationship to development efforts.

TECHNICAL COOPERATION AND DEVELOPMENT GRANTS

The second major instrument of development assistance is technical assistance. $210 million is requested in new obligational authority (NOA) for Technical Cooperation and Development grants for FY 1966. This appropriation, together with recoveries, will fund programs in Asia and Africa amounting to $231 million. The FY 1965 program totals $236 million. In addition, an $88 million program is proposed for technical assistance under the Alliance for Progress.

TECHNICAL COOPERATION NOA AND PROGRAM

(In millions of dollars)

	NOA	Carryover and Recoveries	Program
FY 1964 (Actual)	155	53	208
FY 1965 (Estimated)	204	32	236
FY 1966 (Proposed)	210	21	231

Technical assistance is A.I.D's primary instrument for the development of human resources and the strengthening of institutions -- the core requirements for economic and social progress in the countries to which the United States gives aid. In Africa, technical assistance makes up 42% of the proposed program, reflecting the continent's urgent need for skills and institutional development prior to major capital investment. In Asia, technical assistance is a far smaller fraction of our aid programs, reflecting greater capacity to make use of large amounts of capital.

REGIONAL TECHNICAL COOPERATION AND DEVELOPMENT GRANT PROGRAM

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY1966 Proposed
Near East and South Asia	51	50	46
Far East	45	44	34
Africa	74	86	92
Research Prog. Support and Intergn'l Activities	38	56	59
TOTAL	208	236	231

Technical Cooperation and Development Grant funds also finance program support and interregional activities which cannot be attributed to specific countries or regions, and a range of administrative and support services provided for the Agency as a whole.

For example, the food supplements program initiated in FY 1965 is experimenting with effective ways to provide vitamins in conjunction with Food for Peace child feeding programs. A relatively small investment in improved nutrition may effectively prevent the physical and mental retardation which recent research shows may result from vitamin deficiencies in early childhood. Another nonregional program, research and analysis, is directed toward better understanding of development processes and discovery of improved techniques and procedures for promoting growth. Technical Cooperation funds also go to assist the International Executive Service Corps (IESC). Administrative and program support services financed from Technical Cooperation funds include the Washington program staff; orientation, training and other services for some 6,000 foreign trainees brough to the United States for specialized study; and a partial support for the Office of the Inspector General of Foreign Assistance, which has statutory responsibility for inspecting programs under the Foreign Assistance Act. Program support and interregional activities are discussed in greater detail under "Other Requests."

The fields in which technical assistance is concentrated and the techniques used vary considerably according to each country's needs and the scope and focus of the total U.S. aid effort in the country.

Close to a fifth of all A.I.D. technical assistance is directed to strengthening educational institutions and gearing curricula more closely to development needs. Projects in the field of agriculture are a second major area of concern. Lagging food production in many countries has led to fresh attention to rural development.

Roughly 10% of Technical Cooperation funds are directed respectively to development of industry and transportation, and to health and sanitation, including substantial malaria eradication

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programs. Other fields of technical assistance activity include public administration, public safety, community development, housing and labor programs.

Administration of Technical Assistance

Administration of Technical Cooperation programs has been further refined to insure maximum concentration on building human resources and skills.

The trend toward fuller and more flexible use of the contract technique will also continue in FY 1966 to tap more fully the talents and skills of private industry, universities, other Federal agencies, state and local government units, research institutes, labor unions, cooperatives and other private organizations. During the past year, a broad-ranging review of A.I.D.'s relations with the universities was conducted under the leadership of John W. Gardner, President of the Carnegie Corporation. This Task Force report was published in April 1964. In July 1964 a three-day Rural Development Conference brought together top officials of U.S. land grant and state colleges, the Department of Agriculture, and A.I.D., to consider ways to strengthen U.S. efforts in the areas of agricultural and rural development. A.I.D. is now following up the recommendations of the Gardner Report and the Rural Development Conference.

THE ALLIANCE FOR PROGRESS

For FY 1966, the program proposed for the Alliance for Progress totals $596 million. Of this, $508 million is programmed for lending and $88 million will finance Technical Cooperation. Since $16 million of recoveries and loan receipts are anticipated, $580 million of new obligational authority is requested.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY1966 Proposed
Alliance for Progress, Development Loans	479[a]	435-490	508
Alliance for Progress, Technical Cooperation	93	88	88
Total	572	523-578	596

a/ Excludes $50 million Brazil Contingency Fund loan.

Calendar year 1964 saw favorable developments, not predictable earlier, in several major Latin American countries. Largely reflecting improved policies and more vigorous development efforts in Brazil and Chile, A.I.D. has received and is considering priority loan applications totaling $55 million more than the $435 million available in Alliance for Progress loan appropriations and recoveries for FY 1965. The additional requirement will be met to the extent possible by transfers from other Agency resources, but the shortage may not be fully covered and may result in increased FY 1966 requirements.

The estimates for both FY 1965 and FY 1966 are conservative even without assuming any further favorable political and economic developments in the coming year in other Latin American countries. The FY 1966 request may well prove too modest if some of these countries move ahead more rapidly than now seems likely.

The potential for serving the U.S. interest through effective use of assistance funds by Latin American countries continues. The trends of self-help and reform are promising in a number of countries. Education budgets are increasing. Rural areas are getting increased attention. There is greater realization in Latin America that self-help includes positive action to encourage private enterprise; to control inflation; to provide incentives, including tax reform, to stimulate activities in fields important to social progress such as housing construction; to build institutions which mobilize savings and provide cheaper credit; and to help diversify production and expand exports. A significant step forward in 1964 was the completion of the first over-all review of Latin American plans and programs by CIAP. In getting together for frank country reviews all the international agencies involved in the development of Latin America, CIAP made a substantial contribution to the identification of obstacles to success of the Alliance and to the concentration of means for overcoming these obstacles. CIAP's efforts with respect to external debt, control of inflation, and reduction of barriers to trade within the area should help to improve both country and external agency investment performance in FY 1966.

Military Assistance
Supporting Assistance
Contingency Fund

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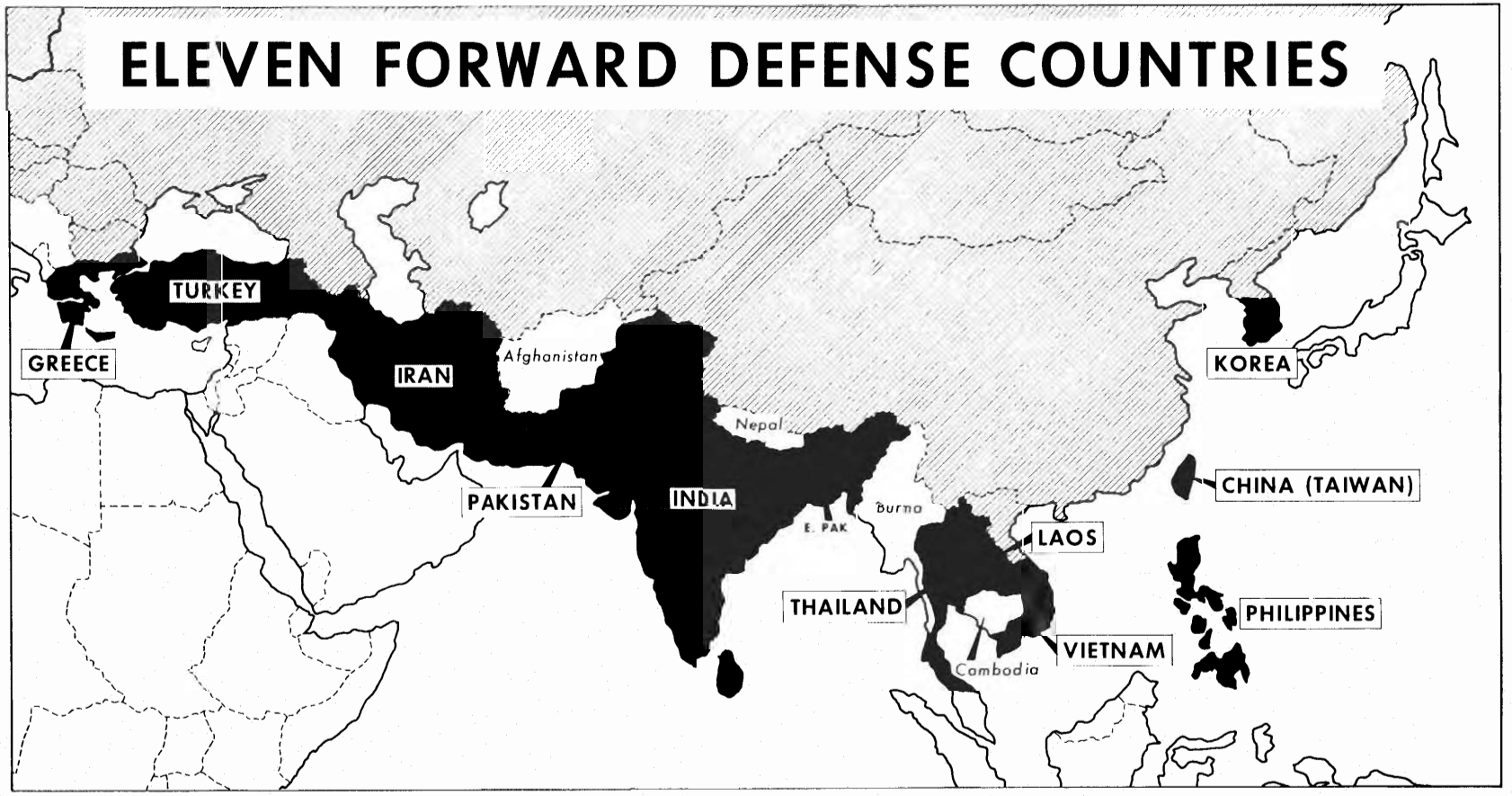
MILITARY AND SUPPORTING ASSISTANCE
AND THE CONTIGENCY FUND

Funds appropriated under these Titles are used to assist nations whose own resources are insufficient to provide adequate security or to meet emergency needs. Their role in the protection of U.S. national interests is indispensable.

--Military Assistance provides equipment and training for defense on either a grant or credit assistance basis. It also supports civic action programs through which military forces make useful contributions to social and economic development.

--Supporting Assistance is economic aid provided for security and stability purposes. The bulk of it goes to nations threatened by or fighting Communist aggression and subversion and whose own resources are insufficient to finance heavy defense and counter-insurgency burdens.

--Contingency Funds enable the United States Government to meet emergency needs and priority requirements not previously foreseen or quantified. Without them U.S. foreign policy would be severely hampered in coping with an unpredictable world.



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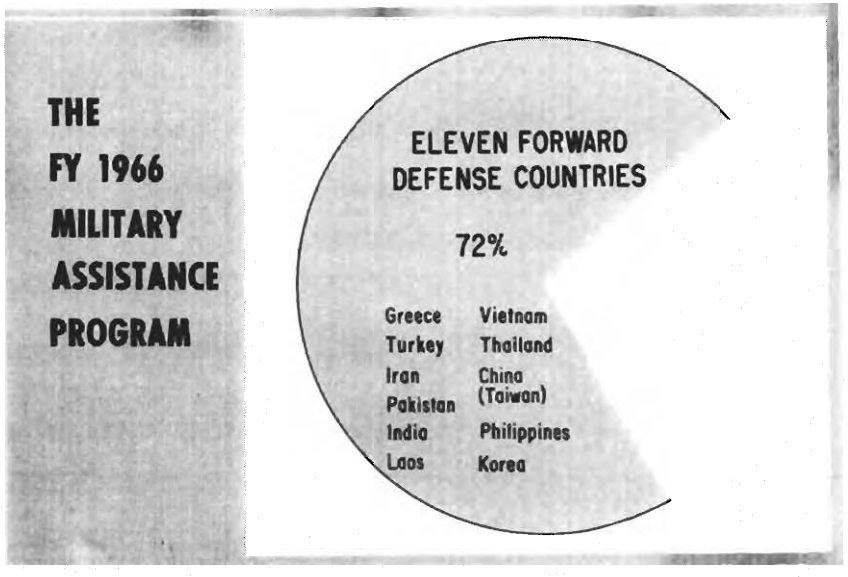
The level of total assistance provided under these Titles has fallen sharply since the beginning of this decade. Total obligations estimated for FY 1965 are more than $1 billion less than the amount provided in FY 1961. This decline in over-all level has been possible despite an increase in annual obligations of roughly one-quarter billion dollars over the same period to finance critical needs in Vietnam and Laos.

Military and Supporting Assistance
and the Contingency Fund

(In millions of dollars)

	Mil. Assist.	Sup. Assist.	Contingency Fund	Total
1961	1,929	779	272	2,980
1962	1,832	499	303	2,634
1963	1,549	466	149	2,164
1964	1,236	360	107	1,698
1965 Est.	1,223	421	56	1,700
1966 Proposed	1,258	380	50	1,688



The Military Assistance Program

A detailed description and justification of this program is presented separately by the Department of Defense. The brief presentation here is confined to the program's broader aspects and to its relationship with economic assistance.

The Military Assistance Program makes an invaluable contribution to U.S. defense. It helps safeguard the independence of nations resisting Communist encroachment. It also strengthens alliance and other collective security arrangements without which U.S. interests would be seriously impaired. Without military assistance appropriations much greater burdens would have to be borne directly by our own military forces, and even then, the world-wide interests of the United States would be less well served.

An appropriation of $1,170 million is requested for the Military Assistance Program for FY 1966. This consists of a basic program of $1 billion to meet minimum essential needs plus an additional $170 million to cover extraordinary costs in Vietnam and Laos. Despite the latter, the total request is over a quarter of a billion dollars less than the annual average appropriation for FY 1960-64 and almost $5 billion less than the peak appropriation at the time of the Korean War and NATO buildup. Programs have been substantially reduced, and in some cases eliminated, in countries of increasing economic strength. Grant military assistance is now concentrated almost exclusively in the less-developed nations.

Approximately 72% of total program funds will go to 11 "forward defense" countries -- Greece, Turkey, Iran, Pakistan, India, Thailand, Laos, Vietnam, Philippines, Taiwan and Korea -- bordering on the Soviet Union and Communist China. They will be used to provide a wide range of defense equipment and other materials, as well as related services and training.

Programs in Latin America and Africa are much smaller. They are directed primarily to internal security and civic action activities.

Military assistance to Western Europe now constitutes only 5.4% of the total program. With the exception of Spain and Portugal, where assistance is related directly to U.S. base rights, programs in Western Europe are confined to fulfillment of commitments, certain jointly financed NATO activities, and very limited

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amounts of training. The success of the Military Assistance Program and its importance to the U.S. national interest is strongly attested by NATO and the military and economic strength of its Western European members. They now not only finance almost all of their own defense needs, but also make large military purchases in the United States and contribute substantial military and economic assistance to the less-developed nations.

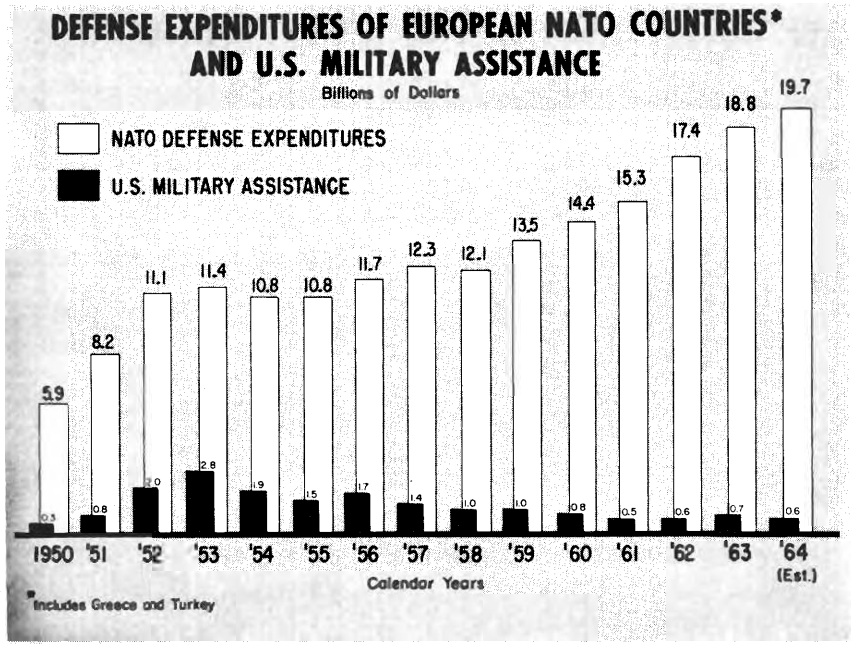
Military credit sales financed in part from Military Assistance appropriations are being increasingly used to supplement or substitute for grant military assistance in appropriate situations.

Successful efforts have been made to reduce the amount of "common use" or "commercial" articles provided under the Military Assistance Program as the expanding economic strength and production capabilities of recipient countries makes self-financing possible. Similar efforts are now being made with regard to other general support items and maintenance. Early targets for transfer of these latter items are under discussion with all major recipient countries. As a result of these efforts, an increasing percentage of Military Assistance Program funds can be devoted to military investment and force modernization purposes.

Training is an essential component of country military grant and credit assistance programs. Many present and future military leaders are brought to the United States where they are able to observe the role of a responsible military establishment under civilian direction. Both technical and leadership training is provided, through grants when necessary, and on a reimburseable basis in the case of many economically stronger countries with which we wish to share U.S. advances in military technology and doctrine.

Since economic development is of great importance to defense and internal stability, support of civic action programs is emphasized. These programs effectively improve relations between civilian populations and their military forces. They also speed economic development through use of skills, organizational capacity and equipment of defense units not immediately occupied in direct military functions to help build roads, irrigation facilities and other productive investment projects.

In addition to strengthening the military forces of friendly and independent nations, military assistance makes an even more direct contribution to U.S. security by enabling arrangements to be made for U.S. overseas bases, which allow optimum deployment, flexibility and desirable communications and warning facilities for our own and allied military forces. It also contributes funds to jointly and multilaterally financed facilities and services related to collective security organizations and activities (e.g., NATO, CENTO and SEATO).



The Military Assistance Program is administered primarily by the Department of Defense. The Secretary of State, however, has responsibility for the program's continous supervision and general direction (including establishment, funding levels and suspensions) to assure proper coordination with other instruments of U.S. foreign policy. This role, including the function of coordination with U.S. economic assistance, has been delegated by the Secretary to the Administrator of A.I.D. The Administrator exercises this authority, as well as the related responsibility of assuring coordination with the military and economic aid programs of other free world nations, in close consultation with other senior officials of the Departments of State and Defense.

Supporting Assistance

Supporting Assistance is used to protect and advance immediate U.S. foreign policy interests. It is provided primarily to enable larger defense efforts to be undertaken in less-developed

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nations threatened by Communist expansion and to avert situations of dangerous instability in sensitive areas. In a few instances it is also provided to encourage independence of action in nations susceptible to Russian or Chinese Communist domination, to assure access to U.S. military bases and in other ways to support or promote economic or political stability.

Supporting Assistance is provided primarily through commercial channels in the form of raw materials and other essential imports which the recipient country is unable to finance from its foreign exchange earnings. The private exporter who provides the commodities is paid in dollars. The local importer pays full value in local currency to his government which then uses the funds to finance defense or other programs of mutual benefit to the recipient country and the United States.

Supporting Assistance is also used for the direct financing of specific projects. In these cases it is similar to Technical Cooperation and Development Grants, in that it pays for technicians, training, commodities and other project costs. The critical difference is that the projects, while serving development to the maximum extent consistent with their main purpose, are directed primarily to counter-insurgency or other security or political purposes.

Regardless of its form, Supporting Assistance is provided only where it is clearly justified. Within individual countries it is coordinated closely with other U.S. assistance programs. To the maximum extent possible it is used to prepare a solid foundation for economic development and progress toward self-support.

Supporting Assistance is phased down just as rapidly as U.S. interests and economic progress in the recipient countries will permit. The record of reduction over the past several years is good.

A Supporting Assistance program of $380 million, including an appropriation request of $369 million, is proposed for FY 1966. Over 80% of the total will be concentrated in four Far Eastern countries -- Vietnam, Korea, Laos and Thailand. About half will go to Vietnam alone. Programs in Jordan and the Congo will account for another 14%. The balance will be distributed among small programs in several other countries.

The Supporting Assistance request does not take account of a possible intensification of Vietnamese Government military and counter-insurgency operations involving an additional cost not now known. If this increased effort is undertaken by the Government of Vietnam, a supplemental appropriation request under a proposed Vietnam standby authorization may be required.

Together with Military Assistance, Supporting Assistance meets an essential need if Communist expansion in Southeast Asia is to be stopped. In both Vietnam and Laos, counter-insurgency efforts on anything like their present scale would be impossible without the commodity and financial support which it provides. It is crucial not only in maintaining tolerable financial stability under conditions of open warfare, but also in supporting the economic and social programs which are essential to winning popular support for non-Communist governments and providing a base for development progress once the fighting ceases. In neighboring Thailand, where economic conditions and progress are generally good, a small amount of Supporting Assistance is used to help finance security-related projects in sensitive areas bordering Laos, where Communist infiltration and subversion threaten to produce active insurgency.

Supporting Assistance continues to be important, although on a steadily declining scale, in Korea, where security conditions still requires a defense effort larger than Korea could afford unaided. Between 1956 and 1964 Supporting Assistance for Korea was reduced from $320 million to $76 million. Development progress has been made and the economy is beginning to move toward greater self-support. Toward that goal, U.S. Supporting Assistance will continue to be phased down as the focus of the U.S. assistance program shifts more and more to development.

Economic and political stability is the goal in both Jordan and the Congo. Without it U.S. interests would be seriously endangered in politically sensitive areas. Development progress is being made in Jordan, and as a result the Supporting Assistance program is being gradually reduced. In the Congo the fundamental task is to help restore conditions permitting development.

Smaller Supporting Assistance programs in other countries provide recipients with a counterweight to excessive reliance on Communist assistance and influence, assure access to U.S. military bases, or serve other important security and foreign policy purposes.

Combined Supporting Assistance and Contingency Fund use for countries other than Vietnam and Laos fell from $695 million in FY 1962 to $278 million in FY 1964. Since 1961, Supporting Assistance programs have been discontinued in Greece, Turkey, Iran, Afghanistan, Pakistan, Cambodia, Indonesia, Philippines, Libya, Mali, Tunisia, Colombia and Ecuador. Programs in Morocco and Burma will be discontinued at the end of the current year.

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Contingency Fund

The Contingency Fund is used to meet urgent assistance needs which are not foreseen or cannot be accurately estimated in advance. An appropriation of $50 million is requested for FY 1966.

The actual use of Contingency Funds varies widely from year to year. Adequate availability must be provided in advance, however, if the fund is to serve its intended purpose of permitting a prompt U.S. response to emergency needs. Funds are spent only when the national interest requires it.

Since its inception, the Contingency Fund has enabled the United States to respond immediately to the need for increased assistance to countries threatened by Communist attack or internal subversion. In FY 1964 it provided almost $47 million to supplement regularly programmed assistance in meeting critical needs in Vietnam and Laos. A small amount was also used to finance transportation and other costs connected with the loan of a U.S. army radio transmitter to counter Communist broadcasts in the security sensitive Northeast region of Thailand.

The Contingency Fund has also enabled the United States to respond positively and constructively to unexpected economic or political crises abroad. Late in FY 1964 a $50 million loan was made from the Fund to the new Government of Brazil after it had demonstrated a determined effort to solve its serious economic problems. The loan averted a financial crisis and provided the time badly needed by the new government to work out the details of sound stabilization, development and reform programs. Subsequent events have confirmed the wisdom of this loan. The Brazilian Government has continued to press forward with constructive policies under the Alliance for Progress.

The Contingency Fund also met a critical need in the Cyprus crisis during FY 1964 by enabling the United States to contribute adequately to the UN peace-keeping operation. Over $2.7 million was provided from the Fund for that purpose.

The most frequent use of the Contingency Fund, although relatively small in amount, is relief to victims abroad of natural disasters such as earthquake and flood. Emergency food needs are met to the extent possible from P.L. 480. Other urgent needs, however, require dollar assistance. Frequently supplies are rushed from U.S. military depots with subsequent reimbursement from the Contingency Fund. Approximately $3 million of relief and rehabilitation assistance was furnished in FY 1964 to victims of volcano and flood in Costa Rica. Smaller amounts were provided to meet similarly urgent needs in 18 other countries. Without adequate Contingency Fund availability, the United States would be unable to meet the humanitarian responsibilities commensurate with its wealth and world-wide interests.

For the current fiscal year the Contingency Fund appropriation was $99 million, added to $3 million carried over from FY 1964. It is planned to transfer $50 million of this amount to the Military Assistance Program to meet urgent requirements. A transfer of $75 million was made from the Contingency Fund for the same purpose in FY 1964.

Only $50 million is requested for the Contingency Fund in FY 1966 on the assumption that very little, if any, of the requested funds willbe used for transfers to other appropriation categories.

In addition, authorization is requested for the appropriation of such additional Military Assistance and Supporting Assistance Funds, for use in Vietnam only, as the President may subsequently find it necessary to request in the national interest. Any program to be carried under this authorization will be presented to the authorizing committees concurrently with the appropriation request.

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Contributions to
International
Organizations

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VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

SUMMARY OF CONTRIBUTIONS

(In thousands of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
UN Expanded Program of Technical Assistance and Special Fund	60,772 a/	60,000	65,000
UN Technical and Operational Assistance to the Congo	5,000	5,000	5,000
UN Relief and Works Agency for Palestine Refugees	17,200	16,000	16,000
UN Children's Fund	12,000	12,000	12,000
UN Food & Agriculture Organization - World Food Program	2,000	2,300	2,000
International Atomic Energy Agency - Operational Program	1,228	1,100	1,000
Indus Basin Development Fund	12,312	37,000	53,000
International Secretariat for Volunteer Service	-	22	120
World Health Organization - Medical Research	500	-	100
UN Peacekeeping			
UN Operation in the Congo (Military)	2,473	-	-
UN Emergency Force (Near East)	1,243 b/	850 c/	835
UN Force in Cyprus	1,576	121	-
UN Training and Research Institute	-	-	400
TOTAL	116,304	134,393	155,455

a/ Includes $59,000 thousand for CY 1964 programs and $1,772 thousand to complete funding of the U.S. pledge for CY 1963 programs.
b/ In addition, $2,724 thousand funded from the Contingency Fund.
c/ Remainder of pledge of up to $2,300 thousand to be funded from the Contingency Fund and/or voluntary contribution funds.

INTRODUCTION

Through voluntary contributions to multilateral programs, the United States gives practical and concrete expression to its support of international organizations, which President Johnson, in proclaiming 1965 as International Cooperation Year, described as "vital in the modern world." He added that two points are clear:

> "First, international cooperation is simply not an idea nor an ideal. We think it is a clear necessity to our survival. The greater the nation, the greater is its need to work cooperatively with other people, with other countries, with other nations.
>
> "Second, international cooperation is no longer an academic subject; it is a fact of life, ... Our challenge is not to debate the theory or the concept, but our challenge is to improve and to perfect and to strengthen the organizations that already exist."

The authorization and appropriation of $155,455,000 for voluntary contributions to 11 international organizations and programs is proposed for FY 1966. Decisions as to the use of the funds will be made in the light of progress made toward a satisfactory solution of the UN's constitutional and financial crisis.

About 85% of the funds requested will be used to promote the economic and social development of the less-developed part of the world through:

--The UN Expanded Program of Technical Assistance (EPTA), which provides technical skills through experts and fellowships;

--The UN Special Fund, which carries out pre-investment surveys and assists in establishing training institutes and applied research facilities;

--The UN Children's Fund (UNICEF), which finances projects for improving the health and welfare of children and mothers;

--The World Food Program (WFP), which is seeking and testing new ways of fostering economic development through the use of foodstuffs;

--The Operational Program of the International Atomic Energy Agency (IAEA), which encourages peaceful applications of atomic science;

--The International Secretariat for Volunteer Service (ISVS), which promotes the growth of Peace Corps-type programs by other countries; and

--The Indus Basin Development Fund (IBDF), which is financing the construction of major irrigation and power works to improve the productivity of India and Pakistan and at the same time muting a source of friction.

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VOLUNTARY CONTRIBUTIONS TO INTERNATIONAL ORGANIZATIONS AND PROGRAMS

A second category of international programs includes those addressed to the stabilization of troubled areas. In the Middle East, the UN Relief and Works Agency (UNRWA) provides basic food, shelter, or schooling for over one million Arab refugees displaced by the conflict over Palestine. In the Congo, the UN is supplying essential experts, including doctors, teachers, engineers, and economists to help keep the Congo Government machinery operating.

Voluntary contributions to UN peacekeeping operations constitute the third category of programs supported by this appropriation. Funds for the costs of the UN Emergency Force (UNEF) on the Israeli-UAR border are included in the FY 1966 request. Our contributions to the expenses of the UN Force in Cyprus during FY 1964 and 1965 were funded from foreign assistance appropriations.

Finally, contributions are proposed for two new international cooperative activities designed to serve U.S. interests. A contribution is recommended for a new cancer research institute, to be established within the framework of the World Health Organization (WHO). The agency would promote wide dissemination of information on cancer research and encourage research in promising areas. The other new activity is the UN Training and Research Institute, which would train present members of the UN Secretariat and citizens of the new nations for service either with the UN or in their national administrations. The institute would also conduct research on important problems facing the UN.

U.S. participation in and support of international programs encourages other countries to increase their contributions, helps enlist scarce skills on a world-wide basis, frequently provides necessary assistance to developing countries which are reluctant to accept bilateral assistance in sensitive fields of development, and, by enhancing the authority and prestige of the UN, makes it a more effective mechanism for resolving political problems.

UN EXPANDED PROGRAM OF TECHNICAL ASSISTANCE AND SPECIAL FUND

Two closely related UN activities, designed to assist the less-developed countries to achieve economic and social growth, are the UN Expanded Program of Technical Assistance (EPTA) and the UN Special Fund. Under the first, technical advice and skills are transferred to the developing countries through the provision of experts and fellowships, while the Special Fund concentrates on surveys of natural resources and feasibility studies, establishment of training institutions, and formation of research institutes.

During calendar 1963, direct expenditures on technical assistance projects were about $39.5 million, which primarily financed 3,037 expert missions and 2,545 fellowships. Among the various functional fields, 18.4% was devoted to basic surveys of resources and the strengthening of administrative services, 21.2% to agricultural production, 17.4% to health services, and 10.6% to education.

Special Fund projects are normally of longer duration than those of EPTA. Through October 1964 the Governing Council of the Special Fund had approved 421 pre-investment projects in 130 less-developed countries and territories. By the same date, 34 projects had been completed and 255 projects were in various stages of field operation. It is reported that as a result of the first 16 pre-investment surveys and feasibility studies completed at a cost to the Special Fund and recipient governments of $16 million, capital amounting to over $780 million from international and domestic sources has come forward to finance development activities. It is noteworthy that the assisted governments themselves will provide about $545 million of the total costs -- $919 million -- of the 421 projects approved thus far.

In 1960, the UN established a target of $150 million as the annual program level for EPTA and the Special Fund together. By 1964 total pledges reached $147.5 million, and pledges made thus far to the 1965 programs indicate that the target may be exceeded by about $6 million.

The Economic and Social Council has recommended a merger of EPTA and the Special Fund into a new UN Development Fund, a move supported by the United States as a means of increasing the efficiency of the UN's development effort. The merger is on the agenda of the UN General Assembly, which is also expected to consider a proposal for increasing the combined annual target from $150 to $200 million. If an acceptable merger plan is adopted and if progress is made toward a satisfactory solution of the UN's constitutional crisis, the United States would be prepared to support the increased target and to increase its 1966 pledge to a maximum of $65 million. Our contribution would not exceed 40% of total government contributions, including assessed and audited local costs.

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UN TECHNICAL AND OPERATIONAL ASSISTANCE TO THE CONGO

The U.S. objective in the Congo is to establish a moderate central government capable of maintaining internal security, political stability, and a reasonable rate of economic and social development. By providing technical experts and operating personnel, the UN is meeting a critical need of the Congo for skilled manpower. Meeting this need is a pre-requisite of achieving the U.S. objective but would be difficult for the United States to do directly. The UN program has been successful in finding personnel with the necessary skills and language competence through international recruitment.

The UN Technical and Operational Assistance Program provides 1,700 experts, including some 800 teachers, 200 doctors, 200 economists and engineers and a variety of other specialists in agriculture, mining, labor, public works and public administration. The total resources made available in foreign exchange for the program in 1964 amounted to about $14 million. In addition to the $5 million provided by the United States, the Congo and 12 other governments contributed in cash or kind to the program, while various UN agencies provided technical experts, using their own resources. The United States is making a strong effort to assure continued participation by other donors and international agencies in the provision of assistance to the Congo.

Of the $5 million requested for FY 1966, the United States proposes to make a designated contribution of approximately $4 million to finance 223 critical positions in the fields of public finance, economic analysis and coordination, civil aviation and meteorology, public works, telecommunications, and mineral resources planning and, in addition, will finance the non-salary costs of 400 Nigerian police. The remaining $1 million will be contributed on a matching basis to the UN Fund for the Congo, which is principally supported by voluntary contributions from Governments, and finances essential health, education and judicial services.

UN RELIEF AND WORKS AGENCY FOR PALESTINE REFUGEES

The mission of the United Nations Relief and Works Agency for Palestine Refugees (UNRWA) is to meet the minimum food, shelter, health and educational needs of the refugee population now resident in Lebanon, Syria, Jordan and the Gaza Strip. The United States supports this humanitarian objective and considers that such assistance is required to prevent the development of situations prejudicial to our basic interests in the Near East.

Of the 1,246,000 refugees registered by UNRWA, latest Agency reports show that some 1,138,000 are receiving medical care, 878,000 are receiving rations, 483,000 are housed in Agency-operated camps, and some 202,000 children are receiving educational benefits.

The budget proposed for 1965 is about $37 million, including $16.6 million for relief services, $15.4 million for education and training, and $5 million for health services. To finance this level of operations, governments will have to increase their pledges by some $1.5 million or other resources will have to be found. Over the past several years the United States has contributed some $24.7 million annually toward UNRWA's program in dollars, U.S.-owned foreign currencies, and wheat flour and edible oils available under P.L. 480. In an effort to step up progress in rectification of the ration rolls and to induce other governments to increase their support of the program, the United States plans to reduce the cash portion of its FY 1965 contribution by $1.2 million to $16 million.

In FY 1966, the United States plans to maintain its cash contribution at the $16 million level and will determine the level of its contribution of surplus foodstuffs in the light of progress made by UNRWA in eliminating ineligible and fraudulent ration beneficiaries while continuing to provide for bona fide needy refugees. In any event, the U.S. contribution will not exceed 70% of total receipts from all governments.

UN CHILDREN'S FUND

The purpose of the UN Children's Fund (UNICEF) is to make a permanent contribution to the welfare of children through programs which countries will be able to carry on themselves after initial stimulus from the Children's Fund. UNICEF furnishes supplies and equipment which assisted governments are unable to provide, while related technical assistance and advice are provided by other UN departments and specialized agencies. In June 1964, UNICEF was providing aid to 553 projects in 117 countries and territories.

Health services and disease control continue to be the major field of UNICEF activity. Of the allocations of slightly over $30 million approved for the year beginning July 1, 1964, 36% was designated for health services and 31% for projects designed to control and eliminate malaria, tuberculosis, and other diseases. Assistance in the field of nutrition represents about 17%. Education, a relatively new field of UNICEF aid, accounts for 11%, with lesser amounts for vocational training and family and child welfare. The majority of projects in all fields include training aspects.

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The number of governments supporting UNICEF is steadily increasing, the total now being 117. In addition to governmental contributions, UNICEF receives annually about $8 million primarily from private sources. Total expenditures were $38.9 million in 1963 and are expected to rise to $40 million by 1964 or 1965.

It is proposed that the U.S. pledge up to $12 million for CY 1966, subject to the limitation that the U.S. share should not exceed 40% of the total contributions from governments. This is the same amount as pledged annually since 1960; the U.S. share, however, has been progressively reduced from 48% (1960) to 40% (1964).

UN FOOD AND AGRICULTURE ORGANIZATION - WORLD FOOD PROGRAM

Through support of the World Food Program (WFP), the United States assists in an experimental program to determine how foodstuffs can be used on a multilateral basis to stimulate economic and social development.

The Program, administered jointly by the UN and the Food and Agriculture Organization (FAO), had approved as of June 30, 1964, 72 development projects involving an outlay of $146.3 million. Projects have been undertaken in colonization and land settlement, land reclamation and development, and promotion of animal husbandry. WFP also utilizes about a quarter of its resources for emergency operations involving direct feeding and use of foodstuffs in rehabilitation following cyclones in Pakistan, earthquakes in Iran, hurricanes in the Caribbean, and other natural disasters.

The Program was authorized for a three-year experimental period, beginning January 1, 1963. Toward a target of $100 million, 68 nations have pledged $93.7 million ($68.5 million in commodities, $5.4 million in services, and $19.8 million in cash). The United States offered up to $40 million in commodities available under P.L. 480 and $10 million in cash and shipping services.

On the basis of evaluation of WFP projects, and other reports prepared by WFP consultants, and the recommendations of the Executive Director of the WFP and the heads of the UN and the FAO, the participating states will decide during the course of 1965 whether to recommend continuation of the program. In view of U.S. interest in promoting the growth of less-developed countries through food aid -- the principal objective of the Food for Peace program -- it is expected that the United States will favor continuation of the WFP.

The estimate of $2 million as the U.S. cash contribution to WFP during FY 1966 would represent a continuation at the same level as U.S. cash pledges to the initial three-year period. The pledge of cash, as well as commodities available under P.L. 480, for an extension of the Program would be made, of course, only if the scope and nature of the program as adopted by participating countries are acceptable to the United States.

INTERNATIONAL ATOMIC ENERGY AGENCY - OPERATIONAL PROGRAM

The principal U.S. objectives served by participation in the International Atomic Energy Agency (IAEA) are the orderly promotion and development of programs for the peaceful uses of atomic energy in member states, especially in the underdeveloped countries, the development and promotion of international standards and uniform practices in the peaceful uses of atomic energy, and the development and wide-spread application of a uniform system of safeguards to prevent the diversion of nuclear materials and equipment to non-peaceful uses.

Of the Agency's activities related to the above objectives, those included in the operational program are funded primarily from the voluntary fund. The program consists of the award of fellowships for training in nuclear science, the provision of experts and equipment for technical assistance projects, and research projects in underdeveloped countries. The target for voluntary cash contributions has remained unchanged at $2 million since 1962. Actual contributions, however, have averaged approximately $1.3 million. Prior to 1965, the United States matched, on a 50/50 basis, the cash contributions of other donors. In 1965, however the United States reduced its cash pledge to 45% of the total amount actually contributed and intends to reduce its share progressively.

To the Agency's 1966 operational program, the United States proposes to pledge 40% of total cash contributions; the amount required on this basis is estimated at $600,000. In addition, it is intended that the United States will continue, as in the past, to make available fellowships for the training of Agency nominees in the United States, the services of U.S. experts, costs associated with participation in technical meetings, and small equipment grants for the Agency's technical assistance projects and laboratories. Approximately $400,000 is proposed to provide these contributions in kind. Thus a total of $1 million is requested for FY 1966.

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

INDUS BASIN DEVELOPMENT FUND

Through its participation in the scheme for development of the water resources of the Indus Basin, the United States is helping to provide arable land for over 50 million people in Pakistan and India, and at the same time to remove a principal source of friction between the two countries.

The Indus Basin Development Fund (IBDF), administered by the World Bank, is financing a ten year project to divert to India waters now used in Pakistan, and provide for replacement of the diverted waters by a system of dams, reservoirs and link canals in Pakistan. The project, the largest earth-moving task ever undertaken, involves the construction of a dam, seven barrages, and 430 miles of canals.

The Indus program is now in its fifth year. Contracting and construction on Indus works are generally proceeding on schedule. Contracts totaling some $594.8 million have been awarded and it is expected that the seven remaining major contracts will be awarded during 1965. On an over-all basis. some 72% of the contracts under the Indus Basin Fund have been let to U.S. firms for construction or consultant activities.

The IBDF Agreement was amended in April 1964 in order to meet increased costs of planned works. This revision raised total foreign exchange commitments of Fund members -- including the United States, the World Bank, Australia, Canada, Germany, New Zealand and the United Kingdom -- by the equivalent of $315 million in foreign exchange, from $459.1 million to $774.1 million. U.S. foreign exchange commitments now total $416.8 million, including $295.6 million in grants and $121.2 million in loans, and comprise 53.8% of total foreign exchange commitments.

The IBDF Agreement provides that contributors make payments to the Fund upon semi-annual call from the World Bank. On the basis of estimates of total payments which will be due to contractors constructing the Indus Basin works, the World Bank plans to call for $53.0 million in U.S. grant contributions during FY 1966. The FY 1966 estimate is substantially higher than the estimated U.S. contribution of $37.0 million during FY 1965, reflecting a steady build-up in the volume of works under construction. Requests during FY 1964 and 1965 were lower than planned because of delays encountered in starting some of the major contract operations.

INTERNATIONAL SECRETARIAT FOR VOLUNTEER SERVICE

The International Secretariat for Volunteer Service (ISVS) was created by unanimous resolution of 43 nations to encourage and assist in the development of volunteer service programs, to help overcome acute shortages of skilled personnel in less-developed countries. The ISVS supplements bilateral efforts by providing a central clearinghouse for information on volunteer service programs and by providing technical assistance in establishing national organizations comparable to the U.S. Peace Corps.

Since 1963, the ISVS has: (a) carried out an active clearinghouse program which has stimulated 24 countries to set up or plan voluntary service programs involving a total of 5,000 volunteers in 1964; (b) facilitated the exchange of work experience by sponsoring or organizing four major international workshops; and (c) assisted Zambia, Kenya and El Salvador in planning and developing national service programs.

During CY 1963, the Secretariat's first year of operation, the United States was the sole cash contributor and, in addition, contributed personnel as did four other countries. During 1964, the United States did not make a cash contribution; however, seven other nations paid cash contributions of $69,500. In October 1964, the members established the ISVS on a more formal basis and adopted a program of work and budget for 1965. For 1965, the United States will pledge up to $22,400 to be used for clearinghouse operations only, and subject to the limitation that the U.S. contribution would not exceed 40% of total contributions for this activity.

For 1966, it is anticipated that the ISVS will adopt a budget of approximately $422,000 for both clearinghouse and direct technical assistance functions. The increased budget would enable the organization to provide broader support to volunteer service programs planned by developing and developed countries. It is proposed that the present legislative limitation on the U.S. contribution be removed and that the U.S. pledge $120,000 to the total budget, which would represent about 28%.

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WORLD HEALTH ORGANIZATION - MEDICAL RESEARCH

U.S. participation in and support of a new center on cancer research is designed to accelerate efforts to control this disease. In 1964, representatives of the United States, the United Kingdom, Italy, the Federal Republic of Germany, and France drafted a proposal for establishment of an agency whose continuing work would include: (a) collection and dissemination of information on the epidemiology of cancer, on cancer research, and on the causation and prevention of cancer; (b) consideration of proposals and preparation of plans for cancer research; and (c) training of research personnel. In addition, the agency would carry out special projects, such as pilot demonstrations of cancer prevention, utilizing funds contributed by governments, foundations, and other donors.

The center will have its own governing council, a scientific council, and a small secretariat, but will be closely linked with WHO and will complement and reinforce that Organization's work. Initially it is expected that the center will be composed of the five governments, but membership will be open to all WHO members who accept the obligations of membership.

A statute for the center will be presented to the World Health Assembly, which meets in May 1965. For the initial period, it is anticipated that the annual budget for continuing services will be $500,000, to be shared equally by the five members. The estimate for the U.S. contribution in FY 1966 is therefore $100,000.

Utilizing $500,000 of FY 1964 funds, the United States made a special grant to WHO to expand its research in human reproduction, with the expectation that the organization will support this activity from its regular budget in the future.

UN PEACEKEEPING OPERATIONS

The UN Emergency Force (UNEF), established in 1956, has the mission of guarding and patrolling the armistice line and international frontier between Israel and the United Arab Republic. It serves a major UN and U.S. objective of keeping the peace between the two states and contributing to the maintenance of stability in the Middle Eastern region.

During 1964 it was found possible to reduce UNEF's troop strength from 5,100 to 4,800. The UN appropriation for the expenses of UNEF was $17,750,000 in 1964 and is expected to decline in 1965. Firm decisions have not been made on the extension and financing of UNEF in 1965 and 1966. Taking into account the need for continuation of a peacekeeping force in the Middle East and assuming that the financing of the force will involve a voluntary contribution of the general magnitude of the U.S. contribution in 1964, an estimate of $835,000 is included in the FY 1966 request.

UN TRAINING AND RESEARCH INSTITUTE

The UN General Assembly has agreed that the UN should establish an institute to: (a) train personnel from the developing nations for service with the United Nations or with their own national governments; (b) provide advanced training for personnel of the UN and the Specialized Agencies who now serve in middle rank or senior posts; and (c) undertake research and operations analysis on special problems arising in the work of the United Nations, its specialized agencies, and special voluntary programs. In 1963, the Assembly asked the Secretary-General to take the necessary steps to obtain financial support and, when pledges reach the $5 million level, to establish the Institute.

It is proposed that the U.S. Government contribute $2 million over the next five years for support of the Institute. The FY 1966 estimate of $400,000 would represent the first year's contribution, which would be subject to the condition that it not exceed 40% of all governmental contributions. A preliminary report in early December 1964 indicated that 47 other governments had thus far contributed or planned to contribute $2.8 million. In addition, over $0.5 million has been pledged by three private foundations.

Other Requests

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ADMINISTRATIVE EXPENSES, A.I.D.

An appropriation of $55,240,000 is requested for A.I.D. administrative expenses. This is the minimum essential to continue administrative operations at the reduced level effected during FY 1965.

Administrative funds pay the cost of assuring that the foreign assistance program is effectively administered. They are used for the over-all direction and supervision of the A.I.D. program in Washington and overseas. This includes establishing program policies and standards, planning, supervising and reviewing the actual implementation of these policies, evaluating programs and projects, and providing such key management services as accounting, inspection, auditing, and reporting.

An appropriation of $55,240,000 is needed to finance total administrative expenses of $55,690,000, as compared with $54,846,600 for FY 1965.

The increase of $843,400 is due chiefly to costs over which the Agency has no control, namely, higher costs resulting from rises in overseas wage and price levels, periodic pay increases to U.S. nationals and the federal pay raise of 1964. The specific increases included in the FY 1966 budget are summarized below:

$385,000 for overseas wage and price adjustments. Overseas local wage scales, as well as costs of items and services procured locally, continue to rise as a result of inflation and increases in real wages for comparable services. Salaries paid to foreign nationals are based on studies carried out by the Department of State. Their objective is to establish salary rates comparable to those paid for equivalent services by local private and public entities. Based on current trends in local wages and prices overseas, a cost increase of $385,000 is projected for FY 1966.

$275,000 for periodic pay increases, U.S. nationals. The 1966 budget provides $275,000 to cover periodic pay increases granted to U.S. nationals.

$100,000 for the information management project. During FY 1965, at a cost to A.I.D. of $50,000, a joint State-A.I.D.-USIA-ACDA foreign affairs information management project was initiated in cooperation with the Bureau of the Budget under which a major long-range study is being made of the foreign affairs information requirements and data handling practices of those agencies. A second stage of this project is planned for A.I.D. in FY 1966. It calls for the detailed design of an over-all information management system, the installation of interim improvements recommended as a result of the first stage, and the development of a plan for the installation of a comprehensive system. The cost of the 1966 stage of this project is estimated at $150,000, an increase of $100,000 over the FY 1965 cost of $50,000.

$50,000 for additional temporary employment. To enable A.I.D. to reduce the number of its permanent positions without imparing the efficiency of its operations, it has been necessary to issue temporary authorizations for the employment of personnel on a when-actually-employed basis. These authorizations are issued to meet peak workloads or to obtain for temporary employment personnel with specific skills or experience. This procedure has always been followed to some extent, but has been utilized somewhat more freely beginning in FY 1965. An increase of $50,000 is requested for FY 1966 to cover full-year requirements.

$33,400 for increased Federal pay costs. The Goverment Employees Salary Act of 1964, as amended, was made effective July 5, 1964. An additional $33,400 will be required in FY 1966 to place this increase on a full year basis.

ADMINISTRATIVE AND OTHER EXPENSES, DEPARTMENT OF STATE

The Department of State is responsible for two programs involving U.S. foreign assistance: (a) The U.S. Mission to NATO and the Organization for Economic Cooperation and Development (OECD); and (b) Administration of the Mutual Defense Control Act (Battle Act).

An appropriation of $3.1 million is requested for FY 1966 to cover these two programs. This is $200,000 more than the amount appropriated in FY 1965. It is also $72,000 over the amount actually available in FY 1965 -- an increase which is needed to provide for within-grade and overseas wage and price increases.

The U.S. Mission is a five agency team with staffing from the Department of State, Defense, Treasury, A.I.D., and USIA. Its primary objective is to plan and provide for the defense of the North Atlantic Treaty area and to coordinate economic policies and programs.

Of the $3.1 million requested for FY 1966, $2,146,000 is to cover the costs of the Department of State element of the U.S. Mission. The other $954,000 is to cover the costs of the State Department in carrying out its responsibilities under the Battle Act.

The Battle Act program is directly related to the over-all defense efforts of the United States. Its objective is to prohibit the shipment of strategic commodities to the Sino-Soviet bloc. The Department of State determines, after consultation with other interested agencies, the commodities to be included on the Battle Act lists, makes reports on shipments, coordinates the activities of various U.S. agencies concerned with security trade controls, conducts bilateral and multilateral negotiations, and makes recommendations to the President regarding the termination of assistance to those countries which violate trade controls.

SUPPORT FOR AMERICAN-SPONSORED SCHOOLS AND HOSPITALS ABROAD

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

For FY 1966, A.I.D. is requesting $7.0 million -- which includes $1.1 million in local currency -- for assistance to American Schools and Hospitals Abroad. This represents a reduction of over $10.5 million from FY 1965 and almost $13 million from FY 1964.

FY 1965 grants totaling $17,530,000 have tentatively been allocated to the following institutions: American University of Beirut, $12,500,000; American University in Cairo, $1,100,000 (all in local currency); Robert College, $1,500,000; Athens College, $70,000; Pierce College, $125,000; American Farm School, $125,000; Anatolia College, $80,000; Escuela Agricola Panamericana, $250,000; Project HOPE, $1,500,000; Admiral Bristol Hospital of Istanbul, $250,000; Seagrave Hospital, $30,000 (all in local currency).

Each of the institutions in the above list is accepted by the government of the country where it is located as an important contributor to the immense educational challenge that country faces. The graduates of these American-sponsored institutions become teachers, government administrators, agriculturalists, businessmen, doctors, nurses and other specialists essential to the modernization efforts of their countries. An impressive number of them now play key roles in the political, scientific and cultural life of their countries.

It is in the U.S. interest to help these institutions survive and function effectively. But it is not in our interest or theirs to permit them to become permanently dependent on U.S. Government support. And, with the new buildings and equipment that the United States has already financed in the past, many of them are now, or should be, ready to carry on without further A.I.D. support.

The smaller budget request for FY 1966 reflects this belief. The major portion of the $7 million we are requesting will go to four institutions: American University of Beirut, Robert College at Istanbul, Project HOPE, and the American University in Cairo. The remainder is earmarked for special non-recurring projects in a number of other institutions. For example, Seagrave Hospital in Burma has requested a grant to expand its hospital facilities and train more nurses, and Anatolia College in Greece is requesting assistance to set up a Junior College of Business for young executives needed in the industries of Northern Greece. Other institutions in which similar non-recurring projects may be financed are the American Farm School in Thessaloniki; Pierce and Athens College in Athens; Escuela Agricola Panamericana in Honduras, and the Admiral Bristol Hospital at Istanbul.

A.I.D. is continuing to work with those institutions requiring further support to determine the kind and amount of assistance most likely to strengthen their financial base, to equip them better for their role and to move them as rapidly as possible toward self-support.

CONFIDENTIAL

RESEARCH AND ANALYSIS PROGRAM

CONFIDENTIAL

For FY 1965 the level of the A.I.D. Research and Analysis Program was $12 million as compared with the previous year's level of $6 million. A $12 million level is also requested for FY 1966.

During FY 1964 the program obligated $6 million. At the end of the first half of FY 1965, approximately $6 million had been obligated or was nearly ready for obligation. Potential requirements for the second half of the fiscal year, consisting of proposals in hand and under review, total $8.5 million.

On-going requirements at the beginning of FY 1966 are estimated at a minimum of $5 million. This will be required to fund continuing projects being carried out by other federal agencies, universities and other contractors. An additional $2 million will be needed for proposals reviewed and approved for obligation late in FY 1965 which cannot be funded in that year. Thus only $5 million of the $12 million requested will be available for new research.

The program is organized in essentially the same six areas of concentration as in FY 1965; some of the groupings have been modified to reflect experience gained with the program and to focus more sharply on the Agency's needs. These areas are Agricultural Sciences, Health Sciences, Behavioral Sciences, Physical Sciences, Regional and National Development, and Development Analyses.

The program for the coming year is designed to take advantage of new opportunities for research resulting from such activities as: (a) the recently concluded seminar on increasing agricultural productivity in less-developed countries; (b) the several symposia already approved or planned in areas where A.I.D. has clearly identified needs for research; and (c) the results of previously funded research and analysis studies.

The program will continue to emphasize the use of cost-benefit analyses in the selection of research projects. Demographic problems and promising technological developments such as desalting will receive special attention.

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Program Support and Interregional Activities are funded from the various other appropriation categories. There are no separate fund requests for these activities.

PROGRAM SUPPORT

Ocean Freight - Voluntary Relief Agencies. A.I.D. supports the people-to-people relief and rehabilitation programs of registered American Voluntary Agencies by paying the ocean freight costs of supplies and excess property donated to these agencies. There are presently 27 such voluntary agencies engaged in this program in support of their activities in some 80 countries and areas. It is anticipated that at least five new agencies will participate in FY 1965 and others in FY 1966. The estimate provides $5.6 million to continue the program in FY 1966, as compared to $4.8 million in FY 1965.

Vitamin Supplement, Child Feeding. A.I.D. is exploring, with the U.S. Department of Agriculture and representatives of the U.S. Dairy Industry, the feasibility of adding Vitamins A and D to those supplies of non-fat dried milk powder made available by USDA under P.L. 480 (Food for Peace) to be used in child and maternal feeding programs in countries and areas of known vitamin deficiency. Overcoming this deficiency, particularly in the vulnerable pre-school and school age groups, can contribute significantly to improved health and learning capacity. It is proposed to allocate $3 million to this project for FY 1965 and $3 million for FY 1966.

Inspector General of Foreign Assistance, whose office is organizationally located in the Department of State, has broad statutory responsibilities relating to the effectiveness of economic and military programs under the Foreign Assistance Act and of Peace Corps and P.L. 480 activities. For expenses of this office during FY 1966, $625,000 is requested from appropriations under Part I of the Act.

International Executive Service Corps. This organization undertakes to supply volunteers from among American businessmen and private executives to become advisers to firms and governmental organizations in the developing countries. Under an agreement with the Corps, A.I.D. has undertaken to provide limited financial support, probably through FY 1967, after which time it is anticipated that the organization will be able to finance itself from private sources. The requirement for FY 1966 is $1.3 million. The work of the Executive Service Corps is described on page 59 of the section headed "Mobilizing Private Resources for Development."

Disaster Relief. The Contingency Fund is most frequently used for emergency relief of human needs caused by disasters such as floods, earthquakes, etc. Emergency food requirements are met to the greatest extent possible from P.L. 480 but needs for shelter, fuel, blankets, clothing, and medical supplies are met from these allocations from the Contingency Fund. The FY 1966 request does not indicate a proposed amount because these are emergency needs which cannot be predicted and will be dealt with if, as and when they arise.

INTERREGIONAL ACTIVITIES

Interregional activities are conducted mainly in the United States in direct support of the A.I.D. field program. The costs of these activities are charged on a world-wide basis because it would be impractical to relate them precisely to country or regional programs. These costs are related directly to the implementation of country and regional programs rather than to any of the general administrative functions. The following table shows a summary of these expenses.

PROGRAM SUMMARY

(In thousands of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
A.I.D. Washington Program Staff	13,488	16,082	16,280
Program Support - Dept. of State	8,984	8,399	8,623
Participant Services:	8,483	8,777	8,900
A.I.D.	(3,684)	(3,700)	(3,700)
Other Agency	(4,799)	(5,077)	(5,200)
Excess Property Offices	170	350	362
International Aid Coordination	282	339	330
General Technical Services:	4,566	7,708	7,950
Central Book Fund	(551)	(550)	(550)
Communications Resources	(675)	(700)	(700)
Training in Cooperatives	(444)	(300)	(300)
A.I.D. Technical Services	(1,779)	(3,751)	(3,700)
Other Agency Consultants and Support	(1,117)	(2,407)	(2,700)
Building Facilities	586	2,800	2,580
Dependent Education	1,492	1,500	1,500
Total, Interregional Expenses	38,051	45,955	46,525
Funded from:			
Tech. Coop./Dev. Grants	27,808	35,755	36,525
Alliance for Progress, Tech. Coop./Dev. Grants	9,997	10,000	10,000
Supporting Assistance	246	200	-

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A.I.D. Washington Program Staff. A.I.D. maintains a program staff in Washington headquarters which directly supports field operations. This staff includes professional employees concerned with central program implementation -- contract officers, training officers, technicians, research and evaluation personnel.

The estimate of $16.3 million provides for the same employment level as in FY 1965. The increase over FY 1965 covers normal salary increments and an expanded staff training program.

Program Support by the Department of State. The Department of State performs certain common services in Washington and overseas for A.I.D. and other agencies such as communications, health, fiscal, transportation and custodial services, for which it charges on a pro-rata basis. Of the A.I.D. share in such costs for FY 1966, $8.6 million will be applicable to program personnel and charged to the interregional program.

Participant Services. Each year about 6,000 foreign nationals from aided countries are sent to the United States for advance training in a wide variety of technical and professional fields. The training of these nationals is part of the A.I.D. field effort and is directly related to the manpower needs of specific development programs. During FY 1966, $8.9 million will be required for services in the United States in orienting, placing, guiding and counselling participants.

Excess Property Offices. A.I.D. will require $362,000 to maintain the offices handling its program to use excess property in place of costlier new equipment wherever possible in carrying out development projects. Section 608 of the Foreign Assistance Act authorized A.I.D., in anticipation of overseas needs, to acquire and process equipment declared excess for Government requirements and provided this to A.I.D. missions at prices far below those of new property.

International Aid Coordination. The International Aid Coordination Staff in Paris supports the U.S. Representative to the OECD's Development Assistance Committee, a 12-nation group formed at U.S. initiative which includes all major free world aid donors and has been a major factor in improving the terms and increasing the volume of aid from other free world countries. The $330,000 budget for this staff for FY 1966 also includes the salary and expenses of the Chairman of the Development Assistance Committee, an American citizen.

General Technical Services. Certain specialized activities in support of country programs are undertaken by the A.I.D. staff offices responsible for technical assistance, engineering and private enterprise. The operations of the Central Book Fund, Communications Resources activities and the Training in Cooperatives activities are now included as a part of these services. These services make possible a centralized and coordinated approach to development problems common to two or more A.I.D. missions by providing for projects, tests and studies to improve field opertions, support of private agencies under contract to implement A.I.D. programs, and systematic development of techniques for rendering better service to country programs. A total of $8.0 million will be required for FY 1966, including $2.7 million to reimburse technical consultation and support services by other Federal agencies.

Building Facilities. Under Section 636(c) of the Foreign Assistance Act of 1961, not in excess of $3 million of the funds available in any fiscal year (excluding Development Loans) may be used to construct or acquire outside the United States, living quarters, office space, schools, hospitals and other supporting facilities for the use of personnel carrying out acitvities authorized by the Act -- U.S. Government personnel and their dependents. A total of $2.6 million will be required in FY 1966 for facilities under this heading.

Dependent Education. Under Section 636(d) of the Foreign Assistance Act of 1961, not in excess of $1.5 million of foreign assistance funds (excluding Development Loans) may be used to assist schools already established (or to be established) overseas whenever this will best serve U.S. interests in providing for the education of dependents of foreign assistance personnel, or other Government personnel posted overseas. For FY 1966, $1.5 million will be required.

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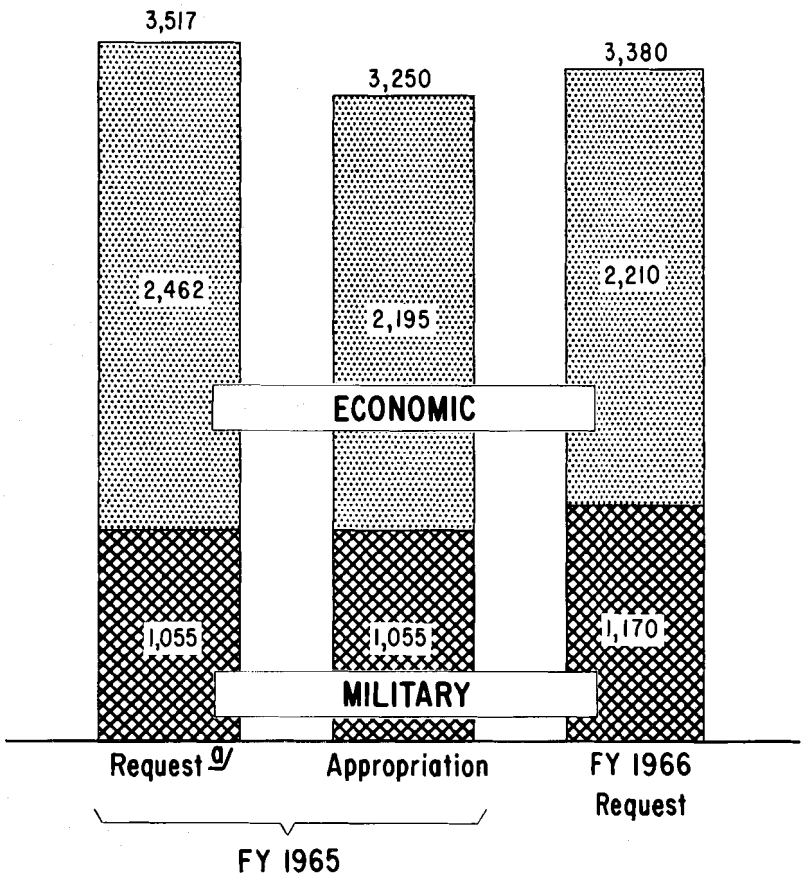
MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS

(Millions of Dollars)

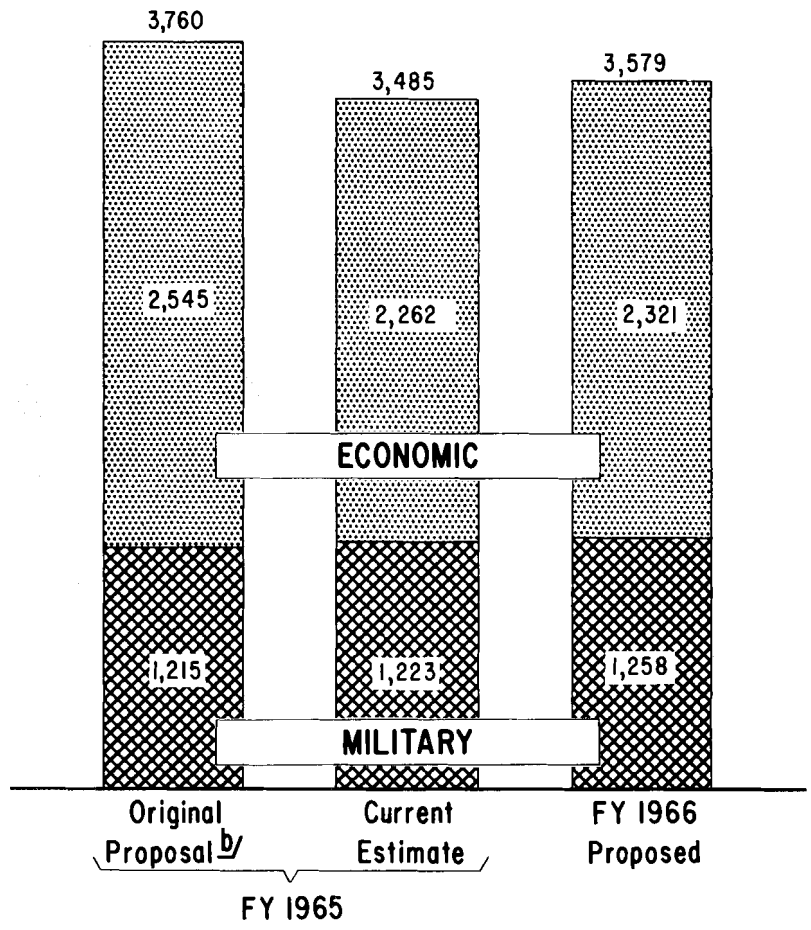
NEW APPROPRIATIONS



a/ Includes supplemental request for Vietnam.

TOTAL PROGRAMS

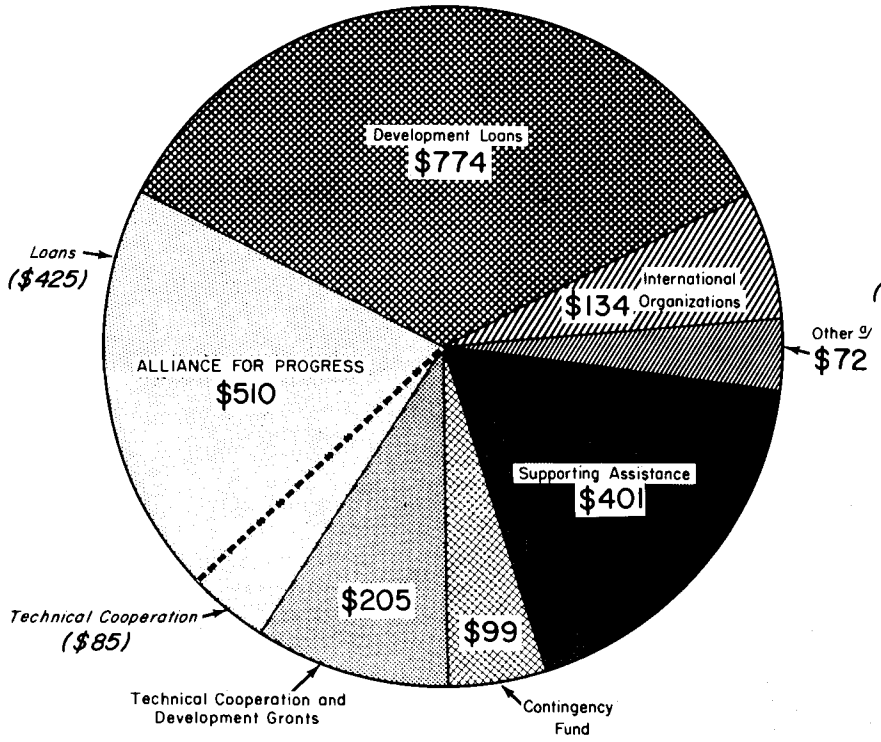
(Includes New Appropriations, Carryover, Transfers, and Recoveries)



b/ Adjusted for supplemental appropriation for Vietnam.

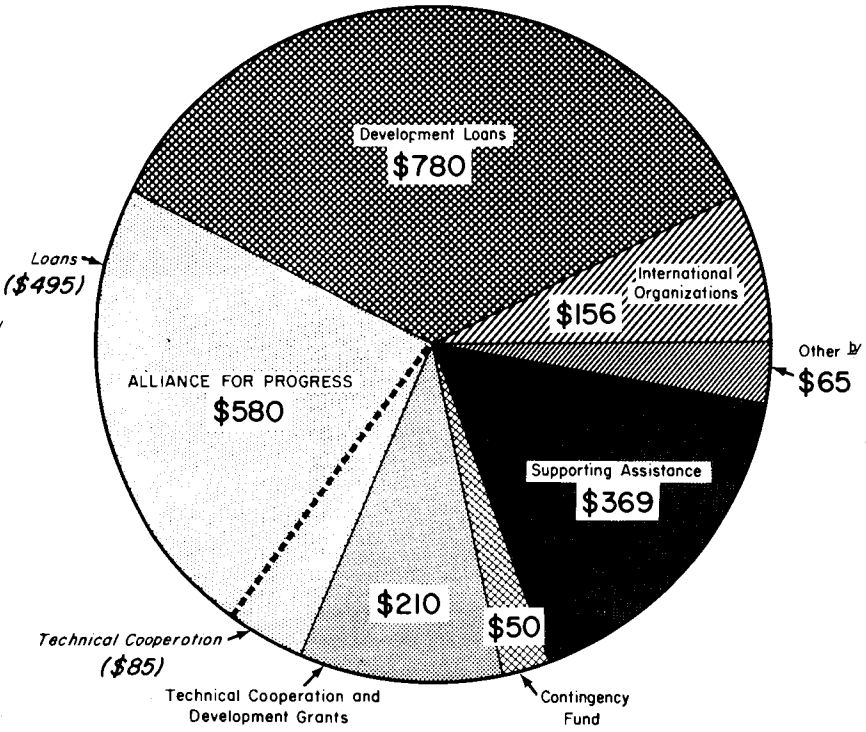
AGENCY FOR INTERNATIONAL DEVELOPMENT

FY 1965 APPROPRIATION



Total--$2,195 million

FY 1966 APPROPRIATION REQUEST



Total--$2,210 million

a/ Includes American Schools and Hospitals Abroad $16.8 million in dollars; A.I.D. Administrative Expenses $51.2 million; State Administrative Expenses $2.9 million; and $1.6 million for Investment Surveys.

b/ Includes American Schools and Hospitals Abroad $7.0 million; A.I.D. Administrative Expenses $55.2 million; and State Administrative Expenses $3.1 million.

SUMMARY OF ESTIMATED FUND AVAILABILITIES FOR MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS - FY 1965 and FY 1966

(In thousands of dollars)

	FY 1965							FY 1966						
	Appropriations	Unob. Balance Carried Over from Prior Year Appropriations	Transfers Between Appropriations	Reimbursements and Receipts	Estimated Recoveries	Total Available for Programming	FY 1965 Program	Unob. Balance Carried Over from Prior Year Appropriations	Appropriation Request	Reimbursements and Receipts	Estimated Recoveries	Total Available for Programming	FY 1966 Program	Unob. Balance 6/30/66
ECONOMIC ASSISTANCE														
Development Loans	773,728	56	-	a/	40,000	813,784	813,784	-	780,250	20,000 b/	40,000	840,250	840,250	-
Technical Cooperation and Development Grants	204,600	13,408	-2,529	1,000	20,000	236,479	236,479	-	210,000	1,000	20,000	231,000	231,000	-
Alliance for Progress:														
Development Loans	425,000	18	-	a/	10,000	435,018	435,018	-	495,125	8,000 b/	5,000	508,125	508,125	-
Technical Cooperation and Development Grants	84,700	2,161	-	-	1,000	87,861	87,861	-	85,000	-	3,000	88,000	88,000	-
Supporting Assistance	401,000	6,295	-	1,600	12,000	420,895	420,895	-	369,200	2,000	9,000	380,200	380,200	-
Contingency Fund	99,200	3,160	-50,000 c/	-	3,700	56,060	56,060	-	50,000	-	-	50,000	50,000	-
International Organizations and Programs	134,272	120	-	-	-	134,392	134,392	-	155,455	-	-	155,455	155,455	-
American Schools and Hospitals Abroad	16,800	796	-	-	-	17,596	17,596	-	7,000	-	-	7,000	7,000	-
Surveys of Investment Opportunities	1,600	527	-	-	150	2,277	730	1,547	-	-	170	1,717	800	917
Administrative Expenses - A.I.D.	51,200	1,347	2,400	1,100	500	56,547	55,947	500 d/	55,240	1,100	-	56,840	56,790	d/
Administrative and Other Expenses - State	2,900	12	129	-	-	3,041	3,041	-	3,100	-	-	3,100	3,100	
TOTAL ECONOMIC ASSISTANCE	2,195,000	27,900	-50,000	3,700	87,350	2,263,950	2,261,803	2,047 d/	2,210,370	32,100	77,170	2,321,687	2,320,720	917 d/
MILITARY ASSISTANCE e/														
Appropriated Funds	1,055,000	965	50,000 c/	-	116,800	1,222,765	1,222,765	10,000	1,170,000	-	78,000	1,258,000	1,258,000	10,000
TOTAL MUTUAL DEFENSE AND DEVELOPMENT PROGRAMS	3,250,000	28,865	-	3,700	204,150	3,486,715	3,484,568	12,047	3,380,370	32,100	155,170	3,579,687	3,578,720	10,917

a/ Estimated loan receipts for FY 1965 which are not available for obligation in FY 1965, are shown in FY 1966 when their reappropriation is being requested.
b/ In addition to estimated loan receipts for FY 1966, figure includes loan receipts for FY 1964 and estimated receipts for FY 1965 which were not available for obligation in FY 1964 or FY 1965 but which were held in the account pending reappropriation in FY 1966.
c/ Reflects possible transfer of $50 million to Military Assistance.
d/ Excludes $100 thousand as of June 30, 1965, and $50 thousand as of June 30, 1966, which are to be returned to Treasury as a result of anticipated savings due to use of foreign currencies.
e/ Excludes collections from military credit sales.

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

ECONOMIC ASSISTANCE

SUMMARY OF PROGRAMS BY AREA
FISCAL YEARS 1964, 1965 AND 1966

(In thousands of dollars)

CONFIDENTIAL

Areas and Programs	TOTAL ECONOMIC ASSISTANCE			Development Loans and Alliance for Progress Loans			Technical Cooperation and Alliance for Progress TC			Supporting Assistance			Contingency Fund			Other Programs		
	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
SUMMARY - ALL PROGRAMS	2,275,239a/	2,261,803-2,416,103	2,320,720-2,794,720	1,314,686	1,248,801-1,403,101	1,348,375-1,822,375	300,945	324,340	319,000	360,014	420,895	380,200	107,387	56,060	50,000	192,208	211,707	223,145
LATIN AMERICA.....	641,319	558,679-613,679	609,725-823,725	479,100	435,018-490,018	508,125-722,125	93,304	87,861	88,000	15,353	26,500	13,600	53,562	9,300	-	-	-	-
NEAR EAST AND SOUTH ASIA.....	843,340	765,955-835,955	770,900-885,900	726,200	677,500-747,500	720,000-805,000	50,540	50,000	46,400	66,[illegible]	38,455	34,500	-	-	-	-	-	-
FAR EAST.....	351,368	421,180	390,000-435,000	29,550	56,000	90,000-95,000	45,016	44,000	34,000	229,[illegible]	321,180	306,000	47,139	-	-	-	-	-
AFRICA.....	201,847	200,760-230,060	218,000-318,000	79,640	80,000-109,300	103,000-200,000	74,176	86,000	92,000	48,031	34,460	26,000	-	300	-	-	-	-
INTERNATIONAL ORGANIZATIONS.....	119,028	134,393	155,455	-	-	-	-	-	-	-	-	-	2,724	-	-	116,304	134,393	155,455
AMERICAN SCHOOLS AND HOSPITALS ABROAD...	19,804	17,596	7,000	-	-	-	-	-	-	-	-	-	-	-	-	19,804	17,596	7,000
INVESTMENT SURVEYS...	590	730	800	-	-	-	-	-	-	-	-	-	-	-	-	590	730	800
ADMINISTRATIVE EXPENSES.....	55,510	58,988	59,890	-	-	-	-	-	-	-	-	-	-	-	-	55,510	58,988	59,890
RESEARCH & ANALYSIS..	5,946	12,000	12,000	-	-	-	5,946	12,000	12,000	-	-	-	-	-	-	-	-	-
PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES.....	36,486	45,595	46,950	196	283	250	31,962	44,479	46,600	366	300	100	3,962	533	-	-	-	-
UNDISTRIBUTED CONTINGENCY FUND	-	45,927	50,000	-	-	-	-	-	-	-	-	-	-	45,927	50,000	-	-	-

Detail may not add to totals due to rounding
a/Excludes $131 million for Social Progress Trust Fund Administered by the Inter-American Development Bank.

Revised January 25, 1965

CONFIDENTIAL

BEST AVAILABLE

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ECONOMIC ASSISTANCE

SUMMARY OF PROGRAMS BY AREA AND COUNTRY
FISCAL YEARS 1964, 1965, AND 1966

(In thousands of dollars)

CONFIDENTIAL

Area and Country	TOTAL ECONOMIC ASSISTANCE			Alliance for Progress Loans			Alliance for Progress Technical Cooperation			Supporting Assistance			Contingency Fund			Other Programs		
	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
LATIN AMERICA - TOTAL	641,319	558,679-613,679	609,725-823,725	479,100	435,018-490,018	508,125-722,125	93,304	87,861	88,000	15,353	26,500	13,600	53,562	9,300	-	-	-	-
Argentina	9.804	1,800	2,500-52,500	8.200	-	0-50,000	1,604	1,800	2,500	-	-	-	-	-	-	-	-	-
Bolivia	60,323	19,700-24,700	21,100-31,100	42,550	10,000-15,000	15,000-25,000	5,500	4,600	3,900	8,861	5,100	2,200	3,412	-	-	-	-	-
Brazil	130.944	214.700	243,400-313,400	115.400	200,000	230,000-300,000	15,544	14,700	13,400	-	-	-	-	-	-	-	-	-
Brazil	50.000	-	-	(50,000)a/	-	- -	-	-	-	-	-	-	50,000a/					
Central American Economic Community:																		
Central America Regional Organization (ROCAP)	24,297	29,100-31,000	29,200-34,200	20,000	25,000-26,900	25,000-30,000	4,297	4.100	4,200	-	-	-	-	-	-	-	-	-
Costa Rica	9,985	6,159-8,359	8,800	8,000	4,500-6,700	7,000	1,985	1.659	1,800	-	-	-	-	-	-	-	-	-
El Salvador	11.091	4,150-5,750	7,700	9,000	2,200-3,800	6,000	2,091	1,950	1,700	-	-	-	-	-	-	-	-	-
Guatemala	5,859	8,160-11,360	8,200	2,700	5,000-8,200	5,000	3,159	3.160	3,200	-	-	-	-	-	-	-	-	-
Honduras	8,726	6,400-9,800	7,000	7,000	4,700-8,100	5,000	1,726	1,700	2,000	-	-	-	-	-	-	-	-	-
Nicaragua	3,910	11,318-12,818	7,000	1,150	9,200-10,700	5,000	2,760	2,118	2,000	-	-	-	-	-	-	-	-	-
Chile	79.450	93,900	93,700-103,700	75,800	90,000	90,000-100,000	3,650	3.900	3,700	-	-	-	-	-	-	-	-	-
Colombia	79,671	49,000-61,000	64,300-84,300	76,000	45,000-57,000	60,000-80,000	3,671	4.000	4,300	-	-	-	-	-	-	-	-	-
Dominican Republic	913	20,000-22,000	14,400	-	4,000-6,000	7,000	913	2,000	2,400	-	14,000	5,000	-	-	-	-	-	-
Ecuador	20.671	8,770-13,870	12,500	16,750	4,900-10,000	8,000	3,921	3,870	4,500	-	-	-	-	-	-	-	-	-
Haiti	1,492	1,400	1,400	-	-	-	-	-	-	1,492	1,400	1,400	-	-	-	-	-	-
Mexico	22.415	200	200-20,200	22,000	-	0-20,000	415	200	200	-	-	-	-	-	-	-	-	-
Panama	9,131	10,300-15,300	11,500	7,500	5,000-10,000	10,000	1,481	1,800	1.500	-	-	-	150	3,500	-	-	-	-
Paraguay	5.450	4,900	5,300-8,300	3,000	2,500	3,000-6,000	2,450	2,400	2,300	-	-	-	-	-	-	-	-	-
Peru	35,390	24,700-34,700	35,000-55,000	30,800	20,000-30,000	30,000-50,000	4,590	4,700	5,000	-	-	-	-	-	-	-	-	-
Uruguay	6,254	836	900	5,400	-	-	854	836	900	-	-	-	-	-	-	-	-	-
Venezuela	1,787	1,552	1,500	-	-	-	1,787	1,552	1,500	-	-	-	-	-	-	-	-	-
British Guiana	440	6,400	600-6,600	-	-	0-6,000	440	600	600	-	-	-	-	5,800	-	-	-	-
Jamaica	3,400	3,445-5,545	2,400	2,800	2,900-5,000	2,000	600	545	400	-	-	-	-	-	-	-	-	-
Surinam	11	1,000	-	-	-	-	11	-	-	-	1,000	-	-	-	-	-	-	-
Trinidad and Tobago	5,482	5,000	5,000	-	-	-	482	-	-	5,000	5,000	5,000	-	-	-	-	-	-
Regional	19,374	15,671	16,000	-	-	-	19,374	15.671	16,000	-	-	-	-	-	-	-	-	-
Undistributed Loan Program	24,950b/	-	-	24.950b/	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Progr. Support & Intergnl. Act'n Funded from Alliance for Progr. Approp's.	10.097	10,118	10,125	100	118	125	9,997	10,000	10,000	-	-	-	-	-	-	-	-	-

Detail may not add to totals due to rounding. a/ Emergency support loan funded from Contingency Fund.

b/ Represents unannounced loans for Peru

Revised January 25, 1965

CONFIDENTIAL

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ECONOMIC ASSISTANCE

SUMMARY OF PROGRAMS BY AREA AND COUNTRY
FISCAL YEARS 1964, 1965 AND 1966

(In thousands of dollars)

CONFIDENTIAL

Area and Country	TOTAL ECONOMIC ASSISTANCE			Development Loans			Technical Cooperation			Supporting Assistance			Contingency Fund			Other Programs		
	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
NEAR EAST AND SOUTH ASIA - TOTAL	843,340	865,955-835,955	770,900-885,900	726,200	677,500-747,500	590,000-805,000	50,541	50,000	46,400	66,599	38,455	34,500	-	-	-	-	-	-
Afghanistan	22,200	20,000-25,000	19,000	9,700	10,000-15,000	10,000	12,500	10,000	9,000	-	-	-	-	-	-	-	-	-
Cyprus	369	100	100	-	-	-	369	100	100	-	-	-	-	-	-	-	-	-
Greece	7,700	-	-	7,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-
India	344,058	343,190	343,450-393,450	337,150	335,000	335,000-385,000	6,908	8,190	8,450	-	-	-	-	-	-	-	-	-
Iran	4,875	13,065	2,400-12,400	1,500	10,000	0-10,000	3,375	3,065	2,400	-	-	-	-	-	-	-	-	-
Iraq	800	-	-	-	-	-	800	-	-	-	-	-	-	-	-	-	-	-
Israel	20,000	20,000	0-10,000	20,000	20,000	0-10,000	-	-	-	-	-	-	-	-	-	-	-	-
Jordan	39,653	39,275	51,600	-	a/	15,000	5,653	6,275	4,600	34,000	33,000	32,000	-	-	-	-	-	-
Nepal	4,398	6,235	3,600	1,000	2,500	a/	3,398	3,735	3,600	-	-	-	-	-	-	-	-	-
Pakistan	236,222	198,385	198,500-218,500	227,330	190,000	190,000-210,000	8,892	8,385	8,500	-	-	-	-	-	-	-	-	-
Syria	471	-	-	-	-	-	471	-	-	-	-	-	-	-	-	-	-	-
Turkey	132,362	114,200-154,200	144,200	121,820	110,000-150,000	140,000	4,170	4,200	4,200	6,372	-	-	-	-	-	-	-	-
United Arab Republic	1,369	2,750-27,750	2,250-27,250	-	0-25,000	0-25,000	1,369	2,750	2,250	-	-	-	-	-	-	-	-	-
Yemen	5,150	4,520	2,500	-	-	-	-	-	-	5,150	4,520	2,500	-	-	-	-	-	-
CENTO	21,529	1,385	450	-	-	-	452	450	450	21,077	935	-	-	-	-	-	-	-
Regional	2,184	2,850	2,850	-	-	-	2,184	2,850	2,850	-	-	-	-	-	-	-	-	-
FAR EAST - TOTAL	351,368	421,180b/	390,000-435,000	29,550	56,000	50,000-95,000	45,016	44,000b/	34,000	229,663	321,180	306,000	47,139	-	-	-	-	-
Burma	1,242	4,025	225	-	-	-	932	600	225	310	3,425	-	-	-	-	-	-	-
Cambodia	3,363	-	-	-	-	-	2,846	-	-	517	-	-	-	-	-	-	-	-
China (Taiwan)	2,055	550	-	-	-	-	2,055	550	-	-	-	-	-	-	-	-	-	-
Indonesia	10,342	b/	c/	-		-	10,142	b/	c/	200		-	-	-	-	-	-	-
Korea	109,432	119,800	109,300-129,300	29,550	41,000	40,000-60,000	3,659	3,800	4,300	76,223	75,000	65,000	-	-	-	-	-	-
Laos	41,208	45,700	45,000	-	-	-	8,275	10,400	8,000	22,083	35,300	37,000	8,850	-	-	-	-	-
Philippines	3,452	3,530	3,000-23,000	-	-	0-20,000	3,452	3,530	3,000	-	-	-	-	-	-	-	-	-
Thailand	12,924	27,415	20,300-25,300	-	15,000	10,000-15,000	6,118	6,960	6,300	6,143	5,455	4,000	263	-	-	-	-	-
Vietnam	165,747	210,200	211,000	-	-	-	5,939	8,200	11,000	121,782	202,000	200,000	38,026	-	-	-	-	-
Regional	1,593	1,960	1,175	-	-	-	1,593	1,960	1,175	-	-	-	-	-	-	-	-	-

a/Eligible for development lending.

b/Total includes an $8 million previously planned TC program for Indonesia now under review, of which $1.4 million has been obligated through December 31, 1964.

c/Under review.

Detail may not add to totals due to rounding.

CONFIDENTIAL

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CONFIDENTIAL

ECONOMIC ASSISTANCE

SUMMARY OF PROGRAMS BY AREA AND COUNTRY
FISCAL YEARS 1964, 1965, AND 1966

(In thousands of dollars)

Area and Country	TOTAL ECONOMIC ASSISTANCE			Development Loans			Technical Cooperation			Supporting Assistance			Contingency Fund			Other Programs		
	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
AFRICA - TOTAL	201,847	200,760-230,060	218,000-318,000	79,640	80,000-109,300	100,000-200,000	74,176	86,000	92,000	48,031	34,460	26,000	-	300	-	-	-	-
Congo (Leopoldville)	21,173	16,628	[illegible]	-	-	-	1,173	1,628	1,355	20,000	15,000	19,000	-	-	-	-	-	-
Ethiopia	5,159	5,733-8,733	28,717-31,717	700	0-3,000	23,000-26,000	4,459	5,733	5,717	-	-	-	-	-	-	-	-	-
East Africa																		
Kenya	3,332	[illegible]	10,[illegible]-13,373	-	500	6,000-8,500	3,332	4,439	4,873	-	-	-	-	-	-	-	-	-
Tanzania	6,084	5,925	11,[illegible]-12,922	3,890	700	7,000-8,000	2,194	5,225	4,922	-	-	-	-	-	-	-	-	-
Uganda	2,604	2,[illegible]-3,126	5,[illegible]-9,740	400	0-700	2,000-6,000	2,204	2,426	3,740	-	-	-	-	-	-	-	-	-
Regional	1,500	3,756	3,[illegible]	1,500	1,100	-	-	2,656	3,475	-	-	-	-	-	-	-	-	-
Liberia	13,844	10,[illegible]	[illegible]-13,[illegible]	7,350	6,000	5,000-6,000	6,494	7,273	7,478	-	-	-	-	-	-	-	-	-
Nigeria	45,616	53,[illegible]	[illegible]-79,256	31,400	35,500	29,000-59,000	14,216	17,700	20,256	-	-	-	-	-	-	-	-	-
Tunisia	21,684	9,[illegible]-25,314	17,[illegible]-34,021	20,200	8,000-24,500	16,000-32,500	1,484	1,514	1,521	-	-	-	-	300	-	-	-	-
Other Loan Programs	-	28,200-37,300	12,000-54,000	-	28,200-37,300	12,000-54,000	-	-	-	-	-	-	-	-	-	-	-	-
Algeria	1,252	975	1,425	-	-	-	903	975	1,425	349	-	-	-	-	-	-	-	-
Burundi	484	466	127	-	-	-	484	466	127	-	-	-	-	-	-	-	-	-
Ghana	1,196	1,274	1,035	-	-	-	1,196	1,274	1,035	-	-	-	-	-	-	-	-	-
Guinea	9,935	10,969	9,402	-	-	-	2,735	4,509	4,402	7,200	6,460	5,000	-	-	-	-	-	-
Libya	5,680	217	-	-	-	-	880	217	-	4,800	-	-	-	-	-	-	-	-
Malawi	1,850a/	2,100	1,788	-	-	-	1,850a/	2,100	1,788	-	-	-	-	-	-	-	-	-
Mali	3,001	1,260	985	1,100	-	-	1,246	1,260	985	655	-	-	-	-	-	-	-	-
Morocco	18,159	10,875	1,079	2,300	-	-	859	875	1,079	15,000	10,000	-	-	-	-	-	-	-
Sierra Leone	1,156	2,000	2,196	-	-	-	1,156	2,000	2,196	-	-	-	-	-	-	-	-	-
Somali Republic	3,655	4,138	3,421	-	-	-	3,655	4,138	3,421	-	-	-	-	-	-	-	-	-
Sudan	2,499	3,048	3,431	-	-	-	2,499	3,048	3,431	-	-	-	-	-	-	-	-	-
Zambia	-	1,205	1,497	-	-	-	-	1,205	1,497	-	-	-	-	-	-	-	-	-
African & Malagasy Union States (UAM)	20,341	7,[illegible]7	8,199	10,800	-	-	9,514	6,037	7,199	27	1,500	1,000	-	-	-	-	-	-
Cameroon	(1,458)	(1,168)	(1,561)	-	-	-	(1,458)	(1,168)	(1,561)	-	-	-	-	-	-	-	-	-
Central African Republic	(1,125)	(395)	(510)	-	-	-	(1,125)	(395)	(510)	-	-	-	-	-	-	-	-	-
Chad	(587)	(585)	(705)	-	-	-	(587)	(585)	(705)	-	-	-	-	-	-	-	-	-
Congo (Brazzaville)	(2,940)	(60)	-	(2,700)	-	-	(240)	(60)	-	-	-	-	-	-	-	-	-	-
Dahomey	(534)	(506)	(400)	-	-	-	(534)	(506)	(400)	-	-	-	-	-	-	-	-	-
Gabon	(797)	(188)	(270)	-	-	-	(797)	(188)	(270)	-	-	-	-	-	-	-	-	-
Ivory Coast	(6,160)	(193)	(116)	(5,000)	-	-	(1,160)	(193)	(116)	-	-	-	-	-	-	-	-	-
Malagasy Republic	(754)	(745)	(795)	-	-	-	(754)	(745)	(795)	-	-	-	-	-	-	-	-	-
Mauritania	(152)	(80)	(100)	-	-	-	(125)	(80)	(100)	(27)	-	-	-	-	-	-	-	-
Niger	(2,257)	(529)	(513)	(1,800)	-	-	(457)	(529)	(513)	-	-	-	-	-	-	-	-	-
Rwanda	(530)	(1,886)	(1,370)	-	-	-	(530)	(386)	(370)	-	(1,500)	(1,000)	-	-	-	-	-	-
Senegal	(2,140)	(75)	(250)	(1,300)	-	-	(840)	(75)	(250)	-	-	-	-	-	-	-	-	-
Togo	(497)	(551)	(784)	-	-	-	(497)	(551)	(784)	-	-	-	-	-	-	-	-	-
Upper Volta	(410)	(576)	(825)	-	-	-	(410)	(576)	(825)	-	-	-	-	-	-	-	-	-
Regional USAID Africa	232	1,189	1,265	-	-	-	232	1,189	1,265	-	-	-	-	-	-	-	-	-
Regional	11,411	9,611	9,813	-	-	-	11,411	8,111	8,813	-	1,500	1,000	-	-	-	-	-	-

a/ Includes obligations for Zambia

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ECONOMIC ASSISTANCE

SUMMARY OF PROGRAMS - WORLD-WIDE ACTIVITIES

FISCAL YEARS 1964, 1965 and 1966

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(In thousands of dollars)

Program	TOTAL ECONOMIC ASSISTANCE			Development Loans and Alliance for Progress Loans			Technical Cooperation and Alliance for Progress TC			Supporting Assistance			Contingency Fund			Other Programs		
	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
INTERNATIONAL ORGANIZATIONS...	119,028	134,393	155,455	-	-	-	-	-	-	-	-	-	2,724	-	-	116,304	134,393	155,455
FAO World Food Program.....	2,000	2,300	2,000	-	-	-	-	-	-	-	-	-	-	-	-	2,000	2,300	2,000
Indus Basin Development Fund	12,312	37,000	53,000	-	-	-	-	-	-	-	-	-	-	-	-	12,312	37,000	53,000
International Atomic Energy Agency-Operational Program.....	1,228	1,100	1,000	-	-	-	-	-	-	-	-	-	-	-	-	1,228	1,100	1,000
International Secretariat for Volunteer Services....	-	22	120	-	-	-	-	-	-	-	-	-	-	-	-	-	22	120
UN Children's Fund	12,000	12,000	12,000	-	-	-	-	-	-	-	-	-	-	-	-	12,000	12,000	12,000
UN Cyprus Peacekeeping.....	4,300	121 a/	-	-	-	-	-	-	-	-	-	-	2,724	-	-	1,576	121 a/	-
UN Emergency Force.....	1,243	850	835	-	-	-	-	-	-	-	-	-	-	-	-	1,243	850	835
UN Operation in the Congo (Military).....	2,473	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,473	-	-
UN Relief and Works Agency	17,200	16,000	16,000	-	-	-	-	-	-	-	-	-	-	-	-	17,200	16,000	16,000
UN Technical Assistance and Special Fund.....	60,772	60,000	65,000	-	-	-	-	-	-	-	-	-	-	-	-	60,772	60,000	65,000
UN Technical and Operational Assistance to the Congo...	5,000	5,000	5,000	-	-	-	-	-	-	-	-	-	-	-	-	5,000	5,000	5,000
UN Training and Research Institute.....	-	-	400	-	-	-	-	-	-	-	-	-	-	-	-	-	-	400
WHO Medical Research.....	500	-	100	-	-	-	-	-	-	-	-	-	-	-	-	500	-	100
AMERICAN SCHOOLS AND HOSPITALS ABROAD	15,104	17,596	7,000	-	-	-	-	-	-	-	-	-	-	-	-	15,104	17,596	7,000
AMERICAN SCHOOLS AND HOSPITALS ABROAD (Special Foreign Currency Program)...	4,700	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,700	-	-
INVESTMENT SURVEYS.....	590	730	800	-	-	-	-	-	-	-	-	-	-	-	-	590	730	800
ADMINISTRATIVE EXPENSES TOTAL.....	55,510	58,988	59,890	-	-	-	-	-	-	-	-	-	-	-	-	55,510	58,988	59,890
Administrative Expenses A.I.D.	52,800	55,947	56,790	-	-	-	-	-	-	-	-	-	-	-	-	52,800	55,947	56,790
Administrative and Other Expenses - State.....	2,710	3,041	3,100	-	-	-	-	-	-	-	-	-	-	-	-	2,710	3,041	3,100
RESEARCH & ANALYSIS.....	5,946	12,000	12,000	-	-	-	5,946	12,000	12,000	-	-	-	-	-	-	-	-	-
PROGRAM SUPPORT AND INTERREGIONAL ACTIVITIES....	36,486	45,595	46,950	196	283	250	31,962	44,479	46,600	366	300	100	3,962	533	-	-	-	-
Ocean Freight, Voluntary Relief Agencies.....	3,930	4,800	5,600	-	-	-	3,930	4,800	5,600	-	-	-	-	-	-	-	-	-
Vitamin Supplements, Child Feeding.....	-	3,000	3,000	-	-	-	-	3,000	3,000	-	-	-	-	-	-	-	-	-
Inspector General.....	541	625	625	296	401	375	125	124	150	120	100	100	-	-	-	-	-	-
International Executive Corps.....	99	800	1,325	-	-	-	99	800	1,325	-	-	-	-	-	-	-	-	-
Disaster Relief.....	3,962	533	-	-	-	-	-	-	-	-	-	-	3,962	533	-	-	-	-
Interregional Activities....	38,051	45,955	46,525	-	-	-	37,805	45,755	46,525	246	200	-	-	-	-	-	-	-
Amounts Funded from Alliance for Progress.....	-10,097	-10,118	-10,125	-100	-118	-125	-9,997	-10,000	-10,000	-	-	-	-	-	-	-	-	-
UNDISTRIBUTED CONTINGENCY FUND.....	-	45,927	50,000	-	-	-	-	-	-	-	-	-	-	45,927	50,000	-	-	-

a/ The remainder of the pledge of up to $2,300 thousand is to be funded from Contingency Fund and/or voluntary contribution funds.

Revised January 25, 1965

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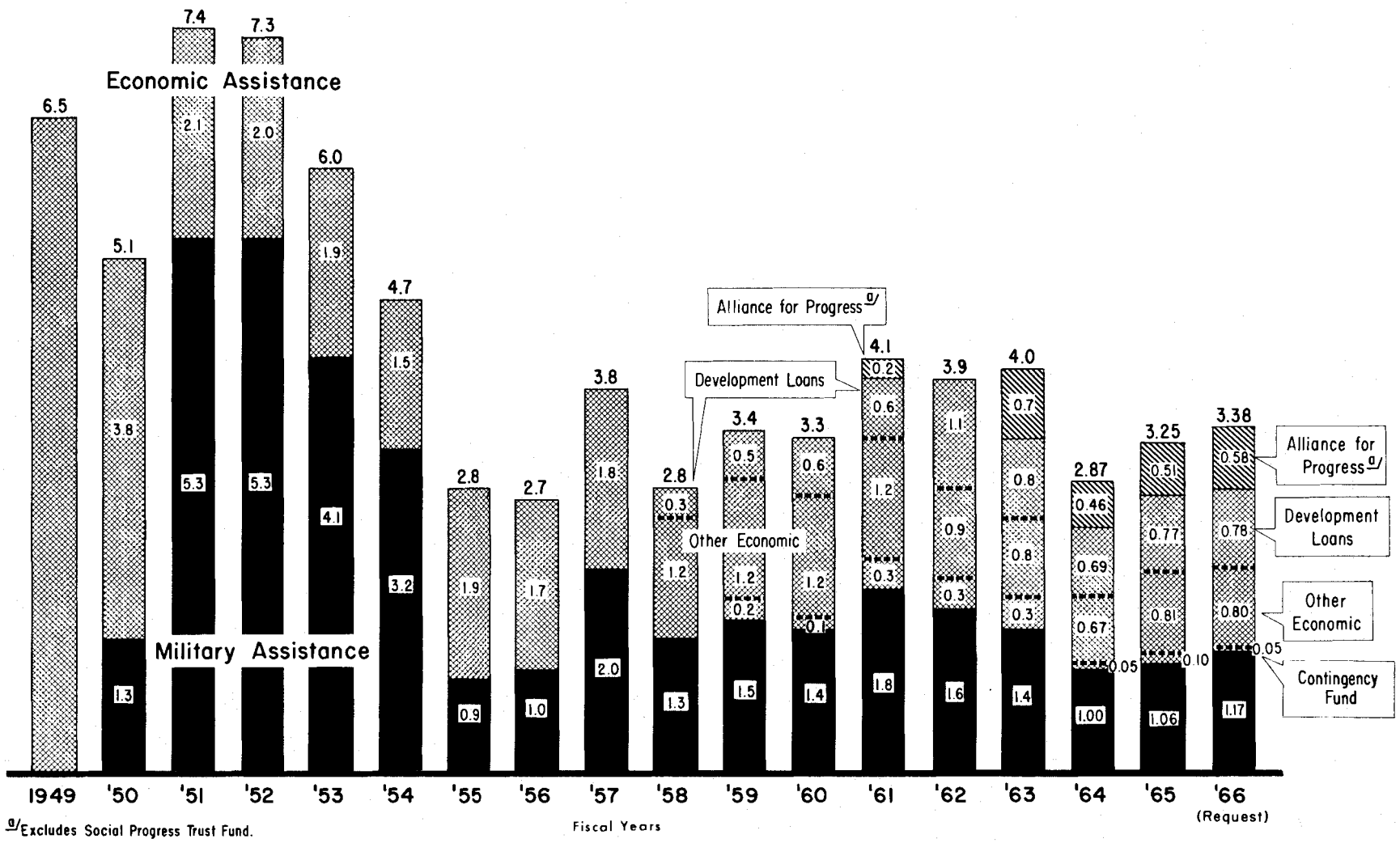
TREND OF APPROPRIATIONS [a]

(ADJUSTED FOR TRANSFERS AND OTHER RECEIPTS)
(EXCLUDES REAPPROPRIATIONS)

($Billions)



[a] Excludes Social Progress Trust Fund.

ECONOMIC ASSISTANCE

Estimated Gross Expenditures and Unexpended Balances By Appropriation

For Fiscal Years 1965 and 1966

(In thousands of dollars)

	Unexpended Balance 6/30/64	New Funds FY 1965	Receipts, Transfers & Reimbursements	Total Available for Expenditure FY 1965	Less Estimated Expenditures FY 1965	Estimated Unexpended Balance 6/30/65	New Funds FY 1966	Receipts, Transfers & Reimbursements	Total Available for Expenditure FY 1966	Estimated Expenditures FY 1966	Estimated Unexpended Balance 6/30/66
Budgeted Programs											
Development Loans	2,100,500 a/	773,728	a/	2,874,228	898,472	1,975,756 a/	780,250	20,000 d/	2,776,006	908,721	1,867,285
Technical Cooperation & Development Grants	309,619	204,600	-1,529	512,690	191,000	321,690	210,000	1,000	532,690	206,000	326,690
Alliance for Progress:											
Development Loans	685,243 a/	425,000	a/	1,110,243	197,100	913,143 a/	495,125	8,000 d/	1,416,268	231,853	1,184,415
Technical Cooperation & Development Grants	120,170	84,700	-	204,870	90,080	114,790	85,000	-	199,790	89,519	110,271
Supporting Assistance	324,742	401,000	1,600	727,342	371,600	355,742	369,200	2,000	726,942	392,000	334,942
Contingency Fund	190,325	99,200	-50,000 b/	239,525	75,000	164,525	50,000	-	214,525	70,000	144,525
International Organizations & Programs	71,450	134,272	-	205,722	125,000	80,722	155,455	-	236,177	105,000	131,177
American Schools and Hospitals Abroad	10,644	16,800	-	27,444	10,000	17,444	7,000	-	24,444	10,000	14,444
American Schools and Hospitals Abroad (Special Foreign Currency Program)	5,052	-	-	5,052	3,000	2,052	-	-	2,052	2,000	52
Surveys of Investment Opportunities	1,429	1,600	-	3,029	100	2,929	-	-	2,929	100	2,829
Administrative Expenses - A.I.D.	7,749	51,200	3,400 c/	62,349	54,000	8,349	55,240	1,050 e/	64,639	56,100	8,539
Admin. & Other Expenses - State	68	2,900	129	3,097	2,900	197	3,100	-	3,297	3,100	197
Total Budgeted Programs	3,826,991	2,195,000	-46,400	5,975,591	2,018,252	3,957,339	2,210,370	32,050	6,199,759	2,074,393	4,125,366
Social Progress Trust Fund	401,000	-	-	401,000	80,000	321,000	-	-	321,000	80,000	241,000
Special Revolving Funds											
Advance Acquisition of Property	3,349	-	2,064	5,413	2,964	2,449	-	2,505	4,954	3,771	1,183
Investment Guaranty Program	273,263	-	8,241	281,504	241	281,263	-	9,500	290,763	500	290,263

a/ Excludes interest collections, since they are not available without reappropriation. Reappropriation of interest collections actually received in FY 1964 and anticipated for FY 1965 and FY 1966 is being requested for FY 1966.

b/ Reflects possible transfer of $50 million to Military Assistance.

c/ Includes transfer of $2,400 thousand; reimbursement of $1,100 thousand; less anticipated transfer of $100 thousand to Treasury, representing savings due to use of foreign currencies ($50 thousand in FY 1964 and $50 thousand in FY 1965).

d/ Includes interest collections actually received in FY 1964 and anticipated for FY 1965 and FY 1966, for which reappropriation is being requested in FY 1966.

e/ Includes reimbursement of $1,100 thousand less anticipated transfer of $50 thousand to Treasury, representing savings due to use of foreign currencies.

MOBILIZING PRIVATE
RESOURCES FOR
DEVELOPMENT

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MOBILIZING PRIVATE RESOURCES FOR DEVELOPMENT

INTRODUCTION

The development process must draw on every resource in the developing countries, private as well as public. In the same way foreign assistance, to be effective must involve both private and public resources. A.I.D. continues to encourage greater private participation in our assistance programs and stronger, more vigorous private sectors in the developing countries themselves.

The A.I.D. program already includes substantial participation by American private business, institutions and groups. About one-fourth of A.I.D.'s technical assistance is provided by American universities, business firms and private associations on contract with the Agency, and this role is being enlarged further. American engineering and construction firms overseas are supervising the design and construction of some $4 billion in capital projects A.I.D. is helping to finance in the developing countries. Under the "Partners of the Alliance" program launched in the spring of 1964, 25 American states and communities are consulting with Latin American nations and communities and arranging to provide scholarships, technical assistance, investments in joint ventures and other kinds of assistance; eight more partnerships will soon be under way. Private firms, labor unions and local governments as well as universities provide training for some 6,000 participants a year; the value of training services donated for these programs has been estimated at more than $10 million.

During the coming year, significant expansion is expected in a number of A.I.D. activities designed to encourage greater American private investment in the less-developed countries, and to increase the flow of development assistance from private American relief agencies, non-profit associations, labor unions, civic groups and business organizations.

Among the major developments expected during FY 1966 are these:

1. The report of the Advisory Committee on Private Enterprise in Foreign Aid on ways to increase private participation in international development, following a year of study by this top-level citizens group, established by Congress and appointed by the A.I.D. Administrator.

2. A continued sharp increase in the use of A.I.D. investment guaranties by American investors. In FY 1964, A.I.D. wrote three times as many guaranty contracts and issued twice as much coverage as in any preceding year.

3. Increased use of the A.I.D. Investment Survey program, which is helping to generate new private American investment in less-developed countries.

4. Placement of volunteers overseas by the new International Executive Service Corps, operated and supported by American business and assisted by A.I.D.

5. An expansion of the role of American voluntary agencies in promoting self-help and development work, in addition to straight relief work in the underdeveloped countries.

6. Increased state and local participation in A.I.D. "Partners in the Alliance" program, through which Americans at the state and local community leadership level work directly with their counterparts in Latin American countries on specific development problems.

STIMULATION OF PRIVATE U.S. INVESTMENT

A.I.D. continously strives to find new and improved ways to increase the flow of U.S. capital and techniques to the developing world, spurred by the conviction that the demand is great and the need is urgent. The Advisory Committee on Private Enterprise in Foreign Aid, appointed by the Administrator on May 26, 1964 and chaired by Arthur K. Watson of IBM, has been reviewing A.I.D.'s private enterprise programs and considering new initiatives. The Committee will report by June 30, 1965.

In charting the future course of his business activity, the U.S. entrepreneur is faced with competing demands -- on his time, capital resources and manpower. A.I.D.'s private enterprise programs are based on a recognition that information on investment opportunities in the less-developed countries is difficult to obtain; that risks of loss in these countries due to political and economic instability are often higher than is considered acceptable; that rates of return are frequently uncertain; that debt financing can be obtained only with difficulty or at prohibitive rates of interest; and that improvement of investment climate through technical and financial assistance to private sector institutions in the less-developed countries is essential.

In making investment plans, the U.S. businessman is able, with A.I.D.'s help to: (a) obtain information on the opportunities in less-developed countries; (b) explore proposed projects in detail;

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(c) discount, thanks to the guaranty programs, a number of political and other risks; and (d) have access to financing from a number of supplemental sources. Thus, the over-all purpose of A.I.D.'s private investment programs is to facilitate investments in the less-developed countries and to make them more attractive in relation to alternative possibilities.

INVESTMENT TAX CREDIT PROPOSAL

In view of the small flow of direct U.S. private investment into the less-developed countries, particularly in manufacturing industries, the Executive Branch has proposed an overseas investment tax credit. This is a separate legislative proposal which provides for a tax credit against the U.S. investor's total tax liability of 30% of the value of new investment in certain trades or business in eligible less-developed countries. For purposes of calculating the credit, reinvested earnings over 50% would also be considered new investment. The Less-Developed Country Investment Credit Act was introduced in Congress in July 1964 by Congressman Hale Boggs and referred to the Committee on Ways and Means, but no further action was taken prior to adjournment. The bill will be reintroduced early in the Eighty-ninth Congress.

Rates of return on investments in foreign industrialized nations are, on the average, substantially higher than on investments in most less-developed countries. If enacted, the legislation will redress this imbalance and should therefore produce significant growth in U.S. investment in productive facilities in the developing nations.

INFORMATION PROGRAMS

Businessmen's Information Center: The Center, established in A.I.D. headquarters in Washington a year ago, is a single source of information on all A.I.D. programs of interest to the business and investment communities. Their response has been enthusiastic and the volume of inquiries is constantly increasing. In addition to its information function, the Center serves as a central referral service to put businessmen in contact with the appropriate offices to deal with specific questions or transactions involving A.I.D.-financed commodity procurement as well as investments.

Catalog of Investment Information and Opportunities: Last May A.I.D. issued the Catalog of Investment Opportunities, a unique collection of more than 1,200 economic and technical feasibility studies of interest to potential U.S. and foreign investors. The studies, all of recent date, were made by A.I.D.-financed contractors, other governments, private foundations, business firms, universities, and internationational organizations. The Index, distributed free, lists the studies by country and by industry. Detailed abstracts of each study can be purchased and are also available for review at A.I.D., at the Department of Commerce and its 42 field offices and in U.S. embassies in the major industrialized countries. Copies of the complete studies are for sale at cost.

The first printing of 10,000 copies of the Index was exhausted six weeks after release; a revised Index, adding data on 350 new studies, was issued in July. A third edition, further enlarged, is scheduled to be issued in March 1965 under the Title "Index to Catalog of Investment Information and Opportunities."

In addition to identifying specific investment opportunities, the Catalog is a uniquely valuable central repository of basic investment information which will increasingly be consulted as the first step in the preparation of investment projects in the less-developed countries.

Investment Surveys: Through the Businessmen's Information Center and the Catalog of Investment Information and Opportunities, A.I.D. is bringing more and better information about investment in less-developed countries to the attention of the U.S. businessman. The Investment Survey Program goes one step further -- A.I.D. shares with the potential investor the financial risk of a detailed feasibility survey. Designed to translate generalized interest (which may have been stimulated by the Catalog or other A.I.D. publications) into the development of specific projects, the program is proving of particular interest to medium-size and small firms. Often it is precisely these firms which have the expertise most needed by developing economies.

As of December 31, 1964, A.I.D. had issued 110 investment survey grants under which it agrees to pay half of the cost of an investment survey undertaken by a prospective investor if, upon completion of the survey, the investor decides not to go forward with the project. In such cases A.I.D. takes title to the survey report and makes it available to other prospective investors. If an actual investment results from the survey, the full survey cost is borne by the investor who retains the study.

Of the 110 grants entered into as of December 31, 1964, 68 are still in process, 32 have resulted in negative investment decisions or cancellations, and 10 in affirmative decisions to proceed, representing potential investment of $15 to $20 million.

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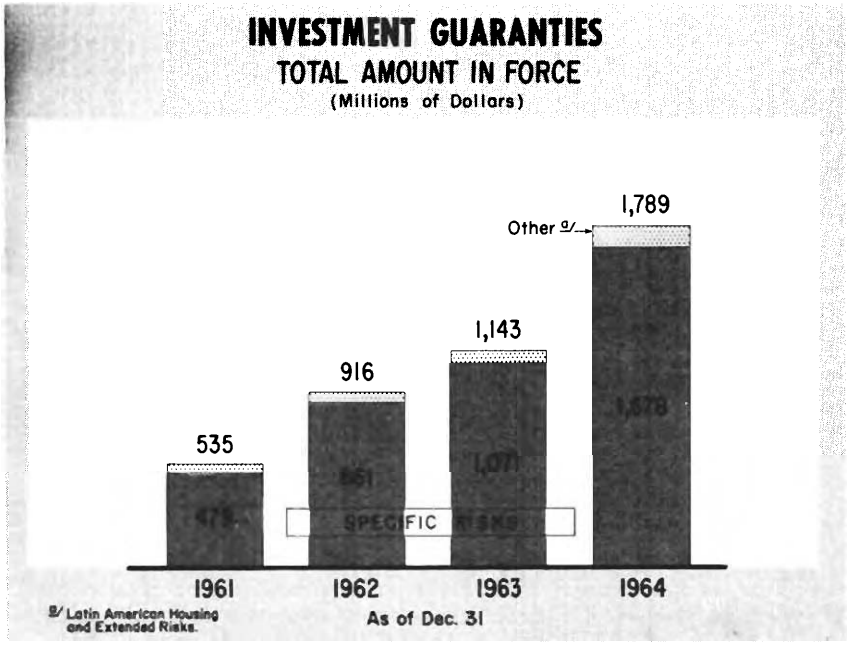
A.I.D.'s average contingent liability per survey is $12,400. The investment leverage of this program therefore is substantial and A.I.D. believes that it will be taken up by an increasing number of U.S. firms.

INVESTMENT GUARANTY PROGRAMS

Investments in less-developed countries are often exposed to political and commercial risks which are "extraordinary" in that they are not generally factors in investment in developed countries. A.I.D.'s Investment Guaranty programs are designed to meet this problem. Ranging from the specific "political" risk guaranties through the extended risk coverage to the 100% housing guaranty authority, the common denominator is the desire of the U.S. Government to give private U.S. capital the necessary protection to do the job that it is uniquely equipped to do.

Specific Risk Guaranties: The oldest A.I.D. program to assist the U.S. investor is the specific risk investment guaranty program, offering protection against losses caused by inconvertibility of currency, expropriation and war, revolution or insurrection. Outstanding guaranties have doubled over the past two years and are expected to double again over the next two years. From the inception of the program in 1948 through December 31, 1964, 1,261 guaranty contracts covering $2.2 billion had been written for specific political risks; of this amount $1.8 billion was still outstanding.



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Unprecedented demand for these guaranties led to administrative improvements to handle the backlog and clear the ground for even higher demands. Electronic data processing, form contracts and other modern business practices have vigorously speeded up processing of applications.

(In millions of dollars)

Calendar Year	No. of Contracts	Dollar Value
1960	46	63.7
1961	50	71.0
1962	144	440.0
1963	186	426.0
1964	468	707.8

In 1963 the Congress added $1 billion to guaranty issuing authority bringing it to a total of $2.5 billion. Guaranty contracts are now being issued at an increased rate. The number of preliminary applications for insurance has jumped dramatically:

(In millions of dollars)

Fiscal Year	Amount of Applications
1961	1,086
1962	2,000
1963	2,044
1964	5,852

Before these guaranties are issued, the government of the host country must approve the investment; such approvals are now flowing in at a rate of 20 or 30 per month. If the present rate of foreign government approvals and issuing of contracts continues, this pool of existing applications, plus additional applications receiving foreign government approvals during FY 1966, indicates that additional authority is needed in FY 1966. The Congress has been asked to increase present authority of $2.5 billion by an additional $2.5 billion for the period FY 1966-67. This increase of $2.5 billion of authority for the program for the next two fiscal years is essential to ensure that the minimum demands of U.S. investors can be met.

The specific risk programs operate only in those countries which agree to institute them. During calendar 1964, six new bilateral agreements were signed and four countries broadened their original guaranty agreements. Altogether, guaranties are available in 63 developing countries, covering the specific risks of convertibility and expropriation. Of these, 44 countries have signed agreements covering war risks and 39 have also agreed to institute the extended risk program.

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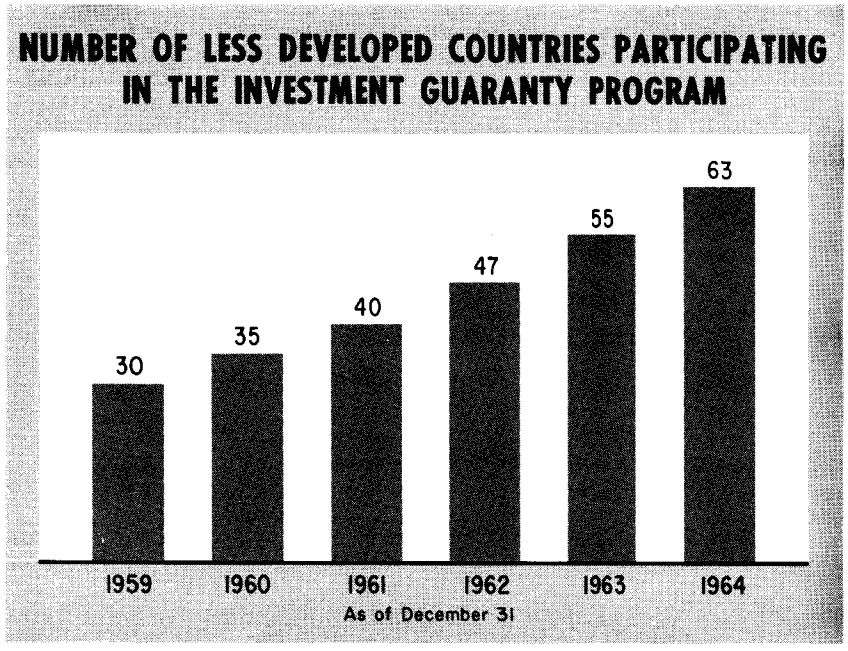

Extended Risk Guaranties: Extended risk investment guaranties are designed to give greater protection to investors in developing countries than that afforded by the specific risk program. Emphsis is on economic development projects which further social progress and the development of independent business enterprises.

In other than housing projects, the guaranty assures against loss of not to exceed 75% of any loan investment. A.I.D. expects to use this authority to encourage the flow of long-term loan financing to the developing countries from institutional sources, such as insurance companies, pension funds, banks and Edge Act corporations. Because of the extensive protection provided by such guaranties, they will be used for equity investment only in cases involving high risk which are of particular importance to the U.S. Government. In most such cases the coverage will run to 50% of the new investment.

A.I.D. has a $300 million extended risk guaranty authority. From this authority, 3 guaranties have so far been authorized, totaling $9,061,000, for these projects: a petrochemical complex in Argentina; a carbon black plant in Colombia; and a fishing and fish freezing project in Somalia. A substantial number of additional applications are being processed.

Policy guidelines have recently been issued which should lead to significant expansion of the program, although it is difficult to estimate the timing of such expansion.

A.I.D. has allocated $50 million of its extended risk guaranty authority under section 221(b)(2) to housing projects (for which 100% coverage is available) in Africa and the Far East. Applications for projects are under review by the Agency and the International Division of the Federal Housing Administration. A number of contracts are expected to be concluded during this fiscal year.

Latin American Housing Guaranties: Section 224 of the Foreign Assistance Act of 1961, as amended, authorized the guaranty of up to $250 million of private U.S. investments in self-liquidating demonstration or pilot housing projects in Latin America.

As of December 1964, ten projects comprising 12,000 dwelling units guaranteed at $61.5 million were under construction, with 3,600 units completed. Five more projects, totaling 6,000 units with guaranties amounting to $30 million, are getting under way; and 13 additional projects with 11,000 dwelling units guaranteed at $68 million are under active consideration and are awaiting final document submission and review. The remainder of the $250 million in guaranty authority will be utilized this year in projects now under preliminary review by the Federal Housing Administration.

While A.I.D. believes that the demonstration or pilot aspects of the present program will be substantially exhausted with the use of the existing $250 million in guaranty authority, there is a continuing need for a modified housing guaranty program. The Latin American birth rate is the highest in the world and still climbing. The pressure for housing is intense. At present, there is a 4,000,000 dwelling unit shortage and long-term financing at reasonable rates has previously been non-existent.

Therefore, A.I.D. is recommending an extension of the program in a modified form with an additional $100 million of guaranty authority to cover the following new kinds of loan guaranties:

(1) To local mortgage financing institutions such as savings and loan associations;
(2) For housing projects for lower income families or projects which will strengthen cooperatives, labor unions, and other institutions important to the Alliance for Progress; and

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(3) For projects (for homes having a unit cost, wherever practicable, of not more than $6,500) where there is substantial local financial participation not derived from external sources.

LOANS TO PRIVATE ENTERPRISE

Dollar Loans to Private Borrowers: Because of the growing availability of funds from alternative free world sources it has become increasingly possible for qualified projects to obtain dollar financing from sources other than A.I.D., such as private lenders, intermediate credit institutions, the Ex-Im Bank, Inter-American Development Bank (IDB), the IBRD, and the International Finance Corporation (IFC).

However, during Calendar Year 1964 A.I.D. made 10 loans totaling $61.4 million, to U.S. and foreign private borrowers for projects in less-developed countries, chiefly in the field of industrial development. Representative of these were loans to: a cast iron pipe company and a paper factory in Brazil; a truck factory, an earth moving equipment concern and a machine tool company in India; and a tire and tube factory in Turkey.

Lending to Intermediate Credit Institutions: The creation and stimulation of credit facilities is a keystone in building a strong private sector. A.I.D. dollar and local currency lending to intermediate credit institutions therefore continues to increase. Some of the intermediate credit institutions are privately owned, some governmental, and others of mixed ownership. In every case, however, the sub-loans are to be made exclusively to qualified private borrowers.

During CY 1964, 19 dollar loans amounting to $100.5 million were authorized to 19 institutions in 15 countries. 80% of these funds went to Latin America. Industrial development banks, with $62.2 million, received the largest share, followed by housing credit institutions -- $17.8 million -- and agricultural credit assistance -- $13.6 million. A total of $6.9 million went to cooperatives, the first A.I.D. loans to this form of credit institution. In addition to dollar loans, local currency credits equivalent to approximately $8.8 million were made available to development banks during this period.

Cooley Loans: An integral part of A.I.D.'s private enterprise program, these loans, financed from local currencies generated from sales under Title I of P.L. 480, continued to be in great demand during 1964. Loans may be made to U.S. firms or their branches, subsidiaries, or affiliates for industrial development and expansion. Foreign firms are eligible if the proposed project will expand markets for U.S. agricultural products. This source of financing is available for fixed capital assets and also, subject to availabilities and local regulations, for permanent working capital.

As part of the latest extension of P.L. 480, the 25% limitation on allocation of Title I funds for this purpose was removed. In countries where the U.S. Government has adequate balances of local currencies for its own uses and where demand for Cooley Loans exceeds availability, U.S. negotiators can now seek agreement on larger allocations in new sales agreements.

During calendar year 1964, 46 loans were authorized totaling the equivalent of $57 million. This compares to 49 loans equivalent to $56 million in CY 1963 and 36 loans for a total of $35 million in 1962. The credits authorized in 1964 will be used in a wide variety of industries in a number of different countries, for example: petro-chemicals, corrugated cardboard and grain silos in Israel; chemicals, steel and tires in Turkey; pharmaceuticals, hotels and food processing in Pakistan; chemicals, glassware, building materials, motors, electrical equipment and machine tools in India; sanitary equipment and electrical cable production in Colombia.

Other Local Currency Loans: New techniques are being developed to increase the supply of local currencies available for financing private investment. A Private Investment Fund, created under IBRD and A.I.D. auspices, was set up in Colombia in 1963. The peso equivalent of a portion of an A.I.D. dollar commodity import (or program) loan was credited to the Fund and earmarked for medium and long-term industrial development loans to private U.S. and local borrowers. The program has proved highly successful and it may prove possible to apply the same technique in other countries.

BUILDING LOCAL ECONOMIC INSTITUTIONS

An increased flow of private capital into the less-developed countries with the attendant transfer of technical and managerial skills is a vital part of the development process. However, external capital, whether public or private, cannot be expected to supply more than a fraction of total requirements of skills and money even under the most favorable circumstances. The bulk of the effort and of the investment must come from within the country, and yet the basic institutions necessary for vigorous growth are often lacking or seriously deficient. A.I.D. helps to develop these institutions by analyzing the obstacles to effective private sector development and recommending methods by

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which the countries themselves can overcome them. Frequently this process results in technical assistance projects designed to supply essential elements in the complicated pattern of private institutions which developed societies take so much for granted. A major task of the A.I.D. missions, increasingly emphasized in the Agency's programming, is to develop a rational, integrated "mix" of private sector technical assistance projects.

The variety of projects is great, ranging from basic vocational and business training to technical assistance in the creation and administration of stock exchanges. In FY 1963-65, A.I.D. has or will participate in establishing or assisting more than 20 industrial development corporations, ten investment promotion centers, industrial parks in five countries, over 40 productivity centers serving 18 countries and more than 200 training institutions in over 40 countries. In addition, A.I.D. is conducting a wide range of projects to improve tax legislation and administration, to develop investment codes and incentives, to set up business advisory services, and to train personnel in the identification, development and presentation of investment projects. Technical Assistance has also been given to savings and loan institutions, cooperatives, credit unions, and development banks.

Some of these institutions are governmental, some private and others are joint public-private undertakings. In each case the goal is the same -- vigorous, expanding private initiative and investment. Qualitative evaluation of program results in this field is difficult. In many countries progress will be slow. In others, changes are more rapid and success more evident. The sharp surge of new private projects in Central America is due in large part to effective work by a number of development institutions which have been supported by A.I.D.; phasing out of concessional assistance to Taiwan and Israel has been made possible by their rapidly expanding economies to which private enterprise is making a substantial -- and growing -- contribution.

TAPPING AMERICA'S HUMAN RESOURCES

Just as measures to encourage private U.S. investment abroad help channel the capital and experience of U.S. business into support for development, and programs to stimulate the private sector in developing countries themselves are an essential feature of over-all development efforts, so the U.S. technical assistance programs try to tap as fully as possible the skills and experience of private American institutions, business firms, universities and service organizations. Moreover, A.I.D. also tries to help non-governmental assistance programs play a growing role in the total development picture.

PRIVATE RESOURCES IN A.I.D.'s TECHNICAL ASSISTANCE PROGRAMS

A.I.D. is increasing its use of private institutions, business firms, universities, and service organizations to carry out technical assistance activities in the developing countries. As of September 30, 1964, A.I.D. had 1,225 contracts with such groups, totaling about $415 million, for technical assistance in 76 countries.

Universities

American colleges and universities held more than $230 million in A.I.D. contracts for research, surveys, training and technical assistance as of September 30, 1964. Over $170 million of this amount was for technical assistance by 67 universities in 41 countries.

During the past year, at the request of A.I.D., a special task force under the chairmanship of John W. Gardner, President of the Carnegie Corporation of New York, conducted an intensive study of the relationship between the Agency and the nation's institutions of higher education. The task force recommended a number of measures to revise and improve the role of the universities in foreign assistance. A.I.D. has begun to implement these recommendations. For example, the basic A.I.D.-University contract has been rewritten to provide for participation by the colleges in planning and preparing projects and programs, rather than serving simply as executors or administrators of programs designed without their participation.

Another reflection of the growing role of American universities was a three-day conference on rural development called by A.I.D. in Washington, D.C., in July 1964. University presidents or other top officials of land grant or State colleges and high ranking officials of the Department of Agriculture, A.I.D., and the Association of State Universities and Land Grant Colleges gathered to discuss how they might cooperate in solving problems of rural development. The A.I.D. Administrator has appointed a special committee to follow up the Conference recommendations.

Cooperatives and Thrift Institutions

Since enactment in 1961, of the Humphrey Amendment to the Foreign Assistance Act, A.I.D. has strongly emphasized assistance for the development of farm credit and marketing cooperatives, credit unions, savings and loan institutions and housing and electric power cooperatives to help organize capital and individual effort

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at the grass-roots level. For technical assistance in these fields, the Agency has relied heavily on contracts with private American institutions including the Credit Union National Association, the National League of Insured Savings Associations, the Cooperative Association, the National Farmers Union, the Foundation for Cooperative Housing and the International Cooperative Training Center. Since 1962, the number of A.I.D. personnel and contract or staff assisting cooperatives has quadrupled; the number of participants trained has tripled; and a series of short-course programs (one day to one month) in cooperative techniques has reached more than 27,000 trainees.

Progress has been particularly marked in Latin America. Since 1960, 78 savings and loan associations have been organized with A.I.D. assistance in Chile, Ecuador, the Dominican Republic, Peru, Venezuela and Guatemala. These associations have enlisted 204,000 members, mobilized $55 million in savings, and have made loans of $99 million for the purchase of new homes.

Credit unions in Bolivia, Brazil, Colombia, Ecuador, Peru and Venezuela now number 1,160, with 630 more awaiting charters. These credit unions have 335,000 members, $13.7 million in savings, and $18.3 million in loan volume. A new credit union development program was recently started in the Central American countries.

Labor

A.I.D. contracts with the American Institute for Free Labor Development (AIFLD), spearheaded by the AFL-CIO, have permitted particularly effective labor participation in assistance to Latin America.

The AIFLD has trained 275 Inter-American labor leaders in the United States and 8,500 of them in Latin America. Free labor institutions have been set up in Bolivia, Brazil, Chile, Colombia, the Dominican Republic, Ecuador, Honduras, Jamaica, Nicaragua, Peru, Uruguay and Venezuela. These national institutes are supplemented by seminar programs in Argentina, Costa Rica, El Salvador, Guatemala, Mexico, Panama and Trinidad-Tobago.

Training in the United States

Each year approximately 6,000 people whose efforts are critical to the success of economic and social development activities abroad, including many A.I.D.-assisted projects in various countries, are brought to the United States for study or specialized training. Many of these are technicians; some are young students requiring college education; others are established leaders or specialists desiring additional observation or training in their specialized fields. All are expected to return to their countries and engage in specific tasks connected with developmental programs.

Where these participants study or train in the United States depends on their field of activity and where facilities can best be obtained. About half study at American colleges, universities, or other academic facilities, their studies frequently being augmented with practical observation or training in their field of specialization. The remainder receive training with Federal, State or local government agencies and with private business firms and organizations throughout the country.

The participant training program depends heavily on the cooperation of hundreds of American colleges, business firms, labor unions and local government units to provide the technical skills which participants require. With the exception of tuition and fees charged by academic facilities, most of the training is provided without cost. The contribution of these institutions in uncompensated services to the training program has been estimated to exceed $10 million.

In addition, a network of about 30,000 unpaid volunteers in international hospitality organizations across the nation assists A.I.D. participants during their stay in the United States. The newly-reorganized A.I.D. Office of International Training is placing increased emphasis on the need for participants to acquire more extensive knowledge of the United States and its people over and above their formal training. Broader learning about the United States must depend largely on voluntary community resources specializing in provision of home hospitality and other community services. Approximately 150 local and 21 national organizations, a majority of which are members of the National Council for Community Services to International Visitors, assist by receiving participants, arranging housing and transportation and offering other community services.

ENCOURAGING NONGOVERNMENTAL ASSISTANCE PROGRAMS

A.I.D. is not only increasing the use of private resources within the A.I.D. program, but acting wherever possible to expand nongovernmental assistance efforts and the growing programs of state and county groups. One promising new development which A.I.D. strongly encouraged is the privately organized and managed International Executive Service Corps.

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International Executive Service Corps

The International Executive Service Corps (IESC), a non-profit, private American corporation, was recently formed by a group of leading businessmen to assist the developing nations of the Free World by providing local private enterprise in those nations with managerial knowledge and talent from the United States not available through existing channels. Although A.I.D. strongly encouraged the establishment of the Corps, carried out much of the initial planning, and is providing interim partial financial support, the direction and control of the IESC comes wholly from private business. The Corps will eventually be financed entirely by voluntary contributions from the private sector and by income from its clientele in the developing countries. Its organization reflects the conviction of the U.S. business community and A.I.D. that a major factor limiting the growth of industrial enterprises in the developing countries is the shortage of appropriately skilled executive personnel, a shortage that can be alleviated in part by providing qualified volunteer American executives to qualified business firms overseas that ask for such assistance.

The Board of the IESC is chaired by David Rockefeller; Sol M. Linowitz is Chairman of the Executive Committee, and Frank Pace, Jr. is President and Chief Executive Officer.

Although no organized effort has yet been made to recruit volunteers or publicize the Corps, interest is high among business executives and within the developing countries. Some 3,000 U.S. business executives and professional men have expressed their interest, and more than 800 of them have offered their services to IESC. Thirty-two countries have indicated a desire to receive volunteers under the program.

State and Country Resources

Since late FY 1964, through its "Partners of the Alliance" program, A.I.D. has been acting as the catalyst in establishing and sustaining wider private involvement in the Alliance for Progress. Teams from U.S. communities travel to Latin American areas to develop with local counterpart groups a program of mutual interest based on identified needs and available resources. Twenty-five active partnerships have developed and eight more will be activated as quickly as country program support arrangements can be completed. Several foundations and other organizations are collaborating in generating project assistance support. A few examples of partnership activities will illustrate the diversity of the program:

--The Texas partners have organized projects in Peru ranging from the provision of $100 village libraries and $125 portable generators for night literacy classes to the strengthening of marketing cooperatives. Preliminary steps are being taken to establish a mutual investment fund whereby both partners may invest in joint ventures in Texas and Peru.

--Ten Oregon school districts are providing part-time in-service training for ten Costa Rican school administrators and teachers during the latter's January-March summer vacation. These teachers will assist part-time in the district's social studies and Spanish language courses and local families will provide board and room.

--The Alabama partners initiated a partnership with Guatemala by providing a bookmobile for use in slum areas surrounding Guatemala City, a pedigreed bull for a rural livestock improvement program, and funds for completion of a village school.

Role of the Voluntary Agencies

Through private Voluntary Agencies, the American people have maintained a long tradition of help to the needy overseas. Registered American Voluntary Agencies now maintain 600 American citizen representatives overseas at their own expense, employ about 5,000 local personnel and work closely with voluntary counterparts in the host countries. Their work demonstrates the effectiveness of voluntary service and strengthens the growth of voluntary effort in the recipient countries.

Since World War II, federal assistance in several forms has been available to agencies registered with the Advisory Committee on Voluntary Foreign Aid. Registered agencies are eligible to receive surplus agricultural commodities for use in their overseas programs. These surpluses are donated and the cost of shipping them overseas is paid for through the government's Food for Peace program. In addition, the A.I.D. budget includes an annual amount earmarked to pay for the ocean transport of the registered agencies own privately-donated supplies; for each $20 in supplies privately donated for the overseas work of such agencies as CARE, Church World Service, Catholic Relief Service and the American Jewish Joint Distribution Committee, A.I.D. provides about $1 to pay for shipment overseas.

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A.I.D. provides the staff for the Advisory Committee on Voluntary Foreign Aid, and A.I.D.'s field controllers help the staffs of American relief agencies monitor the distribution of surplus foods and fibers overseas. In FY 1964, 17 agencies were provided $330 million in surplus food and fiber (including the cost of overseas shipment) for their overseas programs, in addition to A.I.D. payments of $5 million for shipment of $117 million of the agencies' own privately-donated relief supplies.

The American voluntary agencies have long recognized, however, that relief work -- however necessary -- is not enough, and have sought to extend their programs into self-help, community development, and training activities that get at the roots of hunger, poverty and disease.

Modest federal support has been available for this change in emphasis. A $75,000 A.I.D. contract with the American Council of Voluntary Agencies for Foreign Service helps to run a technical assistance clearing-house for voluntary agency projects. Through A.I.D., limited amounts of excess property -- jeeps, machine tools for vocational training and the like -- have recently been made available for voluntary agency programs overseas.

Several new provisions should further assist the voluntary agencies' developmental role:

--Through an amendment to the overseas freight subsidy legislation, it is possible to expand the use of Government-owned excess property for voluntary agency programs, by paying for its transport from U.S. Government warehouses to countries where it can be used in health, agriculture, community development and other programs.

--A change in Food for Peace legislation will make available, through A.I.D., some local currency proceeds of Title I sales, for program use by voluntary agencies in certain countries.

--A change in Title III of the Food for Peace program will make it possible for voluntary agencies to use donated foods not only for relief but to promote self-help and other community development projects.

--Increased funds will go for Title II of the Food for Peace program, through which voluntary agencies can use surplus foods as partial wages on rural development, reforestation, road building and resettlement programs, and in feed grain projects which build up livestock and help farmers earn more money.

MANAGEMENT
IMPROVEMENTS

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The A.I.D. assistance program is constantly changing and evolving, and the management of assistance operations must keep pace with this evolution. Experience with the foreign assistance program has demonstrated that sweeping reorganizations are not the answer to improving the management of the program. Rather, bold and inventive improvements are needed within a basically stable organizational structure.

In 1964 A.I.D. inaugurated a new Agency-wide Management Improvement Program to provide a systematic framework for streamlining operations, increasing employee productivity and cutting the costs of doing business. As a part of this program, A.I.D. has underway, or is initiating in the coming year, major efforts to:

--devise new methods for the more rapid and effective execution of approved programs;

--increase the impact and effectiveness of A.I.D. technical assistance programs; and

--continue to tighten personnel and manpower management for optimum use of scarce personnel resources.

NEW EMPHASIS ON PROGRAM IMPLEMENTATION

Supply Management Improvements

Intensive efforts are underway to improve the Agency's supply management capabilities, both in the field and Washington. During the past year, major emphasis has been given to Far East programs, particularly the requirements of Vietnam, Laos and Thailand. Requisitioning, procurement and delivery of supplies and equipment to these countries has already been substantially speeded up. We are now developing an automated system to provide faster procurement and shipping of U.S. excess property for these programs.

A.I.D. is working in close collaboration with GSA and the Department of Defense to achieve additional improvements:

1. GSA is now providing supply and logistics experts to A.I.D. missions on an "as needed" basis.

2. GSA's San Francisco office has arranged to expedite procurement and shipment of Far East equipment requirements.

3. A.I.D. in making arrangements to permit its Far East missions to draw on the Department of Defense's MAP Deport in Japan, on a reimbursable basis, for certain supplies and equipment needed in A.I.D. program operations.

New Operations Review Committee

An effective new aspect of A.I.D.'s program to accelerate and improve the decision-making process has been the establishment of the Operations Review Committee (ORC). This is a special executive-level body charged with continuing responsibility to review the Agency's operating policies and procedures and to introduce changes necessary to simplify and speed up program execution and operations. The Committee is chaired by the Deputy Administrator and includes four Assistant or Deputy Assistant Administrators who provide a balanced representation of the Agency's regional bureaus, central staff and management activities.

The creation of the ORC is expected to strengthen significantly the Agency's responsiveness by providing a forum for the resolution of a number of chronic operating problems.

Major Information Management Project

Faster program implementation requires that A.I.D. executives have available timely, pertinent and accurate information. In recognition of this problem, A.I.D. is participating in a special multi-agency foreign affairs information management project under the leadership of the Bureau of the Budget.

Its objective is to assess and improve existing information systems of U.S. foreign affairs agencies. The end result will be a more rapid and effective system of gathering and using pertinent information on foreign affairs from collection to storage and retrieval.

A.I.D. has expanded its participation in the project to include a special in-depth review of its technical assistance information needs. This review will include the actual design and pilot testing of a comprehensive technical assistance information management and control system by the contractor.

Selective Decentralization of Authority

To expedite field operations, the Agency is decentralizing to Mission Directors the maximum decision-making authority consistent with law and good management practices. During 1964, for example, five Latin American missions were delegated authority to approve and implement Development Loans up to $2.5 million. In the contracting area, the Regional Bureau Assistant Administrators can now redelegate greatly expanded contracting authorities to field Mission Directors.

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IMPROVED ORGANIZATIONAL ARRANGEMENTS

During 1964 a number of organizational innovations were adopted which will increase A.I.D.'s operating efficiency and effectiveness.

Regional Mission for Africa

A regional mission for Africa was established in April 1964 to administer the limited foreign assistance programs which A.I.D. conducts in a number of African countries. As currently planned, small, continuing U.S. assistance efforts in up to 16 African countries will be administered through this single, relatively small Washington-based organization, with few direct-hire A.I.D. staff stationed overseas. As of December 1964, full responsibility for administering A.I.D. programs in eight of these countries had already been transferred to the regional mission in Washington. These were Central African Republic, Chad, Dahomey, Gabon, Mauritania, Senegal, Togo and Upper Volta.

The objectives of this streamlined regional mission are to achieve greater project effectiveness, greater speed and better coordination in implementation, conservation and better utilization of manpower, and increased economy of administrative and technical supervisory costs.

Eliminations of Separate A.I.D. Missions Overseas

Since the beginning of FY 1964, separate A.I.D. organizations in 16 overseas countries have been eliminated, either because of aid program terminations or because of the introduction of new administrative arrangements for the conduct of overseas operations. Four of the organizations have been eliminated since the beginning of FY 1965.

In 13 of these 16 countries, separate A.I.D. structures have been eliminated although modest U.S. assistance programs continue: Gabon, Chad, Dahomey, Haiti, West Indies and Eastern Caribbean, Surinam, Israel, Iran, Syria, Central Africa Republic, Senegal, Upper Volta, and Togo. A.I.D. business in these countries, including the few direct-hire A.I.D. employees involved, is now being supervised either by the embassies or by A.I.D. offices located elsewhere.

In 3 of these 16 countries A.I.D. programs or activities were officially terminated during FY 1964 -- Cambodia, Yugoslavia and the Bonn (Germany) Area Controller.

Administrative Consolidations

Special attention is being focused on increased savings of personnel or dollars in logistical and administrative support overseas. During 1964, administrative support consolidations with the Department of State were arranged in Mexico and Venezuela. During 1965, we are studying the possibility of consolidating administrative functions in a number of small and medium-sized missions in Latin America, Africa and the Near East, to see whether savings can be accomplished without a reduction in the quality of support services.

Operations Evaluation Staff

During 1964 the Operations Evaluation Staff (OES) was organized to provide the Administrator with objective assessments of the operational performance and effectiveness of the missions and headquarters offices in carrying out approved programs and projects. This executive review program ecompasses all facets of A.I.D.'s operational performance, including an appraisal of program objectives, suitability of projects, and progress in achieving predetermined goals and targets. Such evaluations are conducted in A.I.D. missions by teams of officers drawn from the executive levels of A.I.D. and the Department of State. Operations Evaluations complement other mission inspections and evaluation, such as those conducted by A.I.D.'s internal auditors or the Inspector General/Foreign Assistance.

Office of Labor Affairs

A new Office of Labor Affairs was established to strengthen the Agency's institution building efforts in the labor field. This office works closely with the U.S. labor movement, universities and the Department of Labor in the development and implementation of labor programs.

Police Training

A.I.D. police training activities were consolidated in the Training Division of the Office of Public Safety. A major aspect of this consolidation was the relocation of the Inter-American Police Academy from Panama to Washington and its merger with the International Police Academy. The merger resulted in a reduction of 33 employees, an improvement in the quality of the training offered, and an increase in the number of foreign police trained under A.I.D. auspices at no rise in cost. In FY 1963, it cost $2.6 million to train approximately 600 participants; we estimate 1,000 can be trained for the same cost in FY 1965.

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International Training Office

A.I.D.'s central Office of International Training was modernized and new training concepts and approaches were adopted. The responsibility of this office is to plan, arrange, and oversee the training of more than 6,000 foreign personnel who come to the United States each year under A.I.D. programs.

This reorganization will overcome the major deficiencies of prior training operations and improve relationships with U.S. agencies and institutions assisting in the Agency's training programs. More attention will be given to: the individual training needs of each participant and to social, cultural and environmental problems of participant adjustment to life and learning in the United States.

IMPROVED PERSONNEL AND MANPOWER MANAGEMENT

Personnel and manpower management improvement in A.I.D. is a continuing process under constant review and evaluation. A number of specific improvements made in the last year or planned for the coming year are summarized below.

Tightened Manpower Management

A.I.D. has significantly reduced direct-hire employment during FY 1964. Total employment declined during this period from 16,782 to 15,642, a decrease of nearly 7%. Although some of these reductions are attributable to changes in Program content and emphasis, including increased use of contract operations, most were the direct result of tighter, world-wide employment controls.

A.I.D. employment is expected to remain at an essentially stable level through FY 1965-66. However, the composition of the A.I.D. work force will change as increasing use is made of the private sector and other agencies in implementing A.I.D. technical assistance programs.

Following a comprehensive review of its manpower practices, A.I.D. has changed its basic approach to managing its manpower resources. Changes include:

--an improved manpower programming system that produces more accurate and detailed forecasts of immediate and long-range manpower needs;

--tighter controls on the employment of personnel, along with techniques to reduce or stabilize the level of permanent employment; and

--automated manpower reporting techniques which produce more accurate and timely Agency manpower reports.

Other Improvements

1. Recruiting Specialized Personnel. Many of the specialized skills which are vital to A.I.D.'s program are in such short supply that unusual efforts must be made to seek out highly competent people in the occupational fields involved. For example, in the past year, two task forces were utilized to recruit top-flight small business and loan officers and economists. During the coming year a task force is again being mobilized to recruit additional economists.

2. Request for Authority to Appoint Foreign Service Officers for an Initial Period of Duty in Washington Prior to Service Overseas. The Agency's experience has demonstrated an increased requirement for officers serving in Washington who have had overseas experience and similarly the need for officers serving in missions abroad who have had Washington experience. Accordingly the Agency is requesting authority which will make it possible over a period of time to increase the interchangeability of Washington and field personnel. This would be accomplished by increasing rotational assignments of Foreign Service Reserve Officers and by increasing the number of officers initially assigned to Washington whose appointments would be in the Foreign Service Reserve. The long-term objective of the proposed change would be to increase substantially the number of officers serving in Washington who have had overseas experience as well as the number of officers serving in missions abroad who have had substantial Washington experience with the Agency.

3. Special Training for A.I.D. To improve employee skills, during FY 1966 A.I.D. will arrange the following courses for certain employees: 100 will participate in a special training program in development economics; 170 will participate in executive management programs conducted by the American Management Association, the Brookings Institution, the Foreign Service Institute and other government agencies; and 30 management analysts will receive training from the U.S. Army Management Engineering Training Agency and other sources. In addition, the Agency's language training program is being strengthened to enable employees to acquire additional

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language proficiency. A.I.D. will continue to utilize the facilities of the Foreign Service Institute Language Center, supplemented as needed by a commercial language training school.

Two new programs have been inaugurated which are adapted to the special needs of employees being assigned to Vietnam: a ten-month program for Provincial Representatives and a special three-week program for others.

4. "Skills Inventory." The A.I.D. Automatic Data Processing System is being augmented to include an inventory of skills and language abilities of A.I.D. employees. This will greatly facilitate the task of identifying employees who have the particular combination of special skills required for a particular position.

5. Improving the Caliber of Executive Personnel. An Executive Personnel Panel, chaired by the Administrator, has been established for the advance, orderly planning of reassignments of A.I.D. Mission Directors and other executive-level foreign service personnel and for filling executive positions. A central roster of senior officers will be developed which will include outstanding senior foreign service employees who should be considered for key vacancies.

6. Strengthening the Employee Evaluation System. A.I.D. has joined with the Department of State and USIA in developing and initiating a new employee evaluation system for foreign service employees. This system is designed to provide a more precise evaluation of the performance and career potential of foreign service employees. In addition, A.I.D. has adapted certain features of this system for the evaluation of its Washington employees.

Improving Employee Welfare

A.I.D. employees and their families who serve abroad are subject to special risks of death or serious injury, but no Federal financial protection program exists which responds to this need. Ordinary life insurance covers this type of risk, but the cost is high. While typical accident insurance is cheaper, it excludes this type of risk. To fill this real gap, A.I.D. in conjunction with a major U.S. insurance company, has developed a master group insurance policy which: (a) protects both A.I.D. direct-hire and contract staff and members of their families; (b) is inexpensive; (c) is not voided by war risks; (d) could not have been negotiated by an individual on his own behalf; (e) is the first group policy of its kind; (f) is available to any employee of the U.S. Government or to any person serving under a contract with an agency of the Government; and (g) involves no cost to the U.S. Government or administration by it. These innovations introduced by A.I.D. are creating considerable interest in the private insurance field as well as among officials of other Federal agencies.

IMPROVEMENTS IN FINANCIAL MANAGEMENT

Consolidation of Overseas Auditing

The Agency has consolidated and centralized overseas audit offices in several country groupings. These area offices are providing an economical means for monitoring the financial liquidation of phasing out country programs, thus permitting prompt removal of resident staff in such countries. For example, the Office of the Area Controller, Athens, is now servicing residual programs in 16 countries in Europe and the Near East. Area Controller, Caribbean, has similar responsibilities for seven countries in that geographic area. A small mobile audit group based in Washington performs audits of projects and programs in some ten countries in West Africa and Central America eliminating the need to station auditors at those locations. Manpower savings have also been effected through centralizing accounting in Washington for A.I.D. programs in 17 African countries.

Savings Realized through New Automated Systems

Excellent progress is being made in adapting electronic data processing to the Agency's accounting and financial reporting requirements. The Washington headquarters payroll operation has now been completely mechanized. Automated payrolling of overseas offices is moving forward. This service is currently provided for 24 missions and will be extended to additional missions in the near future. Payrolling mechanization is resulting in savings in time and costs. For example, centralizatio of overseas payrolling has permitted staff reductions of one to two local payroll clerks in each mission.

Financial reporting for management has been substantially converted to a computer operation thus producing essential data faster and with less manpower.

An annual increase in efficiency of approximately 20% has been realized by mechanizing servicing of collections on loans and investment guarantees. Despite the cumulative annual increase in such transactions, efficiencies introduced have permitted handling this growing workload with only minor staff increases.

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The number of loan and guarantee agreements serviced has increased from 900 in 1961 to 2,400 in 1965 while the average number of manhours required per agreement has been reduced by nearly 58%.

INCREASED EMPHASIS ON COST REDUCTIONS

During 1964 the Agency issued special cost reduction instructions patterned after the program of the Department of Defense which have considerably expanded the scope and coverage of the Agency's Management Improvement Program.

Two major cost reduction areas are being emphasized: reducing operating costs and reducing program costs. Major actions to reduce operating costs include terminating unnecessary operations, consolidating and standardizing operations, and increasing operating efficiency. Program cost reduction actions include more exacting program review and approval, tighter control on implementation of approved programs, and more aggressive audits of expenditures by cooperating countries and contractors.

Reduced Operating Costs

The A.I.D. mission in Laos saved an estimated $106,808 by rescheduling its use of air service for airlift of cargo and air travel of personnel within Laos.

In November 1964, all overseas A.I.D. posts were instructed to utilize U.S.-owned excess foreign currencies for air travel to, from and within Pakistan, India, UAR, Poland, Yugoslavia, Israel and Burma. Monthly reports are now requested from all missions on the resulting dollar and local currency expenditures.

A recent review of periodical Agency publications resulted in discontinuing a number of them, reducing them in size or eliminating unnecessary features such as color printing. As a result Agency printing costs have been reduced an estimated $220,000 a year.

One of the most significant cost reduction actions has been the substitution of letters or memoranda for routine or transmittal-type airgrams. This new procedure applies to communications both to and from the field. Statistics on incoming messages only, indicate some 1,500,000 reproduced copies have been eliminated annually from headquarters traffic. The annual net savings in processing such messages totals $29,000. In addition, economies in recipient offices through the decrease in paper work (handling, reading, filing) is conservatively estimated at $75,000 annually.

Reduced Program Costs

Efforts to encourage cooperating countries to assume certain economic development costs previously financed by the United States such as travel and other costs of participant trainees, and costs of the transportation of program commodities within the country, are also resulting in substantial savings. In three aid-receiving countries, first quarter FY 1965 savings totaled $218,646.

Procurement Economies

As a result of A.I.D.'s efforts to assist in disposing of U.S. excess stockpile material, GSA sold a total of $17.8 million in FY 1964 for use in foreign assistance programs. In the first five months of FY 1965 these sales totaled $6.9 million. The estimated quantities for the balance of FY 1965 are $10.1 million, for a total for FY 1965 of $17.0 million. In FY 1966 sales of $18.2 million are anticipated.

Consolidated buying, during the slack production season, of DDT for the Malaria Eradication Program produced savings of $1,737,000 in FY 1964. Continuation of this practice has saved an additional $482,500 this fiscal year. Savings for the year by this effort should total $777,500.

During FY 1964, in lieu of procuring new equipment, A.I.D. acquired U.S. Government-owned excess property for use in its foreign assistance programs having an original acquisition value of $36.1 million. The cost to A.I.D., including rehabilitation, storage, handling and inland transportation, amounted to $4.1 million. A.I.D. will continue to stress the maximum use of excess property in its programs during the coming year.

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AGENCY FOR INTERNATIONAL DEVELOPMENT

Summary of Total Direct Hire Personnel Strength
End of FY 1964, FY 1965, and FY 1966

	Actual On-Board Employment As of June 30, 1964			Estimated On-Board Employment As of June 30, 1965			Estimated On-Board Employment As of June 30, 1966		
	Admin.	Program	Total	Admin.	Program	Total	Admin.	Program	Total
Direct Hire U.S. Nationals									
Washington	1,919	1,007	2,926	1,831	1,008	2,839	1,831	1,008	2,839
Overseas	868	2,894	3,762	884	2,996	3,880	884	2,950	3,834
Sub-Total	2,787	3,901	6,688	2,715	4,004	6,719	2,715	3,958	6,673
Foreign Nationals									
U.S. Appropriations	1,384	3,486	4,870	1,473	3,327	4,800	1,473	3,327	4,800
Foreign Trust Funds	-	4,084	4,084	-	4,081	4,081	-	4,127	4,127
Sub-Total	1,384	7,570	8,954	1,473	7,408	8,881	1,473	7,454	8,927
Total Direct Hire	4,171	11,471	15,642	4,188	11,412	15,600	4,188	11,412	15,600

Revised January 25, 1965

ALLIANCE
FOR PROGRESS

LATIN AMERICA

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FY 1966 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Alliance for Progress		Supporting Assistance
		Loans	Tech. Coop. & Develop. Grants	
TOTAL	$609,725 823,725	$508,125 722,125	$88,000	$13,600
Argentina	2,500– 52,500	0– 50,000	2,500	—
Bolivia	21,100– 31,100	15,000– 25,000	3,900	2,200
Brazil	243,400– 313,400	230,000– 300,000	13,400	—
Central American Economic Community				
Central America Reg. Org. (ROCAP)	29,200– 34,200	25,000– 30,000	4,200	—
Costa Rica	8,800	7,000	1,800	—
El Salvador	7,700	6,000	1,700	—
Guatemala	8,200	5,000	3,200	—
Honduras	7,000	5,000	2,000	—
Nicaragua	7,000	5,000	2,000	—
Chile	93,700– 103,700	90,000– 100,000	3,700	—
Colombia	64,300– 84,300	60,000– 80,000	4,300	—
Dominican Rep.	14,400	7,000	2,400	5,000
Ecuador	12,500	8,000	4,500	—
Haiti	1,400	—	—	1,400
Mexico	200– 20,200	0– 20,000	200	—
Panama	11,500	10,000	1,500	—
Paraguay	5,300– 8,300	3,000– 6,000	2,300	—
Peru	35,000– 55,000	30,000– 50,000	5,000	—
Uruguay	900	—	900	—
Venezuela	1,500	—	1,500	—
British Guiana	600– 6,600	0– 6,000	600	—
Jamaica	2,400	2,000	400	—
Trinidad & Tobago	5,000	—	—	5,000
Regional Programs	16,000	—	16,000	—
PROGRAM SUPPORT & INTERREGIONAL ACTIVITIES	10,125	125	10,000	—

Alliance for Progress is Taking Hold

The Alliance for Progress will enter FY 1966 with increasing strength. The investments of the difficult first years of the Alliance are beginning to pay off. The past year was one of substantial economic growth, of improving terms of trade, and of real political and social progress. Since 1961, when representatives from 19 nations met at Punta del Este and pledged themselves to a decade of development, considerable achievements have been recorded. The war on poverty in Latin America is under way. Public and private institutions for coping with the area's economic and social problems have gained in strength.

Political change has accompanied social ferment. In the past year, a new government came into power in Brazil with a program to rescue the country from financial collapse and possible take-over by extremist elements. The new government is viewed as another indication that Castro-type communism is no longer popular with Latin Americans. That government immediately took steps to confront the major problems of runaway inflation, balance-of-payments crisis and social disorder. The United States responded in FY 1964 and again in FY 1965 to provide resources to support these new stabilization, development and reform efforts.

In Chile, an electoral confrontation between Christian reform and socialist-Communist ideology resulted in an overwhelming, democratic victory for the former. U.S. assistance will continue to support efforts to move Chile's development program forward.

These favorable developments -- and others -- require an increase in Alliance for Progress lending in FY 1966. The program request is for a minimum program level of $510 million in development lending. Technical Cooperation funding is requested at about the same level as in FY 1965. These grant funds are required for a variety of activities which will help build the self-sustaining institutions and create the human resources necessary for development in Latin America.

A minimal amount of Supporting Assistance is also requested for non-development requirements in four countries. There are potential emergency and incentive situations in the hemisphere which may require resources from the President's Contingency Fund, or, if the Fund is depleted, from supplemental appropriations.

No capital assistance is programmed for Argentina, for example. Should Argentine self-help performance improve, the United States would be faced with a major opportunity, and as much as $50 million in loans might well be required for the United States, in conjunction with international financing agencies, to support an Argentine development program.

Today's hemispheric progress is rooted in past achievements. In 1960, during the Eisenhower Administration, the American Republics signed the Act of Bogota, a clear expression of the need for social progress and the willingness of the participants to do something about it. The following year, President Kennedy called for a bold ten-year program for economic and social development and basic reform -- the Alliance for Progress.

Under the terms of the Charter of the Alliance, the Latin American nations themselves undertook responsibility for basic internal reforms and for 80% of the necessary investment funds. The United States was expected to provide a major share of the 20% margin of external capital and technical assistance.

The Long Road Ahead

While there is evidence that the Alliance has awakened Latin America to the magnitude of the tasks to be performed, poverty is still the lot of the majority of the people of the southern half of this hemisphere. The pervasiveness of this poverty is a constant threat to progress toward fulfillment of the hopes the Alliance has raised.

Population is growing faster in Latin America than anywhere else in the world. National economies must grow at rates higher than that of many developed nations simply to keep pace with population increases. Despite progress in home construction, the housing gap is widening. Despite increased attention to education the percentage of school-age children attending class is not increasing. In fact, the percentage of illiterates may be growing. Unemployment and under-employment, caused largely by the inefficient use of land and lagging industrial development, remains a crushing problem. Labor unrest threatens national economic and political stability.

Commodity trade problems make economic life a matter of boom or bust for many Latin American countries. In several countries,

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inflation saps the incentive to save. Budget deficits continue. Public enterprises are often run as welfare agencies, thereby contributing to government financial imbalance. Monopolistic practices and regressive tax structures restrict the development of national markets.

Alliance Goals and Self-Help Measures

Political developments in 1964 were encouraging. The new governments in Chile and Brazil open up possibilities for effective action under the Alliance. Recent elections in Venezuela, Panama and Mexico have produced progressive leadership. **The change in government in British Guiana may not end the turmoil there but at least it provides some hope for democratic progress.**

While only preliminary estimates are available for 1964, Latin American economic progress has accelerated since the Alliance began. Growth in 1964 may approximate the minimum goal called for by the Charter of Punta del Este. The improvement stems mainly from an upswing in the Argentine economy and healthy rates of growth in Mexico, Venezuela, and Peru. Latin American export earnings were some 8% higher than in 1963.

New development banks, cooperatives and other intermediate credit institutions -- many initiated with U.S. assistance -- have stimulated the private sector in Latin America. Nine countries, notably Brazil, Chile, Colombia, and Panama, have undertaken major tax reforms. All countries of the Alliance have improved their tax systems and/or tax administration. Land reform laws are now on the books in a dozen countries. Land reform institutions and agencies in these countries have strengthened their resources. Fifteen countries have self-help housing programs. Ten countries have submitted national development plans or sector investment programs for evaluation -- Bolivia, Brazil, Chile, Colombia, Ecuador, Honduras, Mexico, Panama, Peru and Venezuela. Other country programs are in the final stages of preparation.

At the end of 1964 the Inter-American Committee for the Alliance for Progress (CIAP) completed the first cycle of country-by-country development reviews under the Alliance. It examined national and sectoral plans, the steps that had been taken to put them into effect, and the efforts that each country is making to carry out its responsibilities under the Alliance charter. The CIAP review covered foreign trade, regional integration and external assistance as well as domestic efforts of the Latin American countries, and recommended specific courses of action to accelerate progress.

CIAP concluded that short-term debts posed a major international problem facing Alliance nations, and called for: (a) monetary and development policies which will lead to longer-term financing; (b) a firmer control over the expansion of external debt; and (c) where possible, negotiations to reduce the burden of repayment. The next review session will give emphasis to improving development plans; preparing and executing projects; establishing better borrowing practices; and increasing domestic investment. The following organizations providing the bulk of the external financing for Alliance efforts took part in the review: The World Bank, Inter-American Development Bank (IDB), the International Monetary Fund (IMF), the OAS, and A.I.D. A number of DAC countries will participate in CIAP's next review cycle.

U.S. participation in the Alliance must continue to be flexible and responsive to opportunities to promote development and advance U.S. interests. In addition to the assistance provided by A.I.D., U.S. support for Latin America's efforts is also provided through Food for Peace, the Ex-Im Bank, the IDB, and the Peace Corps.

In FY 1964, the World Bank and the IDB loaned nearly $400 million to Latin America. The Ex-Im Bank financed more than $180 million in Latin American projects in FY 1964 and is expected to increase its lending operations in FY 1965 and FY 1966. FY 1965 will probably be the last year of operations of the Social Progress Trust Fund, administered by the IDB. It was responsible during the first four years of the Alliance for financing $525 million in housing, education, water and sewage, and agricultural resettlement projects. The Fund will be merged with the Fund for Special Operations in the IDB and expanded by contributions from Latin American countries and the United States.

Development of the Private Sector

As the Alliance for Progress matures, more and more of the stimulus to development must come from the private sector. Significant private sector growth took place in 1964. The first year of Colombia's Private Investment Fund was so successful that similar institutions are under consideration in Argentina, Brazil, Chile and Peru. The Atlantic Community Development Group for Latin America (ADELA) was incorporated in September with an authorized capital of $40 million. ADELA will provide private enterprise in Latin America with equity capital and technical competence.

Regional integration is removing impediments to the growth of commerce among Latin American countries. Central America is building a successful Common Market. The Latin American Free Trade Association (LAFTA) is progressing more slowly.

Private U.S. investment in Latin America in the first six months of 1964 nearly equalled the 1963 total. In FY 1964, $342 million

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in A.I.D. investment guaranties were issued for Latin America -- nearly five times the 1963 level. This accelerated pace has continued and over $130 million in U.S. investment was guaranteed during the first quarter of FY 1965. U.S. housing guaranties already issued or in process cover projects worth over $150 million in 11 Latin American countries. A.I.D. lending to intermediate credit institutions -- for farm credit, housing, and new industry -- now amounts to about 25% of all A.I.D. loans. The investment surveys approved to date could result in over $130 million in investment. Cooley Loans passed the $23 million mark in 1964. A catalog of 372 specific investment opportunities has been prepared for U.S. private investors.

U.S. programs to develop human resources essential to a vigorous private sector have been expanded. For example, A.I.D. is helping to support university programs of business administration in Colombia, Brazil, Peru and Central America.

Emphases of FY 1966 A.I.D. Program

Concentration on development lending will increase in FY 1966. More than 90% of the proposed loans will go to four countries and to the Central American area. Development lending shows the following trend as a proportion of the total Alliance program: FY 1964, 71%; FY 1965, 81%; FY 1966, 86%. Project loans, however, are inadequate in some instances to finance the growing import needs of agriculture and industry. Three countries -- Brazil, Chile and Colombia -- are expected to receive program loans to help carry forward self-help measures and other economic and social programs within a framework of financial stability. Imports financed by these loans go largely to the private sector and help contain inflationary pressures.

The changes in emphasis in the program for FY 1966 reflect the favorable developments in Brazil and Chile. The program does not assume, however, that FY 1966 will produce any new major breakthroughs in other Latin American countries.

Following are summaries of the major A.I.D. programs:

Brazil - A.I.D. is proposing a program of **$243 million** in loans and technical cooperation to support the stabilization, development and reform efforts. Brazil's problems match her size -- the biggest in the hemisphere. But success of current reform efforts under the Alliance for Progress is essential if Brazil is to move forward. The new government of Brazil has a short-range investment program and is drawing up a longer-term plan. The interim government's program includes: (a) practical anti-inflationary measures; (b) reductions in government deficits; (c) improvements in its balance-of-payments position; (d) encouragement of domestic and foreign private enterprise; and (e) reforms in rural land ownership, education, banking and housing.

Chile - Assistance to Chile of **$93.7 million** in FY 1966 will support the Frei government's program of financial stabilization and accelerated economic growth. The new Christian Democratic administration is attempting to check chronic inflation and to provide economic and social reforms which would draw more low-income families into community and national life. This ambitious program is based on monetary stabilization policies, an investment budget emphasizing social development, and measures to spur agricultural and industrial production, including creation of a private investment fund. Success of these efforts depends largely on Chile's ability to marshal its internal resources to attain a large increase in government savings and to achieve other fiscal, monetary, and related objectives set out in the government's November 1964 letter to CIAP. The Frei government already has laid the basis for expanded export earnings to finance future economic development by negotiating a new arrangement with private U.S. firms to increase copper production substantially over the next six years. The Chile-California partnership is expected to provide much of the Technical Cooperation Chile needs.

Colombia - A.I.D. resources of **$64.3 million** are proposed to help Colombia improve resource mobilization and meet the goals of its development program. **U.S. assistance will be conditioned on specific Colombian self-help performance in such areas as monetary and fiscal policy, control of imports, and export promotion.** The United States will continue to cooperate with the Consultative Group led by the World Bank. The private sector is strong and diversified. The United States is attempting to help Colombia to overcome its excessive dependence on coffee for export earnings by diversifying its exports.

Peru - An A.I.D. program of **$35 million** is proposed for Peru. The principal U.S. objective is to foster peaceful evolution by supporting the changes needed to bring the highland Indians and recent migrants to overcrowded coastal cities into national economic and political life. The United States will encourage efforts to channel more domestic savings into necessary overhead investments, such as rural development, education, and transportation. Major U.S. technical cooperation will continue with the help of such universities as Columbia, North Carolina, Iowa State, and Stanford.

Central America - Approximately **$68 million** in A.I.D. resources is proposed to help accelerate the Central American integration movement and enable the five associated countries to deal

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effectively with their national development problems. Remarkable progress has been made toward creating a common market. The major element in the FY 1966 A.I.D. program is a proposed $25 million loan for a fund for Central American integration, which will serve as the channel for major regional capital projects such as highways.

New Tools for Alliance Tasks

U.S. methods of assistance to accomplish Alliance goals have now been tested. Successful programs are being expanded, others phased out.

1. The need for Technical Cooperation to improve tax administration and provide the public resources necessary for development is being met by the contribution of U.S. Internal Revenue Service experts. Internal Revenue Service and Customs Service advisors will soon be working in 14 Latin American countries, six more than last year.

2. The American Institute for Free Labor Development (AIFLD) has expanded training and social projects activities aimed at strengthening free labor in Latin America. AIFLD projects are moving ahead in cooperatives, credit unions, worker banks, training centers and housing. The Cooperative League of the U.S.A. and the National Rural Electric Cooperatives Association (NRECA) have also helped to set up institutions to marshal savings and supply credit. Over 400 credit unions have been set up. Savings and loan associations in Latin America now have some $75 million in deposits.

3. Contracts between U.S. universities and 46 Latin American universities and other institutions of higher education are improving and modernizing educational curricula, facilities, and operations.

4. Demographic research is being undertaken with A.I.D. help, to enable Latin American nations to obtain facts concerning their growing populations.

5. The Partners in the Alliance -- a people-to-people effort through which states and private groups in business, labor, education and other areas can exchange ideas and provide personnel to similar organizations in Latin America -- is moving ahead. Some 25 U.S. states are organizing to help out. California, Texas, Michigan, Oregon, Alabama, Arizona, and Utah already have a record of accomplishment.

6. Increased project implementation is underway at A.I.D. Authority for action has been delegated in large measure to field missions. The quality of technical cooperation is being upgraded through the use of contractors and participating U.S. agencies.

Outlook for the Future

The Alliance road to development is long. The members recognize that the problems of poverty in Latin America cannot be solved merely by condemning Castro, Communists, and nationalist extremists.

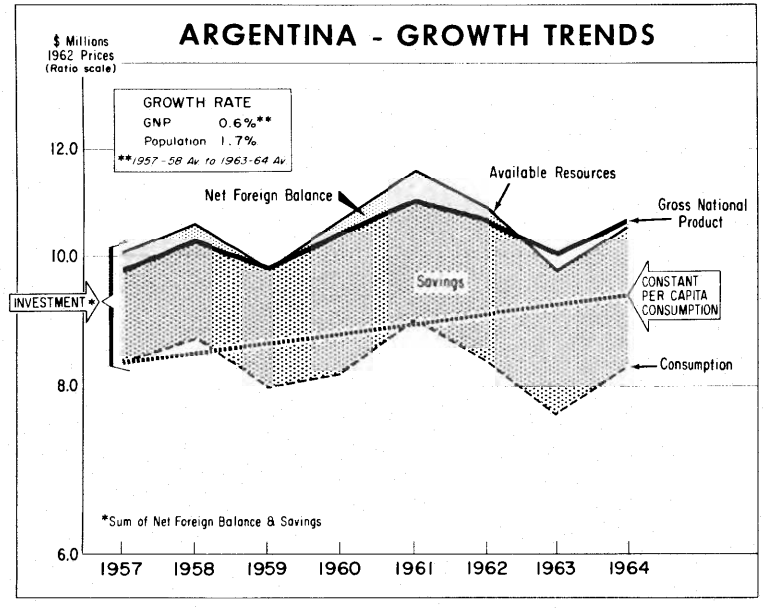
President Johnson said in May 1964, "Our Alliance for Progress will succeed.... In the next year there will be twice as much action, twice as much accomplished as in any previous year in this program."

These goals are being achieved. Latin Americans can now look forward to the building of their own great societies, with encouragement and help from the United States.

Argentina - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	21.3
Annual Growth Rate *(percent)*	1.7
Area *(1000 square miles)*	1,084
Population Density per square mile	20
Agricultural Land as % of Total Area	52
Percent of Population in Agriculture	19
Life Expectancy *(years)*	59
People per Doctor	660
Literacy Rate *(percent)*	86
Pupils as Percent of Population *(Primary & Secondary)*	17



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	10,382	10,974	10,614	10,019	10,835
Per Capita GNP *(dollars)*	521	542	515	478	508
Investment as percent of GNP	23	24	24	21	21
Domestic Savings as % of Investment	92	78	89	112	115
Net Foreign Balance as % of GNP	2	5	3	-3	-3
Agricultural Prod. Index *(1952-54 = 100)*	98	107	101	113	112
Index per Capita	87	93	86	95	92
Wheat (1,000 MT)	4,082	5,250	5,170	8,165	7,892
Manufacturing Production Index (1958=100)	88	97	88	78	86
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	1,079	964	1,216	1,365	1,500
Meat	(219)	(217)	(229)	(334)	(370)
Total Imports *(c.i.f.)*	1,249	1,460	1,357	981	980
Trade Balance	-170	-496	-141	+384	+520
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	526	386	115	270	190(Aug.)
COST OF LIVING INDEX *(1958 = 100)*	272	309	395	491	600

CENTRAL GOVERNMENT FINANCES✱ (FY Ending October 31)	– Million Dollar Equivalents – 1963	1964a/	1965(Budget)
Total Expenditures	1,947	2,471	3,224
(Defense Expenditures)	(304)	(356)	(394)
(Capital Outlays)	(237)	(370)	(445)
Total Domestic Revenues	1,360	1,778	2,535
As percent of GNP	10.6%	10.6%	n.a.
Deficit (–) or Surplus (+)	-587	-693	-689

✱ Converted at 135 pesos per U.S. dollar.

a/ A.I.D. estimates.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	8.2	-	0-50.0
Technical Cooperation	1.6	1.8	2.5
Total A.I.D. Assistance	9.8	1.8	2.5-52.5

U.S. Objectives and Assistance Policy

The principal U.S. objective in Argentina is to encourage the Government to adopt the political, economic and social policies set forth in the Charter of Punta del Este. Argentina's potential for economic development is great. It has rich lands, extensive deposits of petroleum and natural gas, and one of the most highly developed industrial structures in Latin America. These rich resources contrast sharply with Argentina's poor self-help performance during the past three decades.

A basic cause of difficulties in the past was the national government's policy of forcing industrialization at the expense of agriculture. Moreover, since the overthrow of Peron, Argentina has undergone a difficult period of political turmoil. The conduct of free elections in July 1963, resulting in the installation of the Government headed by President Illia seemed to augur well for political stability.

The general objectives of the Illia Government are broadly consistent with those of the United States. Since coming to power however, the Illia Government has pursued a mixture of discouraging and encouraging policies.

The Administration has been generally successful in its relations with the military, in handling several provincial disputes, and in dealing with the problems created by important sectors of the labor organization and the Peronist movement. An encouraging development has been the progress made by the new Government in the preparation of a comprehensive national plan for the development of the country. This plan is expected to call for tax reforms, improvements in public administration, price incentives for agriculture, and reductions in the budget deficit. The outcome of the Congressional elections in March 1965 will have a significant impact on the implementation of a sound set of public policies in these areas.

A dramatic action adversely affecting private investment was the annulment of contracts signed by a previous government with 13 private oil companies, nine of which are American. At the present time this issue is in court, but both the Government of Argentina and the oil companies are seeking an out-of-court settlement. Negotiations are still in progress.

Argentina's importance to the Alliance for Progress warrants recognition by the Illia Government that the present trend of some of its major economic policies can restrain economic growth and vitiate external assistance. The United States will use every opportunity to indicate and explain the policies it believes Argentina should adopt in its own interest. The United States is prepared to provide financial support under suitable conditions for a development effort based on: (a) implementation of a well-conceived economic development plan; (b) significant reductions in the budget deficit; and (c) adoption of policies to encourage agricultural as well as industrial production, and foreign and domestic investment. Since it is not likely that major policy decisions to implement these policies will be made before the March 1965 elections, the United States will probably not be making available capital assistance in FY 1965. The Technical Cooperation aimed at the development of human resources and improvements in development planning, higher education and public administration will continue at a level of $1.8 million in FY 1965.

Achievement, Self-Help, the Role of Other Donors

Progress in preparation of a five-year national development plan represents perhaps one of the most important self-help measures currently in process in Argentina. With the assistance of A.I.D., the World Bank, Inter-American Development Bank (IDB), and a group of economists from Harvard University, the National Development Council has made real progress toward the coordination of all public sector investment projects financed by domestic and foreign capital. Also, the Federal Investment Council is being reorganized and strengthened to assist in development planning and act as intermediary between the national and provincial governments.

Argentina has begun a badly needed program to improve the tax system. Some progress has been made by increasing income taxes and by a serious effort to collect unpaid taxes. The government recently took the politically courageous step of increasing the tariffs of a number of public utilities in order to put these enterprises on a more self-sustaining basis.

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Argentina's capacity for self-sustaining development has been substantially increased in recent years by expansion and improvement of educational institutions. Eleven new private universities have been founded since 1958. GNP increased significantly during 1964, reflecting a substantial rise in the level of business activity. External private as well as public debt was reduced and the unemployment rate went down.

Total annual authorizations for capital assistance from all private and public external sources to Argentina in the period FY 1960-64 averaged about $614 million. Capital assistance authorized from non-U.S. sources during this time averaged $243 million. During the same period U.S. private assistance averaged $159 million, including bank loans, assistance by foundations and industrial sector investment by private firms. Technical assistance to Argentina is provided from many sources, including France, Germany, the United Kingdom, Netherlands, Switzerland, Austria, Italy, Spain, Japan and the Ford and Rockefeller Foundations.

FY 1966 Program

U.S. assistance in FY 1966 is based on modest expectations of Argentine self-help performance. No capital assistance is programmed. However, Argentine self-help performance may exceed expectations. Assuming that an acceptable development plan and supporting policies will be implemented during FY 1966, the United States would be prepared to participate in a formal or informal arrangement with the international financing agencies and third-countries to provide financial support for such a plan. In this event, up to $50 million would be required, necessitating the use of Contingency Funds or supplemental funds.

The proposed U.S. program of $2.5 million for Technical Cooperation provides an increase of $700,000 over FY 1965 for projects for improvement or establishment of institutions important to economic and social development, especially for higher education and labor programs.

Improved higher education is a top priority. Michigan State University is helping to set up a land grant college--the first in Argentina. Texas A. & M. is advising the Ministry of Agriculture on agricultural economics. The University of Chicago will continue to help the University of Cuyo at Mendoza in graduate economics.

Argentina

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	-	0.1	0.2	25.2	1.0	6.8	21.9	99.3	9.5	164.0	11.3	152.7
Loans	-	-	-	-	24.8	-	6.0	19.9	96.4	8.2	155.2	11.3	143.9
Grants	-	-	0.1	0.2	0.5	1.0	0.8	2.0	2.9	1.3	8.7	-	8.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	5.0	30.0	-	35.0	0.2	34.8
FOOD FOR PEACE - TOTAL	-	-	18.3	-	-	-	-	-	-	-	18.3	0.1	18.2
Title I - (Total Sales Agreements)	(-)	(-)	(29.3)	(-)	(1.2)	(-)	(-)	(-)	(-)	(-)	(30.5)	(-)	(30.5)
Less: (Planned for U.S. Uses)	(-)	(-)	(11.0)	(-)	(1.2)	(-)	(-)	(-)	(-)	(-)	(12.2)	(-)	(12.2)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	18.3	-	-	-	-	-	-	-	18.3	0.1	18.2
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	18.3	-	-	-	-	-	-	-	18.3	0.1	18.2
TITLE II - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	0.2	101.5	157.1	-	119.0	-	31.7	1.0	23.8 a/	1.4	435.7	252.6	183.1
OTHER U.S. ECONOMIC PROGRAMS	*	*	-	-	-	-	-	-	-	-	0.1	-	0.1
TOTAL ECONOMIC	0.2	101.5	175.5	0.2	144.2	1.0	38.5	27.9	153.1	10.9	653.1	264.2	388.9
Loans	0.2	101.5	175.4	-	143.8	-	37.7	25.9	150.2	9.6	644.2	264.2	380.0
Grants	*	*	0.1	0.2	0.5	1.0	0.8	2.0	2.9	1.3	8.8	-	8.8
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	-	-	-	0.1	2.8	3.5	2.0	3.6	22.9	4.9	18.0
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(0.3)	(-)	(-)	(0.5)	(0.8)	(-)	(0.8)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	7.9	28.3	-	-	36.2	-	36.2
TOTAL MILITARY	-	-	-	-	-	0.1	10.7	31.8	2.0	3.6	59.1	4.9	54.2
Loans	-	-	-	-	-	-	2.3	2.3	1.0	1.1	13.6	4.9	8.7
Grants	-	-	-	-	-	0.1	8.4	29.5	1.0	2.5	45.6	-	45.6
TOTAL ECONOMIC AND MILITARY	0.2	101.5	175.5	0.2	144.2	1.1	49.2	59.7	155.1	14.5	712.2	269.1	443.1
Loans	0.2	101.5	175.4	-	143.8	-	40.0	28.2	151.2	10.7	657.8	269.1	388.7
Grants	*	*	0.1	0.2	0.5	1.1	9.2	31.5	3.9	3.8	54.4	-	54.4

a/ Excludes refinancings of $72.0 million. Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

* Less than $50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	-	-	143.5
UN Tech. Ass't. (CY)	0.5	0.4	3.8
UN Special Fund	1.8	1.4	8.2
Int'l. Finance Corp.	-	-	8.2
Inter-Am. Dev. Bank	38.8	5.1	77.8

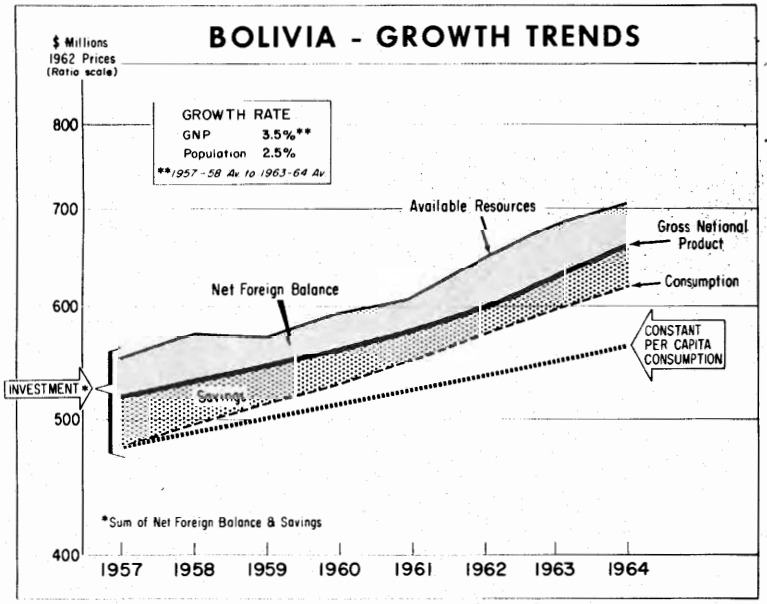
SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	104

Bolivia - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	4.2
Annual Growth Rate *(percent)*	2.3
Area *(1000 square miles)*	424
Population Density per square mile	10
Agricultural Land as % of Total Area	13
Percent of Population in Agriculture	71
Life Expectancy *(years)*	50
People per Doctor	5,270
Literacy Rate *(percent)*	31
Pupils as Percent of Population *(Primary & Secondary)*	10



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)**	558	576	600	625	660
Per Capita GNP *(dollars)*	147	149	151	154	159
Investment as percent of GNP	11	10	13	14	13
Domestic Savings as % of Investment	48	45	36	34	53
Net Foreign Balance as % of GNP	6	6	8	9	6
Agricultural Prod. Index *(1952-54 = 100)*	127	142	148	154	162
Index per Capita	108	118	121	123	127
Corn (1,000 MT)	295	240	270	292	300
Petroleum Production (1,000 MT)	466	390	363	428	430
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	51	56	57	61	80
Tin (c.i.f.)	(43)	(50)	(54)	(57)	(74)
Total Imports *(c.i.f.)*	71	78	97	104	104
Trade Balance	-20	-22	-40	-43	-24
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	7.9	8.2	5.3	12.8	22.4(Aug.)
COST OF LIVING INDEX *(1958 = 100)*	134	144	152	157	165

CENTRAL GOVERNMENT FINANCES *
(FY Ending December 31)

	– Million Dollar Equivalents – 1962	1963 (Rev. Bud.)	1964 (Budget)
Total Expenditures	81.3	104.3	117.4
(Defense Expenditures)	(7.0)	(7.0)	(8.0)
(Capital Outlays)	(22.0)	(21.6)	(23.8)
Total Domestic Revenues	40.6	48.0	57.3
As percent of GNP	6.8%	7.7%	8.0%
Deficit (–) or Surplus (+)	-40.7	-56.3	-60.1

* Converted at 12 pesos per U.S. dollar.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	42.5	10.0-15.0	15.0-25.0
Technical Cooperation	5.5	4.6	3.9
Supporting Assistance	8.9	5.1	2.2
Contingency Fund	3.4	XXX	XXX
Total A.I.D. Assistance	60.3	19.7-24.7	21.1-31.1

U.S. Objectives and Assistance Policy

Bolivia is one of the poorest and most primitive countries in Latin America. Its political and economic instability makes governments weak, retards development, and increases vulnerability to extreme left wing and Communist pressures. From experience gained during recent years of involvement in Bolivian development problems, a clear U.S. assistance policy has been evolved which directly relates external aid to Bolivia's performance not only with regard to specific projects, but also to its efforts in the entire economic sector to which the projects are related. Under this sectoral approach to Bolivia's problems and potential, A.I.D. development assistance is conditioned on such key self-help efforts as:

1. Increasing financial discipline through consolidation of the budget and finances of government ministries and semi-autonomous state enterprises into a single public sector budget;

2. Eliminating budget operating expense deficits in the public sector;

3. Stimulating the mining sector through improvements in COMIBOL, the national mining enterprise; restoration of civil authority in the mining areas; reorganization of the mining bank, and passage of a new private mining code as a stimulus to private sector growth;

4. Liberalizing restrictions on private investment and issuing an improved private investment code; and

5. Devoting increased resources to rural development and highway maintenance activities, while concentrating on projects of highest priority.

With the assumption of power by a Military Junta early in November, aid programs were suspended for approximately one month and then gradually resumed. The Junta has indicated it will play a limited transitional role until elections are held in May of 1965 and the government reverts to civilian rule in August. Moreover, the Junta's administrative capacities are limited and its energies will in some degree be devoted to countering threats to its existence as well as to preparations for the forthcoming elections.

Because of delays caused by this sudden change of government, actual U.S. assistance during FY 1965 will be less than that envisaged in the FY 1965 Congressional Presentation. For the remainder of FY 1965, the United States will attempt to achieve those limited priority objectives which seem possible under the circumstances. When a new and constitutional government assumes office, the United States hopes to continue to implement a longer term development policy.

Achievement, Self-Help, the Role of Other Donors

Since 1962, Bolivia's efforts have contributed to: (a) an estimated 5% growth rate in 1963 and 1964; (b) a limited restoration of gold and foreign exchange reserves; (c) steadily increasing revenue collections; and (d) a continuously declining need for U.S. budget support. This relative progress must be viewed against the decline in Bolivia's economic output from 1952 to 1958, insufficient progress in the rehabilitation of the mining sector, slow government action on a number of other important problems, and the continuing danger of Communist pressure.

New lands are being opened in potentially rich lowland areas in order to absorb the Indian population still pressing on the meager resources of the barren highland plains. The highway program is progressing, though its further extension will require government measures to improve, consolidate and finance its road maintenance organization.

With the reorganization of the Agricultural Bank and through the assistance of Development Loans, credit is now becoming available to small Bolivian farmers who formerly had no recourse but to accept usurious terms. In cooperation with a U.S. advisory team during the past year, the government has begun the reorganization of the Mining Bank, an essential step in the development of the private mining industry in Bolivia.

The agreement reached during 1964 between an American oil company (Gulf) and the Paz Government regarding private

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participation in the development of Bolivia's petroleum resources should improve the investment climate somewhat as well as increase foreign exchange earnings. This agreement has been reaffirmed by the Junta.

Despite the inexperience of Junta members in their present posts, there have been encouraging indications of their willingness to take some desirable developmental actions. These include the consolidation of the public sector budget and the placement of qualified high and middle-level technicians in important government economic posts.

With the $15 million International Development Association (IDA) credit for the Corani power plant and distribution system and for the new privately-owned power facilities in La Paz, the World Bank for the first time became involved in the Bolivian development effort during 1964. IDA may also carry out studies in the fields of transport and livestock development.

To date, loans totaling $37.8 million have been made by the Inter-American Development Bank (IDB) together with $800,000 in technical assistance grants. West Germany has provided over $8 million in assistance financing, concentrated mainly in the areas of mining and geology. The United Kingdom continues to finance technical assistance in tropical agriculture and is considering a loan for COMIBOL. The UN is presently providing 60 technicians in a variety of fields.

FY 1966 Program

The proposed FY 1966 A.I.D. program is based on the assumption that the new Bolivian government which succeeds the Junta will wish to cooperate with the United States on activities which encourage economic growth and self-sufficiency. The nature and magnitude of the program will depend on the extent to which that government is able and willing to make the self-help efforts called for in the development strategy.

By a combination of technical assistance and the leverage created by capital aid and by direct (though reduced) budget support, A.I.D. will continue to help the Bolivian Government move toward the goal of financial consolidation and administrative reorganization of the public sector. Capital assistance funds may also be devoted to the transportation sector to continue programs designed to integrate the country economically and socially and open new areas for colonization and agriculture.

Provided the Bolivian Government and the national mining enterprise fulfill their commitments to establish civil authority in the mining area and take other necessary steps, it is contemplated that the three financing partners of Operacion Triangular (Germany, IDB and A.I.D.) will provide loan funds for a reorganized management system, additional equipment and spare parts.

Capital assistance is expected to be used in the areas of transportation, mining and agricultural development. U.S. Technical Cooperation will help the Government in consolidating the administration of its rural development programs. It should also help develop better marketing systems, promote domestic and foreign private investment, train non-Communist labor union leaders and improve the efficiency of governmental operations.

Necessary budget support will be continued, but on a reduced level which will permit the orderly reduction and consolidation of public payrolls without disastrous political repercussions.

Bolivia

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.5	69.7	22.0	23.9	13.6	26.7	31.8	35.5	58.4	282.9	0.6	282.3
Loans	-	-	-	-	4.0	-	7.3	7.6	18.3	42.6	79.7	0.6	79.1
Grants	-	1.5	69.7	22.0	19.9	13.6	19.4	24.2	17.2	15.8	203.2	-	203.2
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	10.5	0.8	11.3	*	11.2
FOOD FOR PEACE - TOTAL	-	*	23.0	-	0.4	0.2	2.9	4.6	21.3	15.3	67.7	0.3	67.4
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(3.3)	(4.4)	(16.9)	(8.2)	(32.8)	(-)	(32.8)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(0.8)	(0.7)	(2.5)	(1.6)	(5.6)	(-)	(5.6)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	2.5	3.7	14.3	6.6	27.2	0.3	26.9
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	0.6	2.5	0.8	3.9	-	3.9
104g - Loans to Governments	-	-	-	-	-	-	2.5	3.1	11.8	5.7	23.1	0.3	22.8
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP'...	-	-	17.4	-	-	-	-	0.1	0.3	2.3	20.1	-	20.1
TITLE III - VOLUNTARY RELIEF AGENCIES	-	*	5.6	-	0.4	0.2	0.4	0.8	3.7	5.1	16.1	-	16.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	3.0	1.3	4.3	-	4.3
EXPORT-IMPORT BANK LONG-TERM LOANS	3.0	16.3	7.1	-	-	-	-	-	-	-	26.4	19.3	7.1
OTHER U.S. ECONOMIC PROGRAMS	1.2	1.4	8.0	-	-	-	-	0.9	0.7	2.5	14.7	-	14.7
TOTAL ECONOMIC	4.2	19.2	107.8	22.0	24.3	13.8	29.6	37.3	68.0	77.0	403.0	20.2	382.8
Loans	3.0	16.3	7.1	-	4.0	-	9.8	11.3	46.1	51.2	148.7	20.2	128.5
Grants	1.2	2.9	100.7	22.0	20.3	13.8	19.8	26.0	21.9	25.7	254.1	-	254.1
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	-	0.1	0.3	*	0.4	2.2	2.4	2.4	10.9	-	10.9
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(*)	(*)	(0.1)	(*)	(*)	(0.9)	(0.4)	(1.5)	(-)	(1.5)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	0.1	0.3	*	0.4	2.2	2.4	2.4	10.9	-	10.9
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	0.1	0.3	*	0.4	2.2	2.4	2.4	10.9	-	10.9
TOTAL ECONOMIC AND MILITARY	4.2	19.2	107.8	22.1	24.6	13.8	30.0	39.5	70.4	79.4	413.9	20.2	393.7
Loans	3.0	16.3	7.1	-	4.0	-	9.8	11.3	46.1	51.2	148.7	20.2	128.5
Grants	1.2	2.9	100.7	22.1	20.6	13.8	20.2	28.2	24.3	28.1	265.0	-	265.0

* Less than $50,000.

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
UN Tech. Ass't. (CY) ...	0.7	0.7	6.0
UN Special Fund	1.5	-	3.0
Inter-Am. Dev. Bank	7.5	1.1	23.1

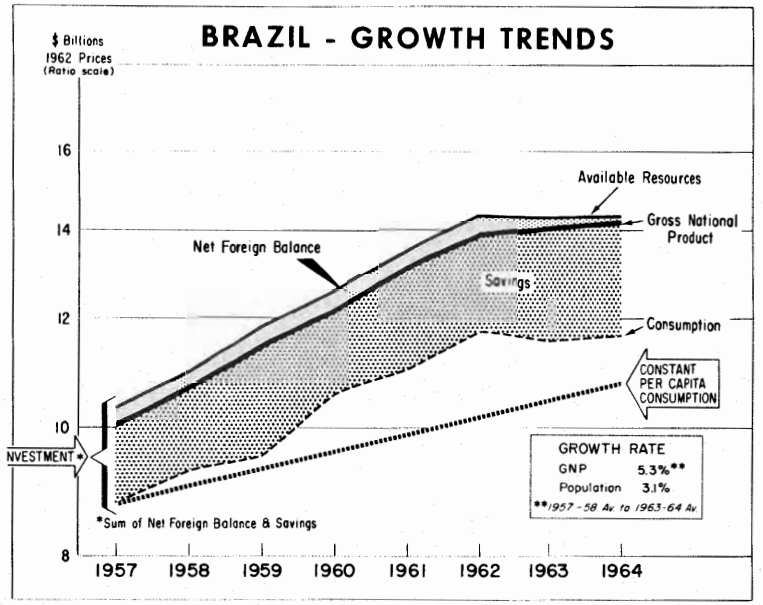
SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Brazil - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	79.7
Annual Growth Rate *(percent)*	3.1
Area *(1000 square miles)*	3,280
Population Density per square mile	24
Agricultural Land as % of Total Area	15
Percent of Population in Agriculture	51
Life Expectancy *(years)*	53
People per Doctor	2,300
Literacy Rate *(percent)*	50
Pupils as Percent of Population *(Primary & Secondary)*	12



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)**	12,213	13,105	13,812	14,033	14,175
Per Capita GNP *(dollars)*	173	180	184	182	178
Investment as percent of GNP	18	18	18	19	19
Domestic Savings as % of Investment	75	87	80	92	96
Net Foreign Balance as % of GNP	4	2	4	2	1
Agricultural Prod. Index *(1952-54 = 100)*	136	148	145	149	131
Index per Capita	110	116	110	110	94
Rice, Rough (1,000 MT)	4,795	5,392	5,557	5,980	5,400
Manufacturing Production Index (1958=100)	125	138	144	145	153
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	1,269	1,403	1,214	1,406	1,450
Coffee	(713)	(710)	(643)	(748)	(780)
Total Imports *(c.i.f.)*	1,462	1,460	1,475	1,487	1,330
Trade Balance	-193	-57	-261	-81	+120
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	359	521	439	376	297 (June)
COST OF LIVING INDEX *(1958 = 100)*	185	256	390	684	1,250

CENTRAL GOVERNMENT FINANCES *

– Million Dollar Equivalents –

(FY Ending December 31)	1963	1964 (Rev. Bud.)	1965 (Budget)
Total Expenditures	4,785	9,739	13,575
(Defense Expenditures)	(605)	(1,564)	(2,372)
(Capital Outlays)	(1,228)	(2,603)	(4,380)
Total Domestic Revenues	3,451	6,877	11,598
As percent of GNP (in current prices)	14.3%	17.2%	n.a.
Deficit (–) or Surplus (+)	-1,334	-2,862	-1,977

* Converted at the 1962 effective exchange rate of 390 cruzeiros per U.S. dollar.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	115.4	200.0	230.0-300.0
Technical Cooperation	15.5	14.7	13.4
Contingency Fund (Emergency Support Loan)	50.0	XXX	XXX
Total A.I.D. Assistance	180.9	214.7	243.4-313.4

U.S. Objectives and Assistance Policy

U.S. assistance to Brazil is intended to strengthen existing democratic institutions by bolstering stabilization efforts, stimulating vigorous private sector growth, and promoting social and economic reforms and development. Since the change of government last year, this has become one of the major A.I.D. supported general development programs.

Short-term goals include: (a) reduction of inflation and budgetary deficits; (b) balance-of-payments improvement; (c) restoration of an acceptable economic growth rate; (d) development of responsible, democratic leaders in trade unions **formerly under pro-Communist domination;** and (e) abatement of the problems arising from a rapidly growing population, economic distress and chronic poverty, especially in the potentially explosive Northeast.

Longer-term objectives are directed toward: (a) development and maintenance of a high rate of economic and social progress under a democratic system and a stable economy; **(b) greater youth and labor orientation away from leftist extremism; (c) strengthening of democratic orientation and friendship for the United States among the military;** (d) increased sympathetic understanding of the United States and its free enterprise system; and (e) continued support for the Alliance for Progress.

Underlying the above is the goal of continuing and strengthening the present anti-Communist, pro-Western Brazilian foreign policy, both hemispheric and world-wide.

Background

The Brazilian economy continued to deteriorate in late 1963 and early 1964. Inflation reached a rate of about 80% in 1963 and rose during the first quarter of 1964 to an estimated rate of 140%. Economic growth, which had averaged from 6 to 7% per year for nearly a decade, fell to less than 2% in 1963. Per capita GNP actually declined. Private foreign investment, which had played a key role in Brazilian growth during the 1950's, virtually ceased in 1963. Faced with a heavy schedule of external debt service payments which it could not meet, the Government was in a virtual state of bankruptcy. **The Brazilian Congress was nearly paralyzed. Communists infiltrated deeply into several important government agencies and into organized labor.**

Coming to power in mid-April 1964, without advance notice or preparation, the Castello Branco Administration has acted with intelligence and determination in working toward developing and stabilizing the Brazilian economic and social order along the lines of the Punta del Este Charter.

The Castello Branco Administration is the most effective in Brazil's recent history. It has acted in a spirit of moderation and responsibility. **Although it took power by military means and is headed by a former military officer,** the Government is operating through democratic institutions on all levels. It has succeeded in enacting basic reform measures hitherto only talked about by Brazilian leaders.

A.I.D. Policy

The irresponsibility of the Goulart Administration made it necessary for the United States to pursue a policy of encouraging reform and economic development by those state governments, federal and regional agencies, and private enterprise which could meet general Alliance for Progress standards. U.S. assistance helped sustain democratically-oriented, development-minded forces which today contribute to a progressive national administration. While A.I.D. will continue to work with these individual agencies and enterprises, the major focus of A.I.D.'s efforts will be on the framework of plans and programs approved by the national administration. If these efforts are to succeed, Brazil must undertake major reforms.

Success of the Brazilian government's stabilization-development-reform program is essential to convince the Brazilian people that their country can best develop under the principles of the Alliance for Progress. **Any failure of the Castello Branco Administration would inevitably be exploited by extremist and ultra-nationalist elements to discredit the Administration's progressive principles -- democracy, free enterprise, hemispheric solidarity, anti-communism -- and to regain power for themselves.**

Therefore, the United States will cooperate with and support the Castello Branco Government as it moves forward under the Alliance. The United States will continue to encourage the adoption of necessary stabilization, development and reform efforts.

Achievement, Self-Help, the Role of Other Donors

One of the first acts of the Castello Branco Administration was to elevate the economic planning function to the ministerial level. The new plan of economic and financial action calls for an increase in the growth rate to 6% in 1965, and to 7% in future years. The plan -- generally endorsed by the U.S. government and Inter-American Committee for the Alliance for Progress (CIAP) -- is the basis for much of the U.S. assistance program. The Brazilian Government is also developing longer-range planning to lay the foundations for growth beyond 1966.

The short-term plan calls for the reduction in the annual rate of inflation to 25 or 30% in 1965 and the achievement of relative price inflation stability by late 1966. Major measures include: (a) reduction in the federal government's budgetary deficit by increasing tax revenues and reducing expenditures; (b) establishment of limits and controls over lending by private banks and the Bank of Brazil; (c) pursuit of a wage policy designed to maintain stable real wages; and (d) increasing agricultural productivity by greatly liberalizing agricultural credit.

New institutions created with the local currency proceeds of program loans will increase the availability of credit for small and medium industry, small agricultural producers, and private home-owners. To encourage foreign private capital, the administration has liberalized profits remittance restrictions, completed negotiations for the purchase of the American and Foreign Power Co. properties, and indicated willingness to enter into an investment guaranty agreement with the United States.

Strong measures are being taken to reduce the balance-of-payments deficits. The exchange rate has been freed from artificial restrictions, thereby stimulating exports. Export controls have been simplified and state government sales and transactions taxes on exports have been abolished. The Brazilian tax system is expected to be overhauled to provide further revenue increases, and through tax credits, to stimulate industrial expansion. A high level inter-agency commission in the Ministry of Finance plans to exercise budget control.

Eliminating wasteful operations and increasing traffic volume and rates should reduce the deficits of government corporations such as railroads. Some public corporations are scheduled to be eventually transferred to the private sector.

Legislation already enacted by the new administration includes measures on agrarian reform, the establishment of a National Housing Bank, and the modernization of the banking system. In the field of education, government plans include a six year program of expansion of primary and secondary education facilities to reduce illiteracy from the present 50% level to 20%.

It is in the U.S. interest to mobilize support and assistance from other sources. Brazil has received external support for its stabilization program from the international lending institutions and from its creditor countries. The level of support from these institutions and countries is expected to be substantially greater than in the recent past. The Ex-Im Bank has rescheduled Brazilian Government debts falling due in 1965 in the amount of approximately $38 million, and will consider new lending on a project basis. The total of debt relief, once agreements have been completed with the European governments and Japan, and the major U.S. private creditors, will amount to about $90 million. Also in 1965, an International Monetary Fund (IMF) standby of $125 million is expected.

Resumption of lending by the IBRD is also expected, and the Inter-American Development Bank (IDB) will continue its extensive loan program in Brazil. The UN, France, West Germany, Israel, Belgium and Great Britain will continue with modest programs of technical assistance and the West German Government is providing capital assistance as well.

FY 1966 Program

A program loan of $150 million will further assist in financial stabilization by permitting the importation of essential capital goods and industrial raw materials, and making local currency available for essential investment in credit to private business firms and in the public sector. Disbursements will be made, as in the FY 1965 program loan, in accordance with Brazilian performance in stabilization and reform.

Project loans of **$80 million**, supplemented by P.L. 480 local currency, are expected to be made for electric power, highways, agricultural credit institutions, development banks, feasibility studies, and for private industry.

Technical Cooperation programmed at $13.5 million will help overcome specific institutional bottlenecks impeding the Brazilian development process. With U.S. governmental and private assistance, reforms are being carried out in such areas as tax collection and administration, resource and cadastral surveys, land transfer facilities, and housing. Utilizing U.S. Department of Agriculture and contract technicians, a cooperative agricultural program with the Ministries of Planning and Agriculture will help rationalize the price structure, expand production, and improve marketing facilities for foodstuffs.

Extensive programs are to be carried out at the elementary, secondary, and higher education levels to assist the Brazilian government in reshaping the educational structure to meet the needs of a developing society. Assistance on a contractual basis is being received from such U.S. universities as Purdue, Wisconsin, Michigan and Ohio State. The American Institute for Free Labor Development (AIFLD) will continue to aid the substantially expanded post-revolution labor program. Local currency loans and grants are earmarked for rural labor centers in the Northeast and union housing in major urban centers. Food for Peace commodities under Titles II and III, worth $70 million, will be provided for animal feed, colonization projects, and an expanded school lunch program.

Brazil

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	2.6	17.3	5.8	8.9	11.9	7.0	84.5	86.3	178.6	402.9	1.5	401.4
Loans	-	-	-	-	0.5	-0.3	-	74.5	62.9	165.4	303.0	1.5	301.5
Grants	-	2.6	17.3	5.8	8.4	12.2	7.0	10.0	23.4	13.2	99.9	-	99.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	47.0	5.8	2.5	55.4	0.4	54.9
FOOD FOR PEACE - TOTAL	-	-	157.9	3.6	3.0	1.8	92.0	90.1	50.9	197.7	597.0	4.9	592.1
Title I - (Total Sales Agreements)	(-)	(-)	(178.4)	(-)	(-)	(-)	(104.5)	(58.6)	(43.4)	(187.5)	(572.4)	(-)	(572.4)
Less: (Planned for U.S. Uses)	(-)	(-)	(30.3)	(-)	(-)	(-)	(15.7)	(11.7)	(8.7)	(37.5)	(103.9)	(-)	(103.9)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	148.1	-	-	-	88.8	46.9	34.7	150.0	468.5	4.9	463.6
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	54.4	-	-	-	14.0	11.7	8.7	37.5	126.3	-	126.3
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	93.7	-	-	-	74.8	35.2	26.0	112.5	342.2	4.9	337.3
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	-	-	-	-	-	36.4	0.6	21.8	58.8	-	58.8
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	9.8	3.6	3.0	1.8	3.2	6.8	15.6	25.9	69.7	-	69.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	54.0	106.6	664.9	17.6	122.1	6.8	188.3 b/	-	-	- b/	1,160.4	776.4	384.0
OTHER U.S. ECONOMIC PROGRAMS a/	19.9	2.8	22.5	-	*	*	-	0.9	1.6	4.0	52.0	44.6	7.4
TOTAL ECONOMIC	73.9	112.0	862.6	27.0	134.0	20.5	287.3	222.5	144.6	382.8	2,267.7	827.8	1,439.9
Loans	70.3	106.6	781.1	17.6	122.6	6.5	263.1	156.7	94.7	280.4	1,899.8	827.8	1,072.0
Grants	3.6	5.4	81.5	9.4	11.4	14.0	24.2	65.8	49.9	102.4	367.9	-	367.9
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	49.3	18.2	11.7	18.2	23.9	19.3	10.0	18.5	206.8	-	206.8
(Additional Grants from Excess Stocks)	(-)	(-)	(60.7)	(2.8)	(0.7)	(2.3)	(1.3)	(0.8)	(3.1)	(3.0)	(75.0)	(-)	(75.0)
OTHER MILITARY ASSISTANCE	-	-	10.1	-	8.5	8.2	-	22.8	-	7.5	57.1	-	57.1
TOTAL MILITARY	-	-	59.4	18.2	20.2	26.4	23.9	42.1	10.0	26.0	263.9	-	263.9
Loans	-	-	-	-	-	-	-	-	-	1.0	20.0	-	20.0
Grants	-	-	59.4	18.2	20.2	26.4	23.9	42.1	10.0	25.0	243.9	-	243.9
TOTAL ECONOMIC AND MILITARY	73.9	112.0	922.0	45.2	154.2	46.9	311.2	264.6	154.6	408.8	2,531.6	827.8	1,703.8
Loans	70.3	106.6	781.1	17.6	122.6	6.5	263.1	156.7	94.7	281.4	1,919.8	827.8	1,092.0
Grants	3.6	5.4	140.9	27.6	31.6	40.4	48.1	107.9	59.9	127.4	611.8	-	611.8

a/ Includes $22.5 million Surplus Property Credits and $16.3 million Defense Mobilization Development. b/ Does not include refinancings of $304.8 million in FY 1961 and $85.9 million in FY 1964.

* Less than $50,000.

ASSISTANCE FROM INTERNATIONAL AGENCIES

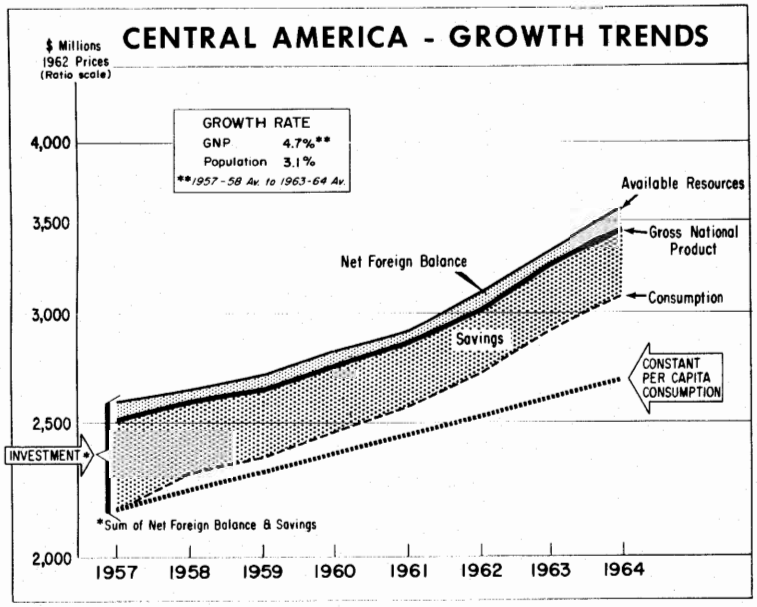
	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	-	-	267.0
UN Tech. Ass't. (CY)	0.7	0.7	7.9
UN Special Fund	2.6	1.6	7.8
Inter-Am. Dev. Bank	18.6	26.6	88.1
Int'l. Finance Corp.	-	-	10.1

SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	183

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

Central American Economic Community - Basic Data



	Costa Rica	El Salvador	Guatemala	Honduras	Nicaragua
BASIC DATA					
Population (millions - mid-1964)	1.4	2.8	4.2	2.1	1.6
Annual Growth Rate (percent)	4.0	3.2	3.0	3.3	2.9
Area (1,000 sq.mi.)	20	8	42	43	57
Agricultural Land (% of total area) ..	20	58	19	39	13
Life Expectancy (years)	58	58	44	44	50
Literacy Rate (percent)	88	48	30	45	50
People per Doctor	2,580	4,900	4,130	4,600	2,830
INTERNATIONAL TRADE ($ millions)					
1963					
Exports (f.o.b.)	96	154	148	82	100
Imports (c.i.f.)	124	152	166	95	111
Trade Balance	-28	+2	-18	-13	-11
1964(Est)					
Exports (f.o.b.)	110	165	157	92	103
Imports (c.i.f.)	135	175	180	100	125
Trade Balance	-25	-10	-23	-8	-22
Major Exports	Coffee	Coffee	Coffee	Bananas	Cotton
% of 1961-63 Exports	51	55	57	42	37
GOLD & FOREIGN EXCHANGE ($ millions)					
September, 1963	20.4[a]	45.0	58.7	14.9	32.1
September, 1964	19.3[a]	47.2	63.1	20.8	39.4

a - August.

TRENDS FOR THE ECONOMIC COMMUNITY	1960	1961	1962	1963	1964(Est)
Population (millions)	10.6	11.0	11.3	11.6	12.0
Gross Natl. Prod. ($ mill; 1962 prices).	2,747	2,859	3,026	3,241	3,435
Per Capita GNP (dollars)	258	261	268	278	286
Production:					
Agricultural Index (1952-54=100)	135	154	169	175	180
Cement (1,000 MT)	270	280	290	350	n.a.
Trade: ($ millions)					
Exports	439	450	509	580	627
Intra-Community	(30)	(35)	(40)	(68)	(n.a.)
Imports	514	495	548	648	715
Trade Balance	-75	-45	-39	-68	-88

U.S. Objectives and Assistance Policy

The five countries of the Central American region are firmly committed to the Central American Economic Community. Recognizing the inherent weakness of their individual economies, they have made a commitment of will and resources to a program for the integration and eventual economic unification of their countries.

In 1958, Guatemala, El Salvador, Honduras and Nicaragua ratified a treaty calling for the gradual establishment of a Common Market over a ten year period. This process was dramatically accelerated in 1960 by a second treaty based on a unique premise -- immediate elimination of intra-regional tariff barriers affecting 95% of the area's agricultural and industrial production (over 1,200 items), and a gradual reduction of tariffs on the remaining commodities (57 items) to be completed by 1966. In September 1963 Costa Rica adhered to both treaties.

To implement economic integration, the Central Americans established a number of regional institutions. The most important are the Permanent Secretariat for Economic Integration (SIECA) located in Guatemala City, and the Central American Bank for Economic Integration (CABEI), in Tegucigalpa.

The United States is giving encouragement to the acceleration of the integration movement, as a framework within which the five Central American countries can grow and develop. In July 1962 A.I.D. established a Regional Office for Central America and Panama (ROCAP) to provide liaison with the regional institutions.

The five countries individually, however, still face substantial economic and social problems. These problems are aggravated by the fact that the GNP has, until recently, barely kept pace with an exploding population (more than 3% per annum). The production of basic food crops (corn, beans and rice) is lagging behind the growth in population. Inadequate government revenue, serious shortage of skilled personnel in both the public and private sector, and lack of continuity in planning and execution of government programs, are major problems throughout the region.

Moreover, there are substantial investment costs involved in the process of regional integration toward which member countries must make increasing contributions. Uneven or unequal growth will diminish their ability to do so, and failure to meet, with sufficient speed, national social and economic needs may give rise to political stress which would also hinder the achievement of the goal.

Achievement, Self-help, the Role of Other Donors

The initiative which the five countries have taken in creating a Common Market and in moving to establish a Central American Economic Community is a unique example of self-help. One result of this effort has been a doubling of trade among the five Central American countries as a result of the reduction of trade barriers, from about $30 million in 1960 to over $65 million in 1963.

Economic integration involves more than the creation of a common internal market. Evidence of the broad scale of the movement is establishment of the Central American Bank for Economic Integration, integration of the five national universities into a regional system and, more recently -- in February 1964 -- formation of the Central American Monetary Union.

Indeed, the rate at which the Central American Economic Community is actually being achieved has surpassed previous expectations. Plans are well under way for a regional system for supervised home mortgage financing, a regional transportation system and a regional telecommunications network. The first steps toward substantial increases in land tax revenues have been taken with regional support; and the countries are beginning to formulate uniform agricultural policies to facilitate agricultural trade within the region.

Recently the five countries agreed to make an initial contribution of $1 million each to a Fund for Central American Economic Integration and accepted the principle that such contributions be utilized on a multilateral basis throughout the region. The Fund is an important forward step in regional integration, since the costs of regional infrastructure projects, of mutual benefit to all countries, would be distributed unevenly among them if undertaken on an individual basis.

The existence of regional institutions facilitates contributions by other lenders, which in FY 1966 may include Inter-American Development Bank (IDB), IBRD, Ex-Im Bank, West Germany and Spain and perhaps Mexico and Venezuela. IDB and IBRD are expected to be major participants in financing regional infrastructure; moreover these agencies, along with the Central American Bank, are contemplating loans for selected development projects in individual countries.

In Costa Rica, El Salvador, Guatemala and Honduras, Peace Corps activities are complementing A.I.D. technical cooperation objectives by promoting self-help efforts at the community level.

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FY 1966 Program

CENTRAL AMERICAN REGIONAL ORGANIZATIONS (ROCAP)

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	20.0	25.0-26.9	25.0-30.0
Technical Cooperation	4.3	4.1	4.2
Total A.I.D. Assistance	24.3	29.1-31.0	29.2-34.2

The United States intends to channel assistance for capital projects of regional importance such as major highways through the Fund for Central American Economic Integration. Development Loan assistance for this purpose during FY 1965 is expected to be $25.0 million. During FY 1966 an additional $25 million is proposed.

A Technical Cooperation program of $4.2 million is proposed for FY 1966 for technical assistance and training at regional institutions. Program activities would include the creation of a uniform customs administration, the development of a common agricultural policy, and the provision of data required for regional development planning. A.I.D. will continue to help the regionally integrated university system, and, with the help of the Harvard School of Business, will provide training in improved business management and marketing in order to promote the growth of investment and trade on a regional basis.

COSTA RICA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	8.0	4.5-6.7	7.0
Technical Cooperation	2.0	1.7	1.8
Total A.I.D. Assistance	10.0	6.2-8.4	8.8

Costa Rica has a deeply-rooted democratic tradition and enjoys political stability. It is clear, however, that additional self-help in the fiscal area is required if Costa Rica is to avoid inflation and undertake a more substantial development effort. The major focus of U.S. strategy is to bring about reforms in this area, particularly by utilizing multilateral institutions such as Inter-American Committee for the Alliance for Progress (CIAP).

To this end, Technical Cooperation in FY 1966 will emphasize programs in economic planning, budgeting and continued tax reform. A.I.D. will assist the Ministry of Industries to identify investment opportunities and promote their development. The Government's key institutions in agriculture will be assisted to diversify and expand production, provide land security, and make rural areas more attractive places in which to live and work.

Contemplated development loans would provide more trained agriculturists, continue diversification of agriculture, initiate an area development project, and furnish additional capital for private sector expansion.

EL SALVADOR

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	9.0	2.2-3.8	6.0
Technical Cooperation	2.1	1.9	1.7
Total A.I.D. Assistance	11.1	4.1-5.7	7.7

El Salvador continues a course of steady progress, both with respect to its internal political and economic development and as a major participant in the Central American Common Market (CACM). El Salvador has given strong support to the Alliance for Progress. The effective and influential Planning Council has successfully organized the development effort and expects to have a five year Development Plan ready in the near future.

U.S. strategy is to exploit the opportunity inherent in El Salvador's commitment to the Alliance by providing appropriate technical and capital assistance to increase the momentum of economic and social development as the keystone of democratic political stability.

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A.I.D. plans to assist the Government in implementing its five-year Plan by providing assistance to help achieve:

1. Improved government institutions. A.I.D. will continue to provide Technical Cooperation for administrative reform and improvement, with major emphasis on tax administration.

2. Rural development. Loans and Technical Cooperation are programmed to improve the living standards and productivity of the rural population and integrate it more fully into the national market.

3. Human resources development. A.I.D. technical and capital assistance will help the educational system provide trained manpower needed for development.

4. Accelerated industrialization. Technical Cooperation will be given to industrial development activities within the framework of the Central American Integration movement. Capital assistance may also be provided to stimulate the housing industry.

GUATEMALA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	2.7	5.0-8.2	5.0
Technical Cooperation	3.2	3.2	3.2
Total A.I.D. Assistance	5.9	8.2-11.4	8.2

The present regime is moving steadily toward restoration of constitutional government and has scheduled national elections for 1965. Increasing revenues, administrative reforms, and the beginnings of a development plan attest to the serious intentions of the interim government to remove major impediments to Guatemalan development.

However, several serious roadblocks to sustained Guatemalan development remain. Illiteracy is high (70%); population continues to grow at 3%; institutional weaknesses vitiate both self-help efforts and external assistance; private investment, while increasing, remains less than 10% of GNP; foreign private investment is not encouraged; and the government has not shown a willingness to tackle the tough problems of land reform and assimilation of the Indian.

U.S. loan assistance is proposed: (a) to help Guatemala implement a comprehensive cadastral survey program and modernize tax assessment and collection institutions; (b) to aid in the construction of improved facilities for the customs police; (c) to expand university library facilities; and (d) to finance the construction of on-farm and regional grain storage facilities, thus improving grain marketing and insuring greater price stability in the region.

U.S. Technical Cooperation will be used to continue improvement in public administration and the national development plan, strengthen the ability of the education and agriculture ministries carrying out needed programs, and encourage rural development and land reform.

HONDURAS

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	7.0	4.7-8.1	5.0
Technical Cooperation	1.7	1.7	2.0
Total A.I.D. Assistance	8.7	6.4-9.8	7.0

Honduras is the least developed of the Central American countries. Lack of roads, communications, and adequate educational facilities retards economic progress. Since the coup of October 1963, Honduras has been ruled by a transitional military regime. Although public administration has tended to deteriorate, the economy has in general continued to move forward.

While some political instability can be expected under the transitional government, U.S. economic assistance in FY 1966 will be designed to encourage the Government to implement the reform plans being developed at the ministerial level, to cooperate in the new rural development and forest management programs, to continue to assist the private sector to maintain the good progress being made in developing small industries, and to encourage the Honduran government to link its development planning with the CACM

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program, taking advantage of the facilities offered by CABEI and other CACM institutions.

NICARAGUA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	1.1	9.2-10.7	5.0
Technical Cooperation	2.8	2.1	2.0
Total A.I.D. Assistance	3.9	11.3-12.8	7.0

Nicaragua has continued to make progress on economic, social and political fronts. Nevertheless, problems remain, stemming from an inadequate economic infrastructure, a deprived rural population, inequitable income distribution, and a paternalistic political system. The basic U.S. objective is to direct assistance to those areas where the progress thus far achieved indicates there are changes for substantial break-throughs.

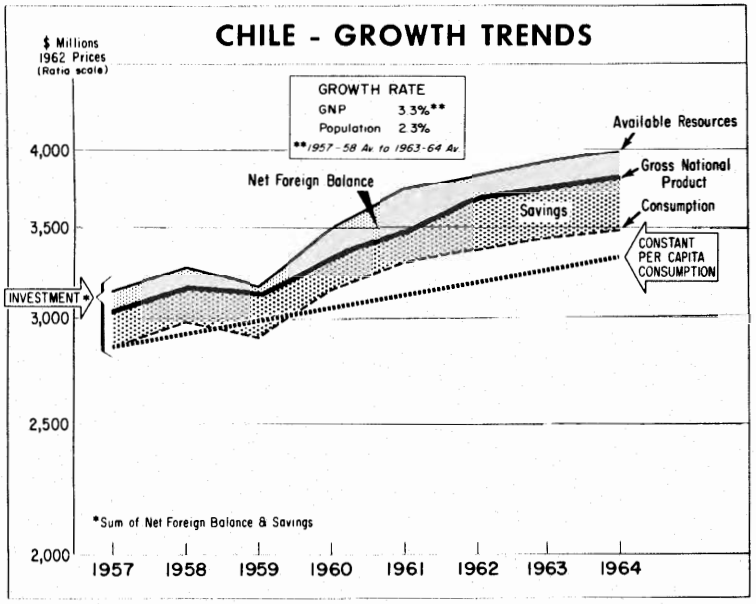
Since the Nicaraguan private sector has demonstrated great vitality in recent years, A.I.D. plans to help provide the additional institutional framework within which this private sector can give added impetus to the country's economic progress. Loans are proposed to help strengthen the private industrial bank.

In the government sector, technical cooperation activities will help the Government to continue improvement of tax administration, national economic planning, and human resource development, and to prepare suitable public sector projects to meet critical needs in fields of transportation, power, and water resources. Technical Cooperation with a strengthened Ministry of Agriculture, an energetic Agrarian Reform Institute, and a budding cooperative movement, will all serve to strengthen the neglected Nicaraguan rural area.

Chile - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	8.3
Annual Growth Rate *(percent)*	2.3
Area *(1000 square miles)*	286
Population Density per square mile	29
Agricultural Land as % of Total Area	8
Percent of Population in Agriculture	28
Life Expectancy *(years)*	52
People per Doctor	1,640
Literacy Rate *(percent)*	80
Pupils as Percent of Population *(Primary & Secondary)*	17



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	3,330	3,452	3,664	3,715	3,800
Per Capita GNP *(dollars)*	439	445	461	457	457
Investment as percent of GNP	11	13	13	12	13
Domestic Savings as % of Investment	53	36	64	59	65
Net Foreign Balance as % of GNP	5	8	5	5	4
Agricultural Prod. Index *(1952-54 = 100)*	121	118	125	127	122
Index per Capita	103	98	102	101	95
Wheat (1,000 MT)	1,124	1,071	1,274	1,150	1,150
Manufacturing Production Index (1958=100)	112	119	131	139	145
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	488	506	530	540	610
Copper Bars, Ores, and Concentrates	(344)	(334)	(351)	(357)	(400)
Total Imports *(c.i.f.)*	500	585	518	637	620
Trade Balance	-12	-79	+12	-93	-10
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	128	94	93	99	121(Sept.)
COST OF LIVING INDEX *(1958 = 100)*	155	167	190	274	400

CENTRAL GOVERNMENT FINANCES ✱ (FY Ending December 31)	– Million Dollar Equivalents – 1963	1964 a/	1965 a/
Total Expenditures	1,036	1,479	2,305
(Defense Expenditures)	(109)	(118)	(177)
(Capital Outlays)	(382)	(537)	(927)
Total Domestic Revenues	821	1,183	1,902
As percent of GNP	15.0%	15.6%	n.a.
Deficit (-) or Surplus (+)	-215	-296	-403

✱ Converted at the 1962 exchange rate of 1.8 escudos per U.S. dollar.

a/ A.I.D. estimates.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	75.8	90.0	90.0-100.0
Technical Cooperation	3.7	3.9	3.7
Total A.I.D. Assistance	79.5	93.9	93.7-103.7

U.S. Objectives and Assistance Policy

The U.S. aid program for FY 1966 will seek to support the opportunities for Chile's development offered by the election of President Frei. His new reform administration has committed itself to work under the principles of the Alliance for Progress for stabilization and development. The A.I.D. program is designed to support Chile's actions toward these objectives and to influence favorably the direction and implementation of the government's program. Chile is one of the few countries to which substantial U.S. resources are being committed for general development support. U.S. aid will assist and relate to Chilean efforts to:

1. Reduce price inflation from a level of 45% in 1964 to 25% during 1965 and reduce it further in 1966 by appropriate monetary and fiscal policies;

2. Stimulate growth in the private sector;

3. Increase the productive capacities of the economy, particularly in agriculture and in production for export; and

4. Make better use of financial and administrative resources in the public sector, including increased project development and broader financing of the development program.

Disbursement of the program loan to Chile during FY 1965 will be conditioned on a satisfactory quarterly review of Chilean performance in such key areas as achievement of a mutually agreed operating budget surplus, active pursuit of a flexible foreign exchange rate policy, limitation of Central Bank lending to finance the investment budget, restriction of monetary expansion, and tax reform. These areas of performance are more specific and extensive than before and are outlined in a Government of Chile Letter of Intent sent to Inter-American Committee for the Alliance for Progress (CIAP) in November following U.S.-Chilean negotiations.

Achievement, Self-Help, the Role of Other Donors

U.S. assistance in recent years enabled Chile to avoid economic stagnation and induced government policies which have resulted in economic improvements, including operating budget surpluses available for public investment, higher tax rates and better tax administration, and a modest land reform program. The 1964 A.I.D. program was particularly helpful in maintaining a high level of economic activity and employment, thus reducing the appeal of the Socialist-Communist backed Presidential candidate's campaign for a Marxist revolution.

Aware of the social and economic conditions in Chile which produced the million votes cast for his Communist backed opponent, President Frei has launched an extensive stabilization, reform and development effort which includes an increased investment program. He has proposed that the cost of this additional effort be borne chiefly by increased internal savings; the government has agreed that the total program will be reduced if these savings do not meet projected targets.

Chile is expected to undertake a number of significant self-help measures:

1. Legislation has been proposed providing for a new capital levy expected to yield $100 million in 1965 and the placing of income tax collection on a more current basis. Administrative reforms in tax collection are to be continued, including revaluation of tax obligations to reflect the effects of inflation.

2. New wage policies are to be established during 1965 directed at breaking the wage-price link which has contributed to inflation.

3. Private savings and investment are to be stimulated through appropriate policy measures and through the establishment of a private investment fund to which the government will commit $22 million in FY 1965.

4. Rate structures of public agencies are to be reviewed and revised where necessary, and the entire government administrative structure studied with a view to reducing general operating costs, so as to increase the level of public savings.

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

5. Steps are to be initiated to reorganize and consolidate the social security system.

6. The educational system is to be reformed to improve the use of Chile's human resources.

Also, the new government has moved to attract substantial foreign investment to develop sources of export earnings which can finance future development programs and reduce its need for foreign assistance. The Chilean Congress will consider legislation early in 1965 to implement agreements recently reached by the government with U.S. copper companies involving more than $400 million in new investments.

In addition to new external aid in 1965, Chile hopes to obtain a rescheduling of payments due in 1965 and later years on short and medium-term debt owed to or guaranteed by foreign governments. The rescheduling is to be negotiated with the creditor governments at multilateral meetings early in 1965. The rescheduling may yield about $37 million in 1965 from Western Europe, Canada and Japan and $18 million from the United States (Ex-Im Bank). In this connection, the Chilean government has committed itself to controls over contraction of short and medium-term debt to help avoid the need for debt rescheduling in the future.

Other estimated external assistance in 1965 includes a new International Monetary Fund (IMF) standby credit of $36 million, U.S. Treasury Exchange Stabilization Fund assistance of about $15 million, new IBRD-IDA credits amounting to approximately $30 million, and additional Inter-American Development Bank (IDB) loans to the government and to private borrowers amounting to about $20 million. U.S. banks are expected to loan approximately $45 million which the government will use to reduce commercial arrears to foreign suppliers and to repay other short-term obligations. Also, the Ex-Im Bank is considering substantial project financing in 1965. European governments will be encouraged to make new credits of at least $25 million available in 1965.

Technical assistance programs totaling about $10.5 million will be implemented during 1965 by the UN and its specialized agencies, the Ford and Rockefeller Foundations, the Organization of American States (OAS), and American voluntary agencies. The Peace Corps plans to provide a total of about 350 volunteers working with Chilean public and private agencies in community development and producer cooperatives.

FY 1966 Program

Total assistance to Chile under the FY 1966 program is proposed at $93.7 million in new commitments. Approximately $80 million of this amount would assist the private sector through a program loan to finance imports of essential goods and would support aspects of the government's investment program. Additional loans will be available for high priority projects.

Technical Cooperation projects will relate directly to priority areas in the government's program--especially development planning and project execution, and agricultural marketing, pricing and extension. The Chile-California Program, an arrangement for technical cooperation under A.I.D. auspices, has become during FY 1965 an integral and highly regarded part of the U.S. program in Chile and will provide high-level advisors in the above fields. In addition, Chile-California will work on a master transportation program, a manpower and educational planning system, development of a regional program for the Maule river basin, and a series of new projects in the private sector.

Other technical advisors will assist the Chilean Government in improving tax administration, increasing customs collections, and modernizing the Controller General's office. In the private sector, technical assistance will be given to cooperatives, the savings and loan system, an agrarian reform and development institute, labor education, community development, and technical graduate-level training at one university.

Chile

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.1	9.8	12.8	3.1	18.3	31.1	142.4	40.4	78.5	337.5	1.7	335.8
Loans	-	-	0.8	10.0	0.3	10.5	8.2	140.0 a/	35.0	75.6	280.5	1.7	278.8
Grants	-	1.1	9.0	2.8	2.8	7.8	22.9	2.4	5.4	2.9	57.1	-	57.1
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	18.7	4.9	4.5	28.1	0.4	27.8
FOOD FOR PEACE - TOTAL	-	-	32.4	15.0	12.3	8.7	30.4	6.6	26.5	30.5	162.5	8.2	154.3
Title I - (Total Sales Agreements)	(-)	(-)	(38.8)	(-)	(-)	(3.1)	(29.2)	(-)	(-)	(-)	(71.1)	(-)	(71.1)
Less: (Planned for U.S. Uses)	(-)	(-)	(7.9)	(-)	(-)	(0.9)	(5.9)	(-)	(-)	(-)	(14.7)	(-)	(14.7)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	30.9	-	-	2.2	23.3	-	-	-	56.4	8.2	48.2
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	0.8	0.1	-	-	-	0.9	0.1	0.8
104g - Loans to Governments	-	-	30.9	-	-	1.4	23.2	-	-	-	55.5	8.1	47.4
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	1.5	15.0	12.3	6.5	7.1	6.6	5.5	9.6	64.2	-	64.2
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	21.0	20.9	41.9	-	41.9
EXPORT-IMPORT BANK LONG-TERM LOANS	46.9	62.1	35.7	15.0	27.5	16.9	74.0	46.4	15.5	16.5	356.5	178.4	178.1
OTHER U.S. ECONOMIC PROGRAMS	4.0	1.1	-	-	-	-	0.1	1.0	0.9	1.5	8.6	-	8.6
TOTAL ECONOMIC	50.9	64.3	77.9	42.8	42.9	43.9	135.6	215.1	88.2	131.5	893.3	188.7	704.6
Loans	46.9	62.1	67.4	25.0	27.8	29.6	105.5	205.1	76.4	117.5	763.3	188.7	574.6
Grants	4.0	2.2	10.5	17.8	15.1	14.3	30.1	10.0	11.8	14.0	129.9	-	129.9
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	17.3	6.7	5.4	2.7	4.0	7.9	8.0	11.2	83.3	0.3	83.0
(Additional Grants from Excess Stocks)	(-)	(-)	(8.3)	(5.2)	(0.9)	(1.6)	(0.8)	(1.4)	(1.3)	(2.9)	(22.5)	(-)	(22.5)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	6.3	4.4	-	-	10.7	-	10.7
TOTAL MILITARY	-	-	17.3	6.7	5.4	2.7	10.3	12.3	8.0	11.2	94.0	0.3	93.7
Loans	-	-	-	-	-	-	-	-	-	2.0	9.0	0.3	8.7
Grants	-	-	17.3	6.7	5.4	2.7	10.3	12.3	8.0	9.2	85.0	-	85.0
TOTAL ECONOMIC AND MILITARY	50.9	64.3	95.2	49.5	48.3	46.6	145.9	227.4	96.2	142.7	987.3	189.0	798.3
Loans	46.9	62.1	67.4	25.0	27.8	29.6	105.5	205.1	76.4	119.5	772.3	189.0	583.3
Grants	4.0	2.2	27.8	24.5	20.5	17.0	40.4	22.3	19.8	23.2	214.9	-	214.9

a/ Includes $100.0 million loan for Reconstruction and Rehabilitation. Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	-	24.0	136.2
UN Tech. Ass't. (CY)	1.2	0.8	7.5
UN Special Fund	1.7	0.8	9.5
Int'l. Dev. Association	-	-	19.0
Inter-Am. Dev. Bank	23.5	18.7	64.4
Int'l. Finance Corp.	3.0	-	8.8

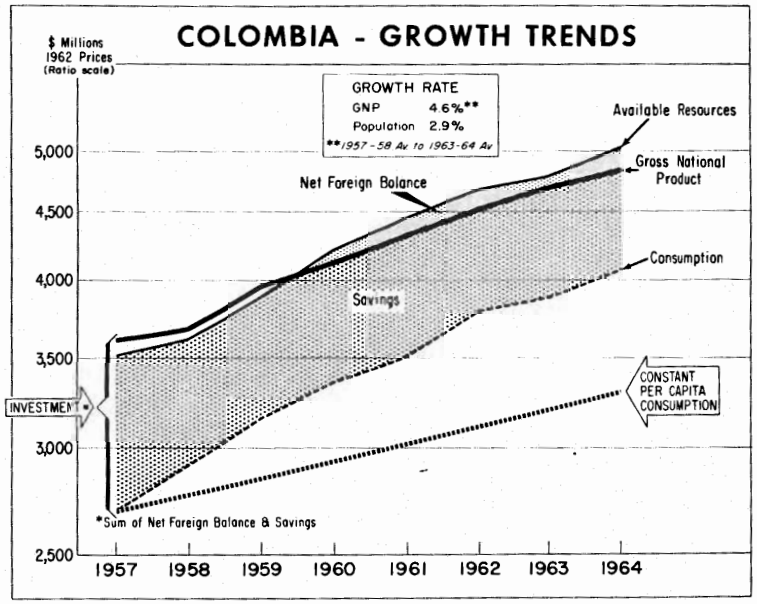
SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Colombia - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	16.5
Annual Growth Rate *(percent)*	2.9
Area *(1000 square miles)*	440
Population Density per square mile	38
Agricultural Land as % of Total Area	17
Percent of Population in Agriculture	52
Life Expectancy *(years)*	46
People per Doctor	2,500
Literacy Rate *(percent)*	62
Pupils as Percent of Population *(Primary & Secondary)*	13



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	4,134	4,316	4,533	4,675	4,835
Per Capita GNP *(dollars)*	280	284	290	291	293
Investment as percent of GNP	21	22	19	19	20
Domestic Savings as % of Investment	90	85	84	88	81
Net Foreign Balance as % of GNP	2	3	3	2	4
Agricultural Prod. Index *(1952-54 = 100)*	120	120	130	131	134
Index per Capita	99	96	101	99	99
Rice, Rough (1,000 MT)	450	407	585	560	600
Petroleum Production (1,000 MT)	7,713	7,368	7,176	8,343	8,600
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	466	435	463	446	510
Coffee	(334)	(308)	(332)	(303)	(420)
Total Imports *(c.i.f.)*	519	557	540	506	610
Trade Balance	-53	-122	-77	-60	-100
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	169	172	124	133	140(July)
COST OF LIVING INDEX *(1958 = 100)*	111	121	124	164	195

CENTRAL GOVERNMENT FINANCES✱ (FY Ending December 31)	– Million Dollar Equivalents – 1963	1964 a/	1965 b/
Total Expenditures	626	725	889
(Defense Expenditures)	(78)	(88)	(94)
(Capital Outlays)	(232)	(282)	(333)
Total Domestic Revenues	534	606	682
As percent of GNP	9.2%	8.7%	n.a.
Deficit (–) or Surplus (+)	-92	-119	-207

✱ Converted at the effective 1962 exchange rate of 7.3 pesos per U.S. dollar.

a/ A.I.D. estimates of cash transactions.
b/ Budget estimates adjusted by A.I.D.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	76.0	45.0-57.0	60.0-80.0
Technical Cooperation	3.7	4.0	4.3
Total A.I.D. Assistance	79.7	49.0-61.0	64.3-84.3

U.S. Objectives and Assistance Policy

Colombia is receiving substantial general support from the United States. U.S. assistance is designed to motivate and support better Colombian performance on the key policies and actions needed to achieve self-sustaining growth. The United States will continue to cooperate with the Government of Colombia to improve its monetary and fiscal policies and modify other practices which result in inadequate resource mobilization. U.S. aid levels will be conditioned by the self-help performance of the Government of Colombia in the following key areas:

(1) continuation of sound financial and monetary policies, and in particular, maintenance of realistic exchange rates;

(2) coordination of import control mechanisms, including more rigid restrictions on luxury imports;

(3) improvement of efforts to achieve a more diversified and productive agriculture;

(4) achievement of a more effective, efficient and open educational system aimed at meeting Colombia's trained manpower requirements;

(5) refinement of the process of planning, project preparation, and project implementation; and

(6) intensification of export promotion efforts.

The United States will continue to carry out its aid program in conjunction with the Consultative Group led by the World Bank. The priority goals of foreign assistance and the development effort will be reviewed with the Colombian Government, with the Consultative Group, and with the Inter-American Committee for the Alliance for Progress (CIAP) in an effort to achieve agreement on the appropriate emphases and nature of foreign assistance to Colombia.

Achievement, Self-Help, the Role of Other Donors

Colombia has unusual potential for a high level of economic growth and social progress, achieved in a free political and economic setting. The country has a tradition of a democratic two-party political system, and its political leadership is reasonably progressive. The coalition government, however, is finding it increasingly more difficult to achieve agreement on significant legislation in such fields as financial reform.

National Front leadership is oriented toward reasonable financial policies and private enterprise. Colombia has rich and varied natural resources and a market potential sufficient for advanced industrialization, given a population of 16,500,000, membership in the Latin American Free Trade Association (LAFTA), and export possibilities elsewhere. It has achieved an average annual real rate of increase in the GNP of about 5% over the past 18 years. Its self-help efforts, beginning before the Alliance for Progress and continuing with it, have been of relatively high quality. It has developed a variety of strong institutions in both the public and the private sector; for example, a Private Investment Fund has been established with A.I.D. assistance to channel development funds to the private sector. In addition to providing a favorable climate for private enterprise, Colombia offers an effective system of tax incentives to foreign firms. During the past year, the Colombian Government revised national budgetary standards to improve control over budgetary planning and implementation, established a Board of Foreign Commerce to promote exports, and set up an import budget for better resource allocation. It also gave the newly created Monetary Board greater controls over short-term private foreign debt and exchange rates, and strengthened the means of dealing with delinquent taxpayers.

Progress continues in social development. The National Housing Institute build 68,000 units during the first three years of the Alliance, benefiting 450,000 persons. The Agrarian Reform Institute gave titles to 10,757 families occupying public lands, helped settle 800 landless families, acquired 1.5 million acres of underdeveloped or idle lands, initiated 1,100 miles of penetration roads, and made plans for the reclamation of 625,000 acres of land. Rural violence, which has retarded rural development and accentuated urban migration, was sharply reduced by an anti-bandit campaign.

Despite these underlying sources of strength and significant institutional development, success under the Alliance for Progress

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is by no means assured in Colombia. Colombia is still an underdeveloped country with many of the problems normally attendant to its stage of growth. The middle class is growing fast but is yet relatively small, and the gap between the privileged few and the extremely poor and backward majority remains large. Inadequate public revenues and inefficient techniques for allocating public resources to development needs pose major institutional problems. Input of resources into education and training for development has lagged behind other self-help measures. Although substantial progress has been made over the past ten years in building up transportation and electric power, much remains to be done.

The Colombian economy is over-dependent on coffee for foreign exchange income. The failure to develop other exports has led to an apparently chronic balance-of-payments problem. Symptomatic of foreign trade problems in the recent past has been excessive short-term borrowing. Although the mechanisms have been established to control and reduce the burden of short-term foreign debt, requirements for foreign financing will likely grow during the decade of the 1960's. A massive import-substitution and export effort will be required if growth is to be self-sustaining. **In this connection, the exchange rate will be a most significant economic policy issue and will require continuous attention.**

Colombia's potential has been recognized by other donors who have joined together to provide development financing on suitable terms. Continued efforts will be made bilaterally and within the Consultative Group to determine where other donors -- including DAC countries, World Bank, and Inter-American Development Bank (IDB)-- may increase assistance to Colombia. At the end of its second year of operation, Group members had made loans totaling about $375 million and are actively considering a substantial number of additional projects. U.S. development financing has constituted about 45% of the external assistance made available to Colombia; the IBRD provided an equal percentage, with the remainder from the IDB and a small amount from other developed countries. In addition, the UN and the Organization of American States (OAS) provide technical assistance. Private U.S. foundations are particularly active in Colombia, especially in the fields of agriculture, medicine, and higher education.

FY 1966 Program

A.I.D. efforts will continue to place major emphasis upon development lending within the Consultative Group framework and in consideration of CIAP recommendations. A.I.D. loans of **$60-$80 million** are needed to maintain required levels of capital and intermediate goods imports. About two-thirds of the proposed A.I.D. loan level will provide essential imports for the vigorous private sector. The local currency generated by these loans will be used to expand or create intermediate credit institutions, especially the Private Investment Fund, as well as other capital projects.

Project loans and Technical Cooperation will provide the means for overcoming specific administrative and technical development bottlenecks, especially in the planning, agriculture and education fields. To support Colombia's tax reform program, the United States will supply Technical Cooperation in tax administration and collection with the help of the U.S. Internal Revenue Service, in customs administration, and in improving and up-dating the land appraisal system. To help stimulate Colombia's stagnant agricultural sector, A.I.D. will assist in improving agricultural planning capacities using the facilities of a major land grant college. A.I.D. will continue a basic resources survey with the assistance of the Inter-American Geodetic Survey. In addition, the United States will help identify specific opportunities for diversification, improve supervised credit capabilities and assist in the development of cooperatives.

To help Colombia meet its trained manpower requirements, A.I.D. is assisting in strengthening educational planning capabilities through a contract with the National Education Association.

The Food for Peace program will reach 2,000,000 children and 500,000 adults. A contract with the American Institute for Free Labor Development (AIFLD) provides for training of labor leaders. The public safety program focuses on the improvement of rural and public order. Civic action projects utilize Colombian military personnel on community improvement activities, especially in rural violence areas.

Colombia

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	0.7	5.8	1.4	1.9	2.6	28.0	37.9	93.4	74.2	246.0	3.3	242.7
Loans	-	-	-	-	-	-	25.0	30.0	87.2	71.0	213.2	3.3	209.9
Grants	-	0.7	5.8	1.4	1.9	2.6	3.0	7.9	6.2	3.2	32.8	-	32.8
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	22.8	8.5	8.1	39.4	0.6	38.9
FOOD FOR PEACE - TOTAL	-	-	29.6	11.9	4.2	10.4	12.8	17.0	18.4	13.6	117.8	5.3	112.5
Title I - (Total Sales Agreements)	(-)	(-)	(31.4)	(6.2)	(-)	(10.6)	(10.5)	(10.5)	(-)	(-)	(69.2)	(-)	(69.2)
Less: (Planned for U.S. Uses)	(-)	(-)	(9.0)	(1.7)	(-)	(2.7)	(2.6)	(2.6)	(-)	(-)	(18.6)	(-)	(18.6)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	22.4	4.5	-	7.9	7.9	7.9	-	-	50.6	5.3	45.3
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	1.6	1.6	-	2.7	2.6	2.6	-	-	11.1	2.8	8.3
104g - Loans to Governments	-	-	20.8	2.9	-	5.2	5.3	5.3	-	-	39.5	2.5	37.0
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	-	-	-	-	-	-	-	0.6	0.6	-	0.6
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	7.2	7.4	4.2	2.5	4.9	9.1	11.5	13.0	59.7	-	59.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	6.9	-	6.9	-	6.9
EXPORT-IMPORT BANK LONG-TERM LOANS	13.0	10.5	4.7	83.7	-	0.5	55.4	-	3.4	23.5	194.6	111.8	82.8
OTHER U.S. ECONOMIC PROGRAMS	1.8	0.8	-	-	-	-	0.2	1.3	3.7	5.3	13.1	0.8	12.3
TOTAL ECONOMIC	14.8	12.0	40.1	97.0	6.1	13.5	96.4	79.0	127.4	124.7	610.9	121.8	489.1
Loans	13.8	10.5	27.1	88.2	-	8.4	88.3	60.7	106.0	102.6	505.5	121.8	383.7
Grants	1.0	1.5	13.0	8.8	6.1	5.1	8.1	18.3	21.4	22.1	105.4	-	105.4
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	*	14.3	2.6	2.5	2.7	3.2	5.8	8.3	5.9	55.3	-	55.3
(Additional Grants from Excess Stocks)	(-)	(-)	(5.1)	(3.1)	(*)	(0.3)	(0.2)	(0.5)	(1.1)	(0.6)	(10.9)	(-)	(10.9)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	10.4	0.2	-	-	10.6	-	10.6
TOTAL MILITARY	-	*	14.3	2.6	2.5	2.7	13.6	6.0	8.3	5.9	66.2	-	66.2
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	*	14.3	2.6	2.5	2.7	13.6	6.0	8.3	5.9	66.2	-	66.2
TOTAL ECONOMIC AND MILITARY	14.8	12.0	54.4	99.6	8.6	16.2	110.0	85.0	135.7	130.6	677.1	121.8	555.3
Loans	13.8	10.5	27.1	88.2	-	8.4	88.3	60.7	106.0	102.6	505.5	121.8	383.7
Grants	1.0	1.5	27.3	11.4	8.6	7.8	21.7	24.3	29.7	28.0	171.6	-	171.6

*** Less than $50,000.** Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	68.8	50.0	388.9
UN Tech. Ass't. (CY)	0.7	0.6	5.4
UN Special Fund	1.5	1.8	9.0
Int'l. Dev. Association	-	-	19.5
Inter-Am. Dev. Bank	16.4	13.6	45.7
Int'l. Finance Corp.	1.4	2.2	10.4

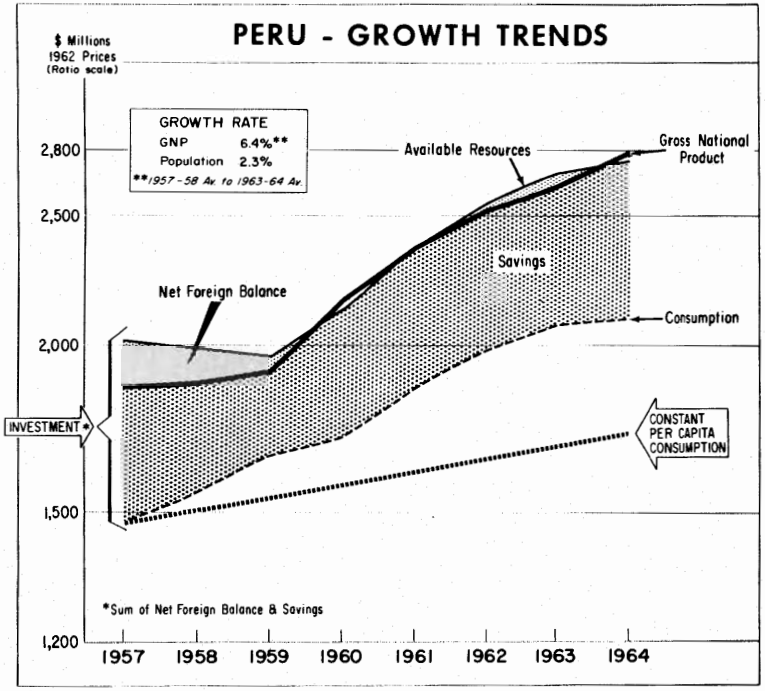
SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Peru - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	11.1
Annual Growth Rate *(percent)*	2.3
Area *(1000 square miles)*	514
Population Density per square mile	22
Agricultural Land as % of Total Area	11
Percent of Population in Agriculture	49
Life Expectancy *(years)*	46
People per Doctor	2,190
Literacy Rate *(percent)*	50
Pupils as Percent of Population *(Primary & Secondary)*	14



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	2,157	2,368	2,535	2,636	2,780
Per Capita GNP *(dollars)*	213	228	239	243	251
Investment as percent of GNP	20	21	23	23	23
Domestic Savings as % of Investment	105	101	95	91	108
Net Foreign Balance as % of GNP	-1	a/	1	2	-1
Agricultural Prod. Index *(1952-54 = 100)*	109	118	115	121	125
Index per Capita	93	98	94	96	97
Rice, Rough (1,000 MT)	314	348	195	280	320
Manufacturing Production (1958=100)	108	119	129	136	144
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	430	494	538	540	660
Fish Meal	(52)	(72)	(121)	(122)	(150)
Copper	(95)	(105)	(92)	(87)	(92)
Total Imports *(c.i.f.)*	373	468	534	552	580
Trade Balance	+57	+26	+4	-12	+80
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	89	129	141	171	199(Oct.)
COST OF LIVING INDEX *(1958 = 100)*	122	131	139	148	162

CENTRAL GOVERNMENT FINANCES✱ (FY Ending December 31)	– Million Dollar Equivalents – 1962	1963 (Rev. Bud.)	1964(Budget)
Total Expenditures	534	688	850
(Defense Expenditures)	(75)	(98)	(111)
(Capital Outlays)	(141)	(200)	(228)
Total Domestic Revenues	477	608	761
As percent of GNP	18.8%	21.4%	23.9%
Deficit (–) or Surplus (+)	-57	-80	-89

✱ Converted at 27 soles per U.S. dollar.

a/ Less than 0.5 percent.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	30.8[a]	20.0-30.0	30.0-50.0
Technical Cooperation	4.6	4.7	5.0
Total A.I.D. Assistance	35.4	24.7-34.7	35.0-55.0

a/ Excludes unannounced loan of $24.95 million.

U.S. Objectives and Assistance Policy

An opportunity for further economic and social progress exists in Peru. The constitutional government, less than two years in office, is proceeding with its reform and development programs which closely follow Alliance for Progress objectives. Although economic growth has been rapid, paced by a dynamic export sector, Peru needs to strengthen the institutional framework which is required for long-run stability and growth.

The main purpose of U.S. assistance objective is to encourage and supplement Peru's efforts to channel increased domestic savings into necessary overhead investments, such as rural development, transportation and education. These investments are needed to broaden the basis for economic growth and to extend opportunities for progress more equitably to the neglected regions and groups.

U.S. assistance will be used to support the Belaunde Government in its efforts to raise the very low living standards of the highland Indian population and recent migrants to the coastal cities who comprise more than half of the total population, and who are increasingly insistent upon better opportunities. Per capita income in the highlands is estimated at less than one-fourth that on the coast. The announcement of agrarian reform and increasing attention of the new Government to pressing social problems helped reduce the incidence of land invasions and other civil disorders in recent months.

However, extremist agitators who provoked serious disorders before might find new opportunities if governmental programs are not effective.

The Government has recently developed a detailed, two-year, public sector investment program concentrating upon: (a) agricultural and human resource development of the Andean region; (b) opening new lands in the valleys east of the Andes and irrigating more land on the coast; (c) promoting industrial development; and (d) providing more educational and other essential community services. The program has been reviewed by A.I.D. and the Inter-American Committee for the Alliance for Progress (CIAP). The consensus is that the program targets can be met only if the Government is successful in raising sufficient internal revenue and improving its administrative procedures.

The most important self-help measures to be considered in connection with external aid include:

1. An acceleration in the Government's ability to plan, finance, execute and coordinate its investment programs. Emphasis will be on improving budgetary practices and increasing tax revenue.

2. Rapid execution of the agricultural reform and development program, including land redistribution, colonization and irrigation and expanded credit and extension services.

3. Maintenance of a private investment climate attractive to foreign and domestic investment through tax and other incentives and fair treatment of all investors.

Achievement, Self-Help, the Role of Other Donors

The Belaunde Government has been able to carry out important reform and development measures during the past year despite resistance to change by traditional ruling groups and control of Congress by opposition parties.

Important steps have been taken toward the achievement of Alliance for Progress reforms and self-help measures:

1. A comprehensive agrarian reform law went into effect last summer. Land redistribution is beginning on a limited scale in the central highlands, following the outright purchase of one of the largest haciendas (750,000 acres) in central Peru. To support the rural development program, the armed forces are being used in civic action programs to construct penetration roads, colonization projects, schools, medical facilities, and water and sewerage systems.

2. The Government's investment budget has been increased significantly each year since 1961 to meet development needs, with further increases projected over the next several years. A series of new revenue measures has been enacted to finance the Government's programs. These include income, stamp,

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transaction, customs, and general property taxes. Total government revenue is expected to approach 18% of GNP in 1964.

3. The traditionally strong private sector has been growing rapidly in recent years. Private investment is about 18% of GNP. Exports have risen by 11% annually since 1960, due largely to private investment in fishmeal, copper and iron ore.

4. A basically sound, two-year investment program has been reviewed by CIAP and the international lending agencies. The National Planning Institute is now concentrating on improved project planning and execution as well as further forward planning.

In late 1963 Peru announced plans to make unilateral changes in the status of a U.S. petroleum company, the major producer in the country. After referring the issue to the Congress, the Executive opened negotiations with the company in early 1964. A final agreement has not yet been reached. However, the company continues normal operations, and the Government has indicated it hopes to find a satisfactory solution to the conflict. Pending satisfactory progress, A.I.D. has withheld announcement on a number of loans.

Other donors have also contributed to Peru's development. European and Japanese loans are being used to finance public hydroelectric, fertilizer, irrigation, steel mill, port. and railway construction projects. Other lenders such as the IBRD, Inter-American Development Bank (IDB) and Ex-Im Bank approved loans totaling nearly $60 million in FY 1964.

FY 1966 Program

A.I.D. expects to reach agreement with the Government of Peru on the annual level of A.I.D. project assistance at the beginning of FY 1966 and each subsequent year. This agreement will be based upon total public sector investment, the proportion to be financed internally, the availability of economically sound and technically feasible projects, and other foreign resources available to Peru. International agencies are helping the Government with feasibility studies for a number of capital projects. Past performance and the willingness of the Government to commit itself to further important reforms or improvements will be important determinants of the annual assistance levels. After the annual assistance level has been determined, A.I.D. funds will, as in past years, finance selected investment projects.

U.S. Technical Cooperation is provided mainly by institutional contracts with universities and consulting firms.

To move the agrarian reform and development program forward, Technical Cooperation will be provided in agricultural planning, education, research and community development by North Carolina and Iowa State University technicians. These technicians will also help develop capital projects for agricultural credit, irrigation, colonization, and community development.

The development of an adequate transportation system is closely tied to the needs of the rural areas and is essential for the integration of national markets. Technical assistance in transportation will be continued with the help of the Bureau of Public Roads and the Federal Aviation Agency. Development Loans may be considered for road, port and airport construction and improvement. Feasibility studies for many of these projects are already underway. The IBRD, IDB and A.I.D. have been working jointly with the Peruvian Government on better highway planning which is expected by FY 1966 to permit the pooling of external investment in a comprehensive highway program.

While growing rapidly, Peruvian industry has not been able to absorb the increasing volume of new workers from the rural highlands. Technical assistance to the industrial sector will concentrate on the establishment of cooperatives, management improvement, identification of private investment opportunities, labor relations and handicraft production. The Stanford Graduate School of Business, the Stanford Research Institute and the American Institute for Free Labor Development are at work. Development lending may be considered for regional industrial parks, industrial credit through the regional development corporations, and a private investment fund.

Trained manpower and improved public administration are essential. Technical assistance will be provided for those governmental operations which focus on development planning and in public education. Teachers College of Columbia University is assisting in educational planning and the New York Institute of Public Administration is working on development administration. Development Loans may be considered for higher educational facilities, feasibility studies, and equipment to improve tax and customs collection.

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Peru

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

CONFIDENTIAL

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.8	13.9	2.7	2.6	7.4	29.0	26.6	-3.0	51.6 a/	134.4	0.7	133.7
Loans	-	-	2.0	-	-	4.5	26.0	17.6	-5.8	49.1	93.4	0.7	92.7
Grants	-	1.8	11.9	2.7	2.6	2.9	3.0	9.0	2.9	4.5	41.0	-	41.0
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	24.8	1.5	3.6	30.0	0.6	29.3
FOOD FOR PEACE - TOTAL	-	*	26.3	8.0	1.0	4.3	6.2	9.3	6.6	14.7	76.3	4.2	72.1
Title I - (Total Sales Agreements)	(-)	(-)	(13.7)	(7.5)	(-)	(4.0)	(4.0)	(4.0)	(-)	(8.7)	(41.9)	(-)	(41.9)
Less: (Planned for U.S. Uses)	(-)	(-)	(3.9)	(2.2)	(-)	(1.2)	(1.2)	(1.2)	(-)	(3.0)	(12.7)	(-)	(12.7)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	9.8	5.3	-	2.8	2.8	2.8	-	5.7	29.2	4.0	25.2
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	2.0	-	0.6	0.6	0.6	-	0.9	4.7	1.5	3.2
104g - Loans to Governments	-	-	9.8	3.3	-	2.2	2.2	2.2	-	4.8	24.5	2.5	22.0
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP.	-	-	13.3	0.7	-	-	0.2	2.3	2.8	5.3	24.5	-	24.5
TITLE III - VOLUNTARY RELIEF AGENCIES	-	*	3.2	2.0	1.0	1.5	3.2	2.2	3.8	3.7	20.6	-	20.6
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	2.0	-	-	2.0	0.2	1.8
EXPORT-IMPORT BANK LONG-TERM LOANS	0.1	19.8	97.7	8.3	34.9	5.9	14.5	16.4	10.7	28.2	236.5	147.2	89.3
OTHER U.S. ECONOMIC PROGRAMS	7.5	3.1	-	-	-	-	-	0.7	2.6	2.8	16.7	6.7	10.0
TOTAL ECONOMIC	7.6	24.7	137.9	19.0	38.5	17.6	49.7	77.8	18.4	102.9	493.9	159.4	334.5
Loans	5.6	19.8	109.5	13.6	34.9	13.2	43.3	63.6	6.4	86.6	396.6	159.4	237.2
Grants	2.0	4.9	28.4	5.4	3.6	4.4	6.4	14.2	12.1	16.3	97.3	-	97.3
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	0.1	28.5	7.4	4.1	2.5	4.4	4.6	5.2	11.2	84.4	17.8	66.6
(Additional Grants from Excess Stocks)	(-)	(-)	(4.3)	(3.2)	(0.5)	(0.3)	(2.2)	(1.3)	(2.0)	(2.9)	(17.0)	(-)	(17.0)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	1.0	18.4	9.1	-	-	28.5	-	28.5
TOTAL MILITARY	-	0.1	28.5	7.4	4.1	3.5	22.8	13.7	5.2	11.2	112.9	17.8	95.1
Loans	-	-	13.5	2.2	-	-	-	-	-	1.0	17.7	17.8	-0.1
Grants	-	0.1	15.0	5.2	4.1	3.5	22.8	13.7	5.2	10.2	95.3	-	95.3
TOTAL ECONOMIC AND MILITARY	7.6	24.8	166.4	26.4	42.6	21.1	72.5	91.5	23.6	114.1	606.8	177.2	429.6
Loans	5.6	19.8	123.0	15.8	34.9	13.2	43.3	63.6	6.4	87.6	414.3	177.2	237.1
Grants	2.0	5.0	43.4	10.6	7.7	7.9	29.2	27.9	17.3	26.5	192.6	-	192.6

* Less than $50,000. a/ Includes $25.0 million in classified loans. Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	13.2	18.1	123.3
UN Tech. Ass't. (CY)	0.6	0.5	4.6
UN Special Fund	1.2	1.4	9.1
Inter-Am. Dev. Bank	2.5	8.9	16.8
Int'l. Finance Corp.	-	1.6	8.9

SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Revised January 25, 1965

Other Latin America - Basic Data

COUNTRY	POPULATION		AREA		GNP*	TRADE		HEALTH & EDUCATION	
	Total (1964)	Annual Growth Rate	Total	Agricultural Land	Per Capita (Est.)	Total Exports (1963)	Main Exports	People per Doctor	Literacy Rate
	Millions	Percent	1,000 Sq. Mi.	Percent of Area	Dollars	$ Mill.	Item	Persons	Percent
British Guiana	0.6	3.0	83	7	250	96	Sugar	3,940	80
Dominican Republic	3.5	3.5	19	26	251	174	Sugar	4,800	64
Ecuador	4.9	3.0	112	12	190	166	Bananas	2,600	60
Haiti	4.5	2.1	11	31	75	41	Coffee	11,000	10
Jamaica	1.7	2.6	4	43	429	203	Bauxite & Alumina	3,700	85
Mexico	39.4	3.1	760	48	395	985	Cotton	1,314	71
Panama	1.2	3.0	29	18	439	60	Bananas	2,460	78
Paraguay	1.9	2.2	157	3	188	40	Meat	1,800	68
Trinidad & Tobago	1.0	3.0	2	35	608	376	Petroleum	2,415	80
Uruguay	3.0	1.6	72	78	465	165	Wool	860	90
Venezuela	8.5	3.4	352	25	714	2,629	Petroleum	1,360	80

* - 1963 in 1962 prices converted at 1962 exchange rates.

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Although over 90% of the FY 1966 request is programmed for five major countries and Central America, the United States will continue to encourage and support Alliance for Progress efforts in other cooperating countries of Latin America. The type and level of A.I.D. assistance is dependent upon the nature of U.S. interests and the self-help and reform performance of the recipient country.

DOMINICAN REPUBLIC

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	-	4.0- 6.0	7.0
Technical Cooperation	0.9	2.0	2.4
Supporting Assistance	-	14.0	5.0
Total A.I.D. Assistance	0.9	20.0-22.0	14.4

A.I.D. programs were resumed in the Dominican Republic during the second half of FY 1964 after having been suspended for several months. The civilian provisional government has supported the principles of the Alliance for Progress and is making a serious effort to tackle the basic economic and social problems inhibiting the development of the Dominican economy. It has launched a stabilization program involving a series of austerity measures designed to correct a serious balance-of-payments deficit and to reduce a growing budgetary deficit. It is meeting many of the problems inherited from the Trujillo regime, through agrarian reform, agricultural expansion and tax reform.

The major emphasis of Development Loan and Technical Cooperation projects is on increasing agricultural production. FY 1966 Development Loan funds are proposed for projects in housing and irrigation, and the production, distribution and processing of agricultural commodities. Assistance in planning will be given high priority and will be coordinated closely with the OAS-IDB-ECIA Planning Mission and with the IBRD-UN Special Fund program for the development of the two Yaque river valleys.

Major activities to be financed by Technical Cooperation funds are agricultural development, education and public administration. Emphasis in education is on teacher training and vocational training. Supporting Assistance may be required in FY 1966 to complement self-help measures in the government's economic stabilization program and to assist in financing the budget.

ECUADOR

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	16.8	4.9-10.0	8.0
Technical Cooperation	3.9	3.9	4.5
Total A.I.D. Assistance	20.7	8.8-13.9	12.5

The Military Junta which has governed Ecuador since July 1963, has adopted a number of significant reform measures including a National Economic and Social Development Plan, a career civil service system, increased customs and income tax collections, increased outlays for education, and an agrarian reform and colonization program. A.I.D. assistance to Ecuador in FY 1966 will continue to support administrative, structural and fiscal reform of the national government. The A.I.D. effort during FY 1965 will focus on the accelerated implementation of existing projects, both the loans authorized to date and on-going Technical Cooperation projects.

The U.S. assistance program for FY 1966 will continue to stress Technical Cooperation in budgeting, personnel and other aspects of public administration; agricultural, industrial and handicrafts development; university education; and internal security in collaboration with the Ecuadorean National Police. The proposed FY 1966 loan funds are anticipated for a school program, industrial credit, and silo construction.

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MEXICO

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	22.0	-	0-20.0
Technical Cooperation	0.4	0.2	0.2
Total A.I.D. Assistance	22.4	0.2	0.2-20.2

Mexico continues to lead most Latin American countries in meeting growth targets and adopting reform measures. With the assistance of A.I.D. and Social Progress Trust Fund loans, it is undertaking to close the gap between its underdeveloped rural sector and the rapidly expanding and advanced industrial sector. A.I.D.'s continuing objective is to encourage greater participation of Mexico in providing training and assistance to other countries in Latin America within the framework of the Alliance. In June 1964, the A.I.D. Mission with its small staff and remaining program activities was integrated into the Embassy.

To assist Mexico to expand its role in the Alliance, A.I.D. has approved three important loans in agriculture and housing, where Mexico is improving living standards for the half of its population who now live at or below subsistence levels.

Early in the Alliance period, A.I.D. approved a loan for Supervised Agricultural Credit for small farmers. Of the total of 6,600 agricultural sub-loans anticipated, approximately 4,700 loans, amounting to more than $11 million had been committed as of the end of December 1964. The balance is expected to be committed by May 1965. In FY 1964 a loan was approved, as part of a consortium loan and grant arrangement with Mexican and U.S. private foundation capital, to build and strengthen the Chapingo Agricultural College for training agricultural technicians. These loans, supplemented by community development programs in rural areas under Food-for-Work provisions of P.L. 480, and increasing assistance from Mexico's private banks, are directed toward improvements in the rural sector.

An A.I.D. loan was approved in FY 1964 as part of a consortium arrangement to construct some 23,000 low-cost housing units for low-income urban families. A 3,000-unit labor housing project has been completed under the A.I.D. housing guaranty program. In FY 1966 Mexico may seek from A.I.D. a second and last agricultural credit loan to enable its public institutions and private banks to continue the loan program to small farmers.

PANAMA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	7.5	5.0-10.0	10.0
Technical Cooperation	1.5	1.8	1.5
Contingency Fund	0.2	3.5 a/	XXX
Total A.I.D. Assistance	9.1	10.3-15.3	11.5

a/ Loan. Programmed as of 12/31/64.

For the past several years, A.I.D. assistance to Panama has been directed toward helping the country develop an economy less dependent upon Canal Zone activities. If the present canal is replaced by a sea-level canal in the future, Panama's need for other sources of income may become of critical importance. The new Panamanian administration which came into office in October 1964 is making reform efforts. The activities of the Ministry of Agriculture and the Agrarian Reform agency have been stepped up and an active program of rural development has been initiated with the assistance of two A.I.D. loans. The administration is pursuing a program to improve tax administration and enforcement, and recognizes the need for government reorganization and improved public administration.

In FY 1966, A.I.D. proposes to continue support of a development program aimed at creating a more diversified and steadily growing Panamanian economy. Technical Cooperation, and loan-financed marketing and storage facilities and cooperatives, should facilitate agrarian reform and rural development. Loan capital for the private development bank and for savings and loan associations is planned to accelerate industrialization, agricultural development, and housing. In addition, Technical Cooperation will be continued in support of a program of fiscal and tax reform and the improvement of governmental and private sector manpower skills and administrative practices. A.I.D. will pursue these activities

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in consultation with the Inter-American Development Bank (IDB) and IBRD, which are respectively contemplating activities in housing, rural credit, and roads as part of a joint program contingent upon satisfactory Panamanian performance in achieving economic development.

PARAGUAY

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	3.0	2.5	3.0-6.0
Technical Cooperation	2.5	2.4	2.3
Total A.I.D. Assistance	5.5	4.9	5.3-8.3

Paraguay, although an underdeveloped country ruled by a highly centralized government, has made general progress toward adopting Alliance reforms under constant prodding by the United States. It has done a commendable job in stabilizing its currency and controlling inflation. New agricultural lands are being opened for colonization. A.I.D.'s assistance to Paraguay is aimed at promoting greater economic and social progress through programs which directly benefit the Paraguayan people, especially in rural areas. It will be used to reinforce the government's efforts in the direction of improved tax administration, adoption of tax reforms, completion of development plans, and increased agricultural production.

The Paraguayan government is staunchly pro-western, anti-communist and anti-Castro, and has supported the United States in such international forums as the UN and the OAS.

The U.S. assistance program in FY 1966 will continue to support on-going technical cooperation activities including financial institutional reform, agricultural productivity, and human resources development. A.I.D. may consider development lending in FY 1966 for farm-to-market roads and agricultural credit.

JAMAICA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	2.8	2.9-5.0	2.0
Technical Cooperation	0.6	0.5	0.4
Total A.I.D. Assistance	3.4	3.4-5.5	2.4

Jamaica is working through its development plan to foster economic growth through private enterprise. Hampered by a serious overpopulation problem, the Jamaicans suffer from severe unemployment. The United States is assisting through a modest Technical Cooperation program, and has made loans for housing, water supply, and feasibility surveys.

In FY 1966, A.I.D. will continue to provide Technical Cooperation with U.S. technicians and consultant services, and training for Jamaicans in the United States. The U.S. Technical Cooperation effort largely supports prior A.I.D. loans for housing and water supply. A.I.D. will consider sound loan applications which would facilitate development of key financial institutions necessary for sound economic growth.

TRINIDAD AND TOBAGO

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	0.5	-	-
Supporting Assistance	5.0	5.0	5.0
Total A.I.D. Assistance	5.5	5.0	5.0

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Relative to the right to maintain a U.S. naval station in Trinidad, an agreement was reached in November of 1962 which provided, subject to appropriation by Congress, a total of $30 million at the rate of $5 million per year. The payments, to be completed in FY 1967, will be used for mutually acceptable activities related to Trinidad and Tobago's social and economic development programs.

BRITISH GUIANA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	-	-	0-6.0
Technical Cooperation	0.4	0.6	0.6
Contingency Fund	-	5.8 a/	XXX
Total A.I.D. Assistance	0.4	6.4	0.6-6.6

a/ Programmed as of 12/31/64.

Cheddi Jagan lost control of the Government of British Guiana as a result of the December 1964 election; but racial antagonisms are deep seated and tension continues high. The new government plans to reverse some of the economic trends of the Jagan regime and is establishing a climate of confidence for further economic development. It will be some months before the details or magnitude of the U.S. contribution to multilateral efforts (including the United Kingdom, Canada, West Germany and international agencies) to assist the new government in British Guiana in FY 1966 can finally be determined.

The Contingency Fund has provided in 1965 resources to cover rehabilitation and maintenance of roads, sea walls, and the international airport, and there may be need for additional support in FY 1966. Capital Assistance may be provided in the future for transportation.

HAITI

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Supporting Assistance	1.5	1.4	1.4

It is not possible for the United States to undertake successfully any significant cooperative program with A.I.D. funding at this time.

The U.S. A.I.D. Mission to Haiti was closed in August 1963, after the A.I.D. program--with the exception of a malaria eradication project--had been terminated. FY 1966 funds will finance the final portion of the malaria program's four-year "attack" phase and the first portion of the three-year "consolidation" phase. The malaria program is administered jointly by the Pan American Health Organization (PAHO), the United Nations Children's Fund (UNICEF), the Haitian Government, and A.I.D. In addition to the humanitarian reasons for A.I.D.'s continued support of the program, U.S. withdrawal from the program would negate the effect of the funds invested thus far and would risk reinfection of the population of the Neighboring Dominican Republic.

URUGUAY

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	5.4	-	-
Technical Cooperation	0.9	0.8	0.9
Total A.I.D. Assistance	6.3	0.8	0.9

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

OTHER LATIN AMERICAN PROGRAMS

Uruguay has already progressed through some of the early stages of economic development, but is stagnating and in some respects deteriorating at present. Further advancement will require difficult basic structural reforms. Its national development plan, now nearly completed, may provide the needed catalyst for action and reform. U.S. A.I.D. policy is to make available only a limited amount of assistance until major reform action is initiated by the Government.

Fiscal year 1966 A.I.D. Technical Cooperation activities in Uruguay include: (a) contract technicians and training for the national planning organization staff and the Uruguayan Tax Bureau; (b) assistance to the Ministry of Agriculture in the execution of the Agricultural Reform Plan, to agricultural cooperatives, and to agricultural research activities in the National University; (c) support of the labor leader training center and labor union cooperative efforts; and (d) assistance in promoting the internal security capability of the Montevideo police.

VENEZUELA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	1.8	1.6	1.5

The proposed program in Venezuela is aimed at assisting key development and public safety projects. U.S. activity in FY 1966 will concentrate on monitoring existing loans, and on the following Technical Cooperation activities: (a) training in public administration, management and public safety; (b) rural development with emphasis on supervised agricultural credit; and (c) housing and urban renewal, including development of local institutions and the mobilization of local capital to finance housing construction.

REGIONAL PROGRAM

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	19.4	15.7	16.0

The Purposes and Goals of the Program

The regional program has emerged as a specialized instrument for dealing with priority needs that transcend the geographic boundaries of individual Alliance countries, and for multilateral or multi-country solutions to common problems. The establishment of the Inter-American Committee for the Alliance for Progress (CIAP) has given additional impetus to the cooperative effort.

The primary aim of the regional program is to strengthen the technical capabilities of inter-American and regional organizations so that they may assist and support country efforts in development planning and the implementation of plans, land and fiscal reform, health, and public administration.

A second purpose of the regional program is to influence selected private groups--such as business, farm and labor groups--and through them to support and strengthen the leadership essential for development under the Alliance.

A third objective of the regional program is to improve and support A.I.D. activities by providing technical, substantive guidance in specific fields through services which are needed by more than one A.I.D. Mission. Under the regional program A.I.D. seeks new approaches to promote progress, to harness under-utilized or untapped resources--public and private--and to accelerate their use throughout the region.

FY 1966 Program

Multilateral Institutions

Funds provided for the regional program in FY 1966 will be used to strengthen further Latin American multilateral institutions, enabling them to provide technical advice and training in priority fields related to development. A major portion of the funds requested will be made available to the Special Development Assistance Fund on a cost-sharing plan to which all Alliance member countries have agreed and are contributing voluntarily. The Fund will be administered by the Pan American Union which has increased its capabilities to provide services in social and economic development fields.

Assistance will be provided also to PAHO, the Inter American Institute of Agricultural Sciences (IICA) and the Organization of Cooperatives of the Americas (OCA). In addition, regional program funds will continue to support a university fellowship program to develop trained high-level manpower for future leadership in the Caribbean area.

Special Development Assistance Fund

The Special Development Assistance Fund (SDAF) was established by the Inter-American Economic and Social Council in November 1963, and became effective in January 1965. It is supported by the voluntary pledges of member governments, and effectively continues activities previously financed with funds solely provided by the U.S. government.

The Fund supports country planning and country reviews. It finances specialized technical assistance in such fields as land reform, tax reform, public administration and education planning, previously provided under the U.S. grants. Additionally, the Fund continues the successful inter-American training programs of the OAS Technical Cooperation Program in such fields as agricultural credit, agrarian reform, business administration, natural resources evaluation, public administration, and planning of water supply systems.

In FY 1965, the United States pledged a contribution of up to $4.5 million, representing no more than 66% of the total amount actually deposited in the Special Fund. A like amount is requested for FY 1966. U.S. pledge payments will be adjusted in accordance with the actual contributions of the other member countries.

PAHO will increase its capability in malaria eradication and community water supply. With U.S. support, the organization will also sponsor training and expert advisory services. IICA under a contract with A.I.D., provides technical services--including advisory services and training--in support of A.I.D. Missions' and Latin American countries' rural development programs. Emphasis is on training in the analysis, inventory and mapping of natural resources, and training in agricultural extension methods.

OCA, through an agreement with A.I.D., assists the cooperative organizations of the Latin American countries in expanding membership and training leadership for cooperative efforts in varied fields--such as credit, electricity, housing, agriculture production and marketing. The OCA enables member associations as they develop experience eventually to provide assistance to new cooperative groups.

Private Groups

To encourage and promote private enterprise in Latin America, a U.S. consulting firm, under contract with A.I.D., has initiated a training program for key business and government officials. Training is related to the self-help activities required to realize the industrial potential of the participants' respective areas.

Concurrently, A.I.D. is cooperating with CIAP in its programs to develop broader national markets within each country. A.I.D. support in FY 1966 is proposed for selected pilot operations in such areas as improved major marketing methods for food and new methods of consumer goods marketing in rural areas.

In addition to the successful cooperative development which has resulted from A.I.D. assistance through contractors--such as the National Rural Electric Cooperative Association (NRECA), the Credit Union National Association (CUNA) and the Cooperative League of the U.S.A. (CLUSA)--a new initiative had been undertaken for cooperative production and marketing of artisan handicrafts which has enlisted the support of U.S. private enterprises including the Sears, Roebuck and Company. More than 5,000 handicraft samples from Bolivia, Colombia, and Ecuador have been collected, catalogued, and presented to prospective buyers, including major merchandising firms in the United States, Canada, and France. Under a contract with the Cooperative League of the U.S.A. a permanent system for maintaining production and marketing of the products is being developed.

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

The American Institute for Free Labor Development (AIFLD), under an A.I.D. contract, will continue to strengthen democratic trade union organizations through training of Latin American workers for responsible leadership roles and through orienting labor organizations toward action programs to improve workers' housing, establish workers' banks and credit unions, and provide other tangible benefits to workers through democratic means. Under its program the AIFLD is assisting the Latin American labor movement to plan an effective role in developing and strengthening a democratic society in Latin America.

A.I.D. assistance is also provided on request to strengthen and institutionalize the study of the significance of population growth in economic development. Among organizations assisted are the Latin American Center of Demography (CELADE) in Santiago, and the Center for Economic and Social Development (DESAL). Through seminars, studies, and other methods Latin American social scientists, and others are being assisted in their efforts to focus on the question of population as an important aspect of development.

Technical Cooperation funds will continue to support the effective training and advisory work being carried out by the Overseas Education Program of the League of Women Voters and the National Farmers Union. The Andean Indian Community Development Program will be continued under a contract with Cornell University. A.I.D. support is provided to the Partners of the Alliance program, whereby U.S. citizen groups cooperate with counterpart groups in Latin America for community advancement and other local development and improvement.

Mission Support

Other regional projects are directed toward solution of multi-country problems in land reform, manpower, human resource development and institution building, and toward providing training and advisory services in economic and social fields which are needed to supplement and advance programs in several countries. To these ends, regional funds support: (a) Service Agreements with U.S. agencies such as the Departments of Agriculture, Labor, and the Corps of Engineers; (b) contracts with the Foundation for Cooperative Housing, and a number of universities; and (c) the training and advisory programs in which the cooperation of the Government and many organizations and institutions of the Commonwealth of Puerto Rico has been enlisted.

COSTA RICA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	12.8	9.9	45.4	0.3	45.1
Loans	10.5	8.0	29.4	0.3	29.1
Grants	2.3	1.9	16.0	-	16.0
SOCIAL PROGRESS TRUST FUND	-	4.2	7.7	0.1	7.6
FOOD FOR PEACE - TOTAL	1.1	1.6	3.8	-	3.8
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	1.0	1.2	2.5	-	2.5
TITLE III - VOLUNTARY RELIEF AGENCIES	0.1	0.4	1.3	-	1.3
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	a/ -	-	25.5	10.9	14.6
OTHER U.S. ECONOMIC PROGRAMS	0.3	0.5	37.1	-	37.1
TOTAL ECONOMIC	14.2	16.2	119.5	11.3	108.2
Loans	10.5	12.2	62.6	11.3	51.3
Grants	3.7	4.0	56.9	-	56.9
MILITARY ASSIST. PROGRAM - (Chg. to App.)	0.6	0.4	1.8	-	1.8
(Additional Grants from Excess Stocks)	(0.1)	(*)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	0.6	0.4	1.8	(-)	1.8
Loans	-	-	-	-	-
Grants	0.6	0.4	1.8	-	1.8
TOTAL U.S. ECONOMIC AND MILITARY	14.8	16.6	121.3	11.3	110.0
Loans	10.5	12.2	62.6	11.3	51.3
Grants	4.3	4.4	58.7	-	58.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	22.0	47.8		
UN Tech. Ass't. (CY)	0.1	0.1	1.7		
UN Special Fund	0.2	-	0.2		
Int'l Dev. Association	-	-	5.5		
Inter-Am. Dev. Bank	6.7	-	12.5		
Int'l. Finance Corp.	0.3	-	0.3		

a/ Excludes refinancing of $2.6 million.

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

EL SALVADOR

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	19.3	10.9	43.3	0.1	43.2
Loans	16.6	9.0	27.2	0.1	27.1
Grants	2.7	1.9	16.1	-	16.1
SOCIAL PROGRESS TRUST FUND	-	-	11.6	0.3	11.3
FOOD FOR PEACE - TOTAL	2.6	3.5	9.4	0.2	9.2
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	2.6	3.5	7.4	-	7.4
TITLE IV - DOLLAR CREDIT SALES	-	-	2.0	0.2	1.8
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	9.4	3.6	5.8
OTHER U.S. ECONOMIC PROGRAMS	0.3	0.4	2.7	-	2.7
TOTAL ECONOMIC	22.2	14.8	76.4	4.2	72.2
Loans	16.6	9.0	50.2	4.2	46.0
Grants	5.6	5.8	26.2	-	26.2
MILITARY ASSIST. PROGRAM - (Chg. to App.)	1.0	1.0	3.8	-	3.8
(Additional Grants from Excess Stocks)	(0.2)	(0.3)	(0.5)	(-)	(0.5)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	1.0	1.0	3.8	-	3.8
Loans	-	-	-	-	-
Grants	1.0	1.0	3.8	-	3.8
TOTAL U.S. ECONOMIC AND MILITARY	23.2	15.8	80.2	4.2	76.0
Loans	16.6	9.0	50.2	4.2	46.0
Grants	6.6	6.8	30.0	-	30.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	6.0	9.5	50.4		
UN Tech. Ass't. (CY)	0.2	0.2	2.6		
UN Special Fund	-	-	0.3		
Int'l Dev. Association	8.0	-	8.0		
Inter-Am. Dev. Bank	-	-	4.1		
Int'l. Finance Corp.	-	-	0.1		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

GUATEMALA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	3.1	5.6	103.9	1.0	102.9
Loans	0.7	2.7	19.8	1.0	18.8
Grants	2.4	2.9	84.1	-	84.1
SOCIAL PROGRESS TRUST FUND	7.8	-	11.3	*	11.3
FOOD FOR PEACE - TOTAL	1.0	3.0	9.8	-	9.8
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	3.2	-	3.2
TITLE III - VOLUNTARY RELIEF AGENCIES	1.0	3.0	6.6	-	6.6
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	4.6	18.0	2.4	15.6
OTHER U.S. ECONOMIC PROGRAMS	1.2	0.5	38.4	-	38.4
TOTAL ECONOMIC	13.1	13.7	181.4	3.4	178.0
Loans	8.5	7.3	49.1	3.4	45.7
Grants	4.6	6.4	132.3	-	132.3
MILITARY ASSIST. PROGRAM - (Chg. to App.)	2.6	1.6	8.8	-	8.8
(Additional Grants from Excess Stocks)	(1.1)	(0.2)	(1.5)	(-)	(1.5)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	2.6	1.6	8.8	-	8.8
Loans	-	-	0.1	-	0.1
Grants	2.6	1.6	8.7	-	8.7
TOTAL U.S. ECONOMIC AND MILITARY	15.7	15.3	190.2	3.4	186.8
Loans	8.5	7.3	49.2	3.4	45.8
Grants	7.2	8.0	141.0	-	141.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	18.2		
UN Tech. Ass't. (CY)	0.3	0.3	3.1		
UN Special Fund	0.8	0.6	2.0		
Inter-Am. Dev. Bank	-	3.4	8.8		
Int'l. Finance Corp.	-	-	0.2		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

HONDURAS

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	6.5	6.7	43.6	3.1	40.5
Loans	3.2	5.0	21.1	3.1	18.0
Grants	3.3	1.7	22.5	-	22.5
SOCIAL PROGRESS TRUST FUND	5.6	1.6	7.2	*	7.2
FOOD FOR PEACE - TOTAL	0.3	0.7	4.1	-	4.1
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	0.2	-	0.2
TITLE III - VOLUNTARY RELIEF AGENCIES	0.3	0.7	3.9	-	3.9
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	2.7	2.1	0.6
OTHER U.S. ECONOMIC PROGRAMS	0.2	0.8	7.6	0.1	7.5
TOTAL ECONOMIC	12.6	9.8	65.2	5.3	59.9
Loans	8.8	6.6	31.1	5.3	25.8
Grants	3.8	3.2	34.1	-	34.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	*	0.3	3.6	-	3.6
(Additional Grants from Excess Stocks)	(0.4)	(*)	(0.5)	(-)	(0.5)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	*	0.3	3.6	-	3.6
Loans	-	-	-	-	-
Grants	*	0.3	3.6	-	3.6
TOTAL U.S. ECONOMIC AND MILITARY	12.6	10.1	68.8	5.3	63.5
Loans	8.8	6.6	31.1	5.3	25.8
Grants	3.8	3.5	37.7	-	37.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	*	-	19.9		
UN Tech. Ass't. (CY)	0.3	0.2	2.2		
UN Special Fund	-	-	0.4		
Int'l. Dev. Association	-	-	9.0		
Inter-Am. Dev. Bank	-	-	9.7		
Int'l. Finance Corp.	-	0.4	0.4		

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

NICARAGUA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	3.4	3.9	29.0	0.5	28.5
Loans	1.0	1.2	13.8	0.5	13.3
Grants	2.4	2.7	15.3	-	15.3
SOCIAL PROGRESS TRUST FUND	0.2	-	7.9	0.1	7.8
FOOD FOR PEACE - TOTAL	1.4	1.9	4.2	-	4.2
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	1.4	1.9	4.2	-	4.2
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	1.2	14.3	6.6	7.7
OTHER U.S. ECONOMIC PROGRAMS	2.4	-	24.9	-	24.9
TOTAL ECONOMIC	7.4	7.0	80.3	7.2	73.1
Loans	1.2	2.4	36.0	7.2	28.8
Grants	6.2	4.6	44.4	-	44.4
MILITARY ASSIST. PROGRAM - (Chg. to App.)	1.6	1.1	6.6	-	6.6
(Additional Grants from Excess Stocks)	(0.3)	(-)	(0.4)	(-)	(0.4)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	1.6	1.1	6.6	-	6.6
Loans	-	-	-	-	-
Grants	1.6	1.1	6.6	-	6.6
TOTAL U.S. ECONOMIC AND MILITARY	9.0	8.1	86.9	7.2	79.7
Loans	1.2	2.4	36.0	7.2	28.8
Grants	7.8	5.7	51.0	-	51.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	2.6	-	38.1		
UN Tech. Ass't. (CY)	0.3	0.2	2.0		
UN Special Fund	0.7	-	1.6		
Int'l. Dev. Association	3.0	-	3.0		
Inter-Am. Dev. Bank	-	-	2.0		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

DOMINICAN REPUBLIC

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	29.6	-0.7	57.1	0.3	56.8
Loans	2.1	-	27.1	0.3	26.8
Grants	27.5	-0.7	30.0	-	30.0
SOCIAL PROGRESS TRUST FUND	6.5	-	6.5	0.1	6.4
FOOD FOR PEACE - TOTAL	14.2	13.2	28.2	*	28.2
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	2.9	-	2.9	-	2.9
TITLE III - VOLUNTARY RELIEF AGENCIES	6.3	8.2	15.3	-	15.3
TITLE IV - DOLLAR CREDIT SALES	5.0	5.0	10.0	*	10.0
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	8.0	0.3	7.7
OTHER U.S. ECONOMIC PROGRAMS	1.3	1.2	3.3	-	3.3
TOTAL ECONOMIC	51.6	13.7	103.1	0.7	102.4
Loans	13.6	5.0	51.6	0.7	50.9
Grants	38.0	8.7	51.5	-	51.5
MILITARY ASSIST. PROGRAM - (Chg. to App.)	1.9	1.4	12.1	-	12.1
(Additional Grants from Excess Stocks)	(0.2)	(0.3)	(2.5)	(-)	(2.5)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	1.9	1.4	12.1	-	12.1
Loans	-	-	-	-	-
Grants	1.9	1.4	12.1	-	12.1
TOTAL U.S. ECONOMIC AND MILITARY	53.7	15.1	115.2	0.7	114.5
Loans	13.6	5.0	51.6	0.7	50.9
Grants	40.1	10.1	63.6	-	63.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't (CY)	0.1	0.2	0.7		
Inter-Am. Dev. Bank	-	6.0	6.0		

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ECUADOR

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	18.1	19.2	96.3	3.2	93.1
Loans	13.3	15.6	63.0	3.2	59.8
Grants	4.8	3.6	33.2	-	33.2
SOCIAL PROGRESS TRUST FUND	9.9	1.0	24.5	0.1	24.4
FOOD FOR PEACE - TOTAL	6.1	4.4	24.2	1.3	22.9
Title I - (Total Sales Agreements)	(-)	(-)	(11.6)	(-)	(11.6)
Less: (Planned for U.S. Uses)	(-)	(-)	(3.1)	(-)	(3.1)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	8.5	1.3	7.2
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	1.2	0.1	1.1
104g - Loans to Governments	-	-	7.3	1.2	6.1
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	0.3	0.6	-	0.6
TITLE III - VOLUNTARY RELIEF AGENCIES	2.3	4.1	11.3	-	11.3
TITLE IV - DOLLAR CREDIT SALES	3.8	-	3.8	-	3.8
EXPORT-IMPORT BANK LONG-TERM LOANS	1.3	-	23.6	17.3	6.3
OTHER U.S. ECONOMIC PROGRAMS	1.6	2.7	8.8	0.5	8.3
TOTAL ECONOMIC	37.0	27.3	177.4	22.4	155.0
Loans	28.3	16.6	123.9	22.4	101.5
Grants	8.7	10.7	53.4	-	53.4
MILITARY ASSIST. PROGRAM - (Chg. to App.)	2.6	3.1	29.6	-	29.6
(Additional Grants from Excess Stocks)	(0.8)	(0.9)	(5.9)	(-)	(5.9)
OTHER MILITARY ASSISTANCE	-	-	8.4	-	8.4
TOTAL MILITARY	2.6	3.1	38.0	-	38.0
Loans	-	-	-	-	-
Grants	2.6	3.1	38.0	-	38.0
TOTAL U.S. ECONOMIC AND MILITARY	39.6	30.4	215.4	22.4	193.0
Loans	28.3	16.6	123.9	22.4	101.5
Grants	11.3	13.8	91.4	-	91.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	9.0	54.0		
UN Tech. Ass't. (CY)	0.7	0.6	6.2		
UN Special Fund	0.8	0.8	5.8		
Int'l. Dev. Association	-	8.0	8.0		
Inter-Am. Dev. Bank	6.1	6.0	16.8		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

HAITI

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	0.2	-1.4	55.5	0.3	55.2
Loans	2.8	-2.8	4.8	0.3	4.5
Grants	-2.6	1.4	50.7	-	50.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	0.9	2.2	12.8	-	12.8
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	3.5	-	3.5
TITLE III - VOLUNTARY RELIEF AGENCIES	0.9	2.2	9.3	-	9.3
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	25.0	5.9	19.1
OTHER U.S. ECONOMIC PROGRAMS	-	-	3.0	0.1	2.9
TOTAL ECONOMIC	1.1	0.8	96.3	6.3	90.0
Loans	2.8	-2.8	30.1	6.3	23.8
Grants	-1.7	3.6	66.2	-	66.2
MILITARY ASSIST. PROGRAM - (Chg. to App.)	0.2	-	3.4	-	3.4
(Additional Grants from Excess Stocks)	(*)	(-)	(0.2)	(-)	(0.2)
OTHER MILITARY ASSISTANCE	-	-	1.1	-	1.1
TOTAL MILITARY	0.2	-	4.5	-	4.5
Loans	-	-	-	-	-
Grants	0.2	-	4.5	-	4.5
TOTAL U.S. ECONOMIC AND MILITARY	1.3	0.8	100.8	6.3	94.5
Loans	2.8	-2.8	30.1	6.3	23.8
Grants	-1.5	3.6	70.7	-	70.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	2.6		
UN Tech. Ass't. (CY)	0.4	0.2	3.5		
UN Special Fund	-	-	1.0		
Int'l. Dev. Association	0.4	-	0.4		
Inter-Am. Dev. Bank	-	2.4	5.8		

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

MEXICO

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	0.2	22.4	51.1	*	51.1
Loans	-	22.0	42.0	*	42.0
Grants	0.2	0.4	9.1	-	9.1
SOCIAL PROGRESS TRUST FUND	8.0	12.1	30.7	0.1	30.6
FOOD FOR PEACE - TOTAL	15.5	18.0	64.2	9.0	55.2
Title I - (Total Sales Agreements)	(-)	(-)	(25.2)	(-)	(25.2)
Less: (Planned for U.S. Uses)	(-)	(-)	(7.5)	(-)	(7.5)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	17.7	9.0	8.7
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	7.1	7.6	-0.5
104g - Loans to Governments	-	-	10.6	1.4	9.2
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	1.1	-	1.4	-	1.4
TITLE III - VOLUNTARY RELIEF AGENCIES	14.4	18.0	45.1	-	45.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	25.8	54.0	668.1	418.3	249.8
OTHER U.S. ECONOMIC PROGRAMS	-	-	99.6	0.4	99.2
TOTAL ECONOMIC	49.5	106.5	913.7	427.8	485.9
Loans	33.8	88.1	758.8	427.8	331.0
Grants	15.7	18.4	154.9	-	154.9
MILITARY ASSIST. PROGRAM - (Chg. to App.)	0.9	2.2	8.1	4.8	3.3
(Additional Grants from Excess Stocks)	(*)	(-)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	0.9	2.2	8.1	4.8	3.3
Loans	0.7	0.4	6.9	4.8	2.1
Grants	0.2	1.9	1.2	-	1.2
TOTAL U.S. ECONOMIC AND MILITARY	50.4	108.7	921.8	432.6	489.2
Loans	34.5	88.5	765.7	432.6	333.1
Grants	15.9	20.3	156.1	-	156.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	12.5	40.0	439.3		
UN Tech. Ass't. (CY)	0.8	0.6	5.4		
UN Special Fund	1.7	2.5	7.2		
Inter-Am. Dev. Bank	31.7	30.8	84.3		
Int'l. Finance Corp.	4.7	1.6	8.8		

* Less than $50,000
Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

PANAMA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	8.1	8.9	58.1	1.1	57.0
Loans	6.0	7.5	28.3	1.1	27.2
Grants	2.2	1.4	29.8	-	29.8
SOCIAL PROGRESS TRUST FUND	-	-	10.4	0.3	10.1
FOOD FOR PEACE - TOTAL	0.7	0.8	7.6	-	7.6
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	0.7	0.8	7.6	-	7.6
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	7.4	26.3	8.2	18.1
OTHER U.S. ECONOMIC PROGRAMS	0.4	7.7	31.1	-	31.1
TOTAL ECONOMIC	9.2	24.8	133.5	9.6	123.9
Loans	6.0	14.9	65.0	9.6	55.4
Grants	3.3	9.9	68.5	-	68.5
MILITARY ASSIST. PROGRAM - (Chg. to App.)	0.7	0.3	1.8	-	1.8
(Additional Grants from Excess Stocks)	(-)	(*)	(*)	(-)	(*)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	0.7	0.3	1.8	-	1.8
Loans	-	-	-	-	-
Grants	0.7	0.3	1.8	-	1.8
TOTAL U.S. ECONOMIC AND MILITARY	9.9	25.1	135.3	9.6	125.7
Loans	6.0	14.9	65.0	9.6	55.4
Grants	4.0	10.2	70.3	-	70.3
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	4.0	-	18.0		
UN Tech. Ass't. (CY)	0.1	0.2	1.6		
UN Special Fund	0.4	-	0.4		
Inter-Am. Dev. Bank	-	0.3	3.2		

* Less than $50,000
Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

PARAGUAY

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	3.0	5.3	41.3	1.8	39.5
Loans	-	3.0	18.2	1.8	16.4
Grants	3.0	2.3	23.1	-	23.1
SOCIAL PROGRESS TRUST FUND	2.9	-	2.9	*	2.9
FOOD FOR PEACE - TOTAL	3.4	2.9	18.0	0.4	17.6
Title I - (Total Sales Agreements)	(3.3)	(1.7)	(14.8)	(-)	(14.8)
Less: (Planned for U.S. Uses)	(0.8)	(0.6)	(3.2)	(-)	(3.2)
TITLE I - PLANNED FOR LOANS & GRANTS	2.5	1.1	11.6	0.4	11.2
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	0.7	0.3	3.8	-	3.8
104e - Loans to Private Industry	0.8	0.3	1.4	*	1.4
104g - Loans to Governments	1.0	0.5	6.4	0.4	6.0
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	0.9	1.7	6.3	-	6.3
TITLE IV - DOLLAR CREDIT SALES	-	0.1	0.1	-	0.1
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	10.4	5.2	5.2
OTHER U.S. ECONOMIC PROGRAMS	-	-	2.9	-	2.9
TOTAL ECONOMIC	9.3	8.2	75.5	7.4	68.1
Loans	4.7	3.9	39.4	7.4	32.0
Grants	4.6	4.3	36.1	-	36.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	0.5	1.2	3.8	-	3.8
(Additional Grants from Excess Stocks)	(0.2)	(*)	(0.4)	(-)	(0.4)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	0.5	1.2	3.8	-	3.8
Loans	-	-	0.3	-	0.3
Grants	0.5	1.2	3.6	-	3.6
TOTAL U.S. ECONOMIC AND MILITARY	9.8	9.4	79.3	7.4	71.9
Loans	4.7	3.9	39.7	7.4	32.3
Grants	5.1	5.5	39.7	-	39.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	4.5		
UN Tech. Ass't. (CY)	0.4	0.3	4.2		
UN Special Fund	0.4	0.3	1.2		
Int'l. Dev. Association	-	3.6	9.6		
Inter-Am. Dev. Bank	14.6	2.2	21.4		

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

URUGUAY

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	7.9	6.2	25.1	0.7	24.4
Loans	6.0	5.4	20.2	0.7	19.5
Grants	1.9	0.8	4.9	-	4.9
SOCIAL PROGRESS TRUST FUND	8.0	-	10.5	-	10.5
FOOD FOR PEACE - TOTAL	0.6	1.0	38.9	2.1	36.8
Title I - (Total Sales Agreements)	(-)	(-)	(48.4)	(-)	(48.4)
Less: (Planned for U.S. Uses)	(-)	(-)	(12.0)	(-)	(12.0)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	36.4	2.1	34.4
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	12.1	1.4	10.7
104g - Loans to Governments	-	-	24.3	0.7	23.6
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	*	-	*
TITLE III - VOLUNTARY RELIEF AGENCIES	0.6	1.0	2.5	-	2.5
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	5.0	-	9.7	2.9	6.8
OTHER U.S. ECONOMIC PROGRAMS	0.6	0.2	4.0	1.8	2.2
TOTAL ECONOMIC	22.1	7.4	88.2	7.5	80.7
Loans	19.0	5.4	79.0	7.5	71.5
Grants	3.1	2.0	9.2	-	9.2
MILITARY ASSIST. PROGRAM - (Chg. to App.)	2.1	1.6	32.9	-	32.9
(Additional Grants from Excess Stocks)	(0.5)	(0.5)	(6.6)	(-)	(6.6)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	2.1	1.6	32.9	-	32.9
Loans	-	-	-	-	-
Grants	2.1	1.6	32.9	-	32.9
TOTAL U.S. ECONOMIC AND MILITARY	24.2	9.0	121.1	7.5	113.6
Loans	19.0	5.4	79.0	7.5	71.5
Grants	5.2	3.6	42.1	-	42.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	18.5	-	89.5		
UN Tech. Ass't. (CY)	0.3	0.2	2.1		
UN Special Fund	1.1	-	2.0		
Inter-Am. Dev. Bank	4.1	5.0	20.1		

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

VENEZUELA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	33.1	1.6	62.1	0.4	61.7
Loans	30.0	-	55.0	0.4	54.6
Grants	3.1	1.6	7.1	-	7.1
SOCIAL PROGRESS TRUST FUND	11.0	-	53.0	1.8	51.2
FOOD FOR PEACE - TOTAL	1.2	10.3	25.9	-	25.9
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	1.2	10.3	12.0	-	12.0
TITLE IV - DOLLAR CREDIT SALES	-	-	13.9	-	13.9
EXPORT-IMPORT BANK LONG-TERM LOANS	0.4	31.5	166.8	42.7	124.1
OTHER U.S. ECONOMIC PROGRAMS	0.8	2.0	4.9	-	4.9
TOTAL ECONOMIC	46.5	45.4	312.7	44.9	267.8
Loans	41.4	31.5	288.7	44.9	243.8
Grants	5.1	13.9	24.0	-	24.0
MILITARY ASSIST. PROGRAM - (Chg. to App.)	6.0	10.9	74.2	26.6	47.6
(Additional Grants from Excess Stocks)	(-)	(-)	(0.3)	-	(0.3)
OTHER MILITARY ASSISTANCE	-	-	5.7	-	5.7
TOTAL MILITARY	6.0	10.9	79.9	26.6	53.3
Loans	5.0	9.6	70.5	26.6	43.9
Grants	1.0	1.3	9.4	-	9.4
TOTAL U.S. ECONOMIC AND MILITARY	52.5	56.3	392.6	71.5	321.1
Loans	46.4	41.1	359.2	71.5	287.7
Grants	6.1	15.2	33.4	-	33.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	85.0	130.0		
UN Tech. Ass't. (CY)	0.4	0.4	3.2		
UN Special Fund	2.5	0.7	6.3		
Inter-Am. Dev. Bank	13.4	-	23.4		
Int'l. Finance Corp.	-	1.4	4.6		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

BRITISH GUIANA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	1.2	-0.3	3.9	-	3.9
Loans	-	-	-	-	-
Grants	1.2	-0.3	3.9	-	3.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	0.1	0.3	1.0	-	1.0
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	0.1	0.3	1.0	-	1.0
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-
TOTAL ECONOMIC	1.3	-	4.9	-	4.9
Loans	-	-	-	-	-
Grants	1.3	-	4.9	-	4.9
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	1.3	-	4.9	-	4.9
Loans	-	-	-	-	-
Grants	1.3	-	4.9	-	4.9
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	0.9		
UN Tech. Ass't. (CY)	0.1	0.1	0.5		
UN Special Fund	-	-	1.8		

JAMAICA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	5.8	3.3	12.2	-	12.2
Loans.....	5.0	2.8	7.8	-	7.8
Grants.....	0.8	0.5	4.4	-	4.4
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	2.0	4.5	12.0	-	12.0
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	-	0.7	0.7	-	0.7
TITLE III - VOLUNTARY RELIEF AGENCIES...	2.0	3.8	11.3	-	11.3
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	5.0	-	5.0	-	5.0
OTHER U.S. ECONOMIC PROGRAMS.....	0.2	0.5	0.9	-	0.9
TOTAL ECONOMIC.....	13.0	8.3	30.1	-	30.1
Loans.....	10.0	2.8	12.8	-	12.8
Grants.....	3.0	5.5	17.3	-	17.3
MILITARY ASSIST. PROGRAM - (Chg. to App.).	*	0.4	0.5	-	0.5
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY.....	*	0.4	0.5	-	0.5
Loans.....	-	-	-	-	-
Grants.....	*	0.4	0.5	-	0.5
TOTAL U.S. ECONOMIC AND MILITARY.....	13.0	8.7	30.6	-	30.6
Loans.....	10.0	2.8	12.8	-	12.8
Grants.....	3.0	5.9	17.8	-	17.8
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY).....	0.1	0.1	0.9		
UN Special Fund.....	-	0.8	0.8		
Int'l. Finance Corp.	-	-	0.2		

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

TRINIDAD AND TOBAGO

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	10.8	5.0	26.5	-	26.5
Loans.....	-	-	-	-	-
Grants.....	10.8	5.0	26.5	-	26.5
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	*	0.2	0.8	-	0.8
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	*	0.2	0.3	-	0.3
TITLE III - VOLUNTARY RELIEF AGENCIES...	*	*	0.5	-	0.5
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	4.0	13.0	0.3	12.7
OTHER U.S. ECONOMIC PROGRAMS.....	-	*	0.1	-	0.1
TOTAL ECONOMIC.....	10.8	9.2	40.4	0.3	40.1
Loans.....	-	4.0	13.0	0.3	12.7
Grants.....	10.8	5.2	27.4	-	27.4
MILITARY ASSIST. PROGRAM - (Chg. to App.).	-	-	-	-	-
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	10.8	9.2	40.4	0.3	40.1
Loans.....	-	4.0	13.0	0.3	12.7
Grants.....	10.8	5.2	27.4	-	27.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	23.5		
UN Tech. Ass't. (CY).....	0.1	0.2	1.0		
UN Special Fund.....	-	0.5	1.4		

* Less than $50,000

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NEAR EAST and SOUTH ASIA

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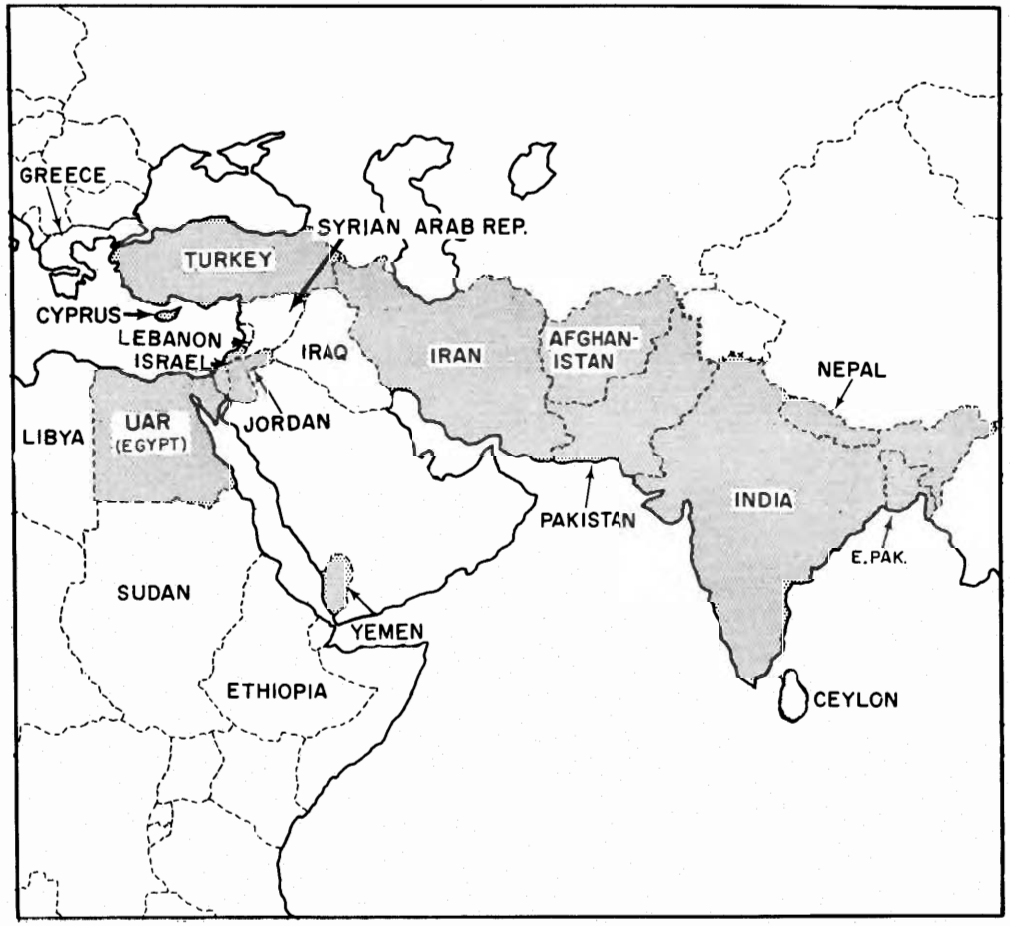

FY 1966 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Development Loans	Technical Cooperation & Development Grants	Supporting Assistance
TOTAL	770,900-885,900	690,000-805,000	46,400	34,500
Afghanistan	19,000	10,000	9,000	—
Cyprus	100	—	100	—
India	343,450-393,450	335,000-385,000	8,450	—
Iran	2,400-12,400	0-10,000	2,400	—
Israel	0-10,000	0-10,000	—	—
Jordan	51,600	15,000	4,600	32,000
Nepal	3,600	a/	3,600	—
Pakistan	198,500-218,500	190,000-210,000	8,500	—
Turkey	144,200	140,000	4,200	—
U.A.R. (Egypt)	2,250-27,250	0-25,000	2,250	—
Yemen	2,500	—	—	2,500
CENTO b/	450	—	450	—
Regional	2,850	—	2,850	—

a/ Eligible for development lending.
b/ Central Treaty Organization

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Successful development in the Near East and South Asia, within a framework of free and stable societies, is of prime importance not only to the countries of the area, but also to the United States and the Free World. This region encompasses 18 countries with a population of three-quarters of a billion. Average annual population growth rate is 2-1/2% and per capita GNP less than $100. This area is undergoing basic social, economic and political changes as the people reach out for more satisfactory living standards. However, change and growth should take place within the context of political stability, internal security and social justice. It is U.S. policy that these people be helped to attain these ends.

Development Progress

The countries of the NESA region now devote substantial resources to development and most of the resources for it come from the people themselves.

The U.S. aid efforts in Greece and Israel demonstrate that aid, when combined with constructive country economic and social policies, can produce very rapid growth. Greece grows at better than 6% a year, Israel at about 10%--one of the highest growth rates in the world. Their success permitted the United States to terminate grant aid in 1962 and thereafter to extend development loans on a declining scale and on harder terms. Favorable results are evident also in Lebanon, which received no aid grants or loans after 1963. Iran too is in a transitional status, with loans now extended at higher rates of interest.

Nearly 90% of U.S. aid in the Near East and South Asia region is programmed for India, Pakistan, and Turkey, all of which have development plans accepted by aid donors as bases for extending assistance. Turkey's plan to eliminate reliance on foreign aid by 1973 is a practical objective. For India and Pakistan, the task will take longer.

India and Turkey now finance over three-fourths of their development programs from their own resources. Pakistan is succeeding in raising the share it finances, which now reaches over 60%. Each country has undertaken important reforms and changes in policy which will support growth--Turkey, tax reform; Pakistan, the removal of restrictions on imports; India, incentive prices for producers of foodgrains. These examples illustrate the efforts these countries are making to achieve self-sustaining growth eventually.

The economies and societies of these countries are changing. They now all produce industrial products which formerly had to be imported. This is one step on the road to self-reliance. Construction, power, mining, and transport all show gains. Agricultural output, particularly in Pakistan in recent years, also increased. In India, there are three times more children in school (almost 50 million) than in 1947. The numbers of technically trained, although still not sufficient, continue to increase. Although they all face a problem of rapid population growth--about 2-1/2% in India and Pakistan, and close to 3% in Turkey--they are managing under their development programs to provide their people with some improvement in consumption, while devoting more resources to investment to increase incomes in the future.

Consortia and Other Aid

Other free world countries also have a large stake in the independence and development of this region. Many industrially developed free world countries and the principal multilateral institutions have joined in consortia to finance development assistance needs. Although the U.S. share is large--to date about 45% of funds pledged through the consortia--it is far from alone in its efforts to assist countries such as India, Pakistan and Turkey. Program loans--the financing of essential equipment, raw materials, spare parts, components--have proved to be a particularly effective way of providing U.S. assistance under these consortia, especially since the bulk of this assistance benefits chiefly the private sector. Other donors also have provided program assistance through the consortia.

In 1963 and 1964, India, Pakistan and Turkey received pledges of $3,362 million through consortia. The United States provided $1,505 million ($1,355 million from A.I.D. and $150 million from Ex-Im Bank). Most of the U.S. aid took the form of long-term, low interest loans. Terms from other donors, apart from International Development Association (IDA) loans, which are more liberal than our own, and some Canadian grants and low-interest loans in the cases of Pakistan and India, have ranged from 3-1/2 to 6-1/2%, from 12 to 25 years maturity and from no grace periods up to seven years grace.

Other industrially advanced nations and multilateral agencies are also helping other countries in the region, with both technical and capital assistance.

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Major Issues

Debt Service Burden - Aid recipients in the Near East and South Asia region face a growing problem of debt servicing, especially for short-term, high interest loans. Turkey already has reached the point where about 40% of its foreign debt will fall due in the next few years. Servicing this debt will require about half its export earnings. Possibilities for increased foreign exchange earnings are limited, at least in the short run. Therefore, financing must be extended on better terms if we are to see continued growth of these economies. Since it will be some time before development can take place without external concessional aid to countries such as Turkey, India and Pakistan, aid to these countries from the United States and other sources must be on the best terms possible.

In the recent past, other industrially developed countries have begun to take steps to make loan terms compatible with the debt-servicing capacity of recipient countries. Primarily as a result of U.S. initiative, they have reduced interest rates and lengthened grace and repayment periods. Loans from West Germany bore an average maturity of five years in 1959; by 1963 the average maturity was 20 years. Moreover, interest rates on West German loans have been reduced and average grace periods lengthened within the past two years. The United Kingdom now provides loans with maturities up to 30 years and grace periods of seven years. Moreover, the United Kingdom waives interest payments for up to seven years, thereby effectively reducing the interest rate to about 3-1/2%. Canada has adopted IDA lending terms -- 3/4% interest, 50 years maturity with ten years grace.

Agricultural Production - One of the gravest weaknesses in Near East and South Asia country economies is that not enough food is produced to feed rapidly growing populations. This has been offset in part by imports of P.L. 480 surplus agricultural products, but these countries will not be able to attain balanced development if their agricultural sectors cannot keep pace with the demands on them. More internal resources and external assistance must be allocated to the agricultural sector to increase agricultural productivity through technical assistance, soil conservation, use of fertilizers, etc.

Administrative Weaknesses - Institutional inadequacies, antiquated methods, lack of adequate data, and shortages of skilled administrators plague almost all governments of the region. Skills are needed to carry out the business of governments and development. Much of U.S. technical assistance is directed toward helping build the institutions and technical and managerial skills needed for successful development. Much has been accomplished in Near East and South Asia countries to overcome these basic weaknesses. Much more needs to be done.

Political Problems - Difficult political problems consume energies and resources which could be used better for development purposes. The United States makes constant efforts to keep these problems from interfering with orderly growth.

The most persistent are the Kashmir problem and related frictions which keep India and Pakistan from devoting their full efforts to development, the problem of Cyprus' future which has strained relations between NATO allies, Greece and Turkey, and the Arab-Israeli dispute which remains unresolved. There are also intra-Arab rivalries in the Arabian Peninsula which have not yet been resolved, although some progress is being made in settling United Arab Republic (UAR) and Saudi Arabian differences over Yemen.

FY 1966 Program

It is within this framework of developmental need, the awakened and enlightened drive and self-help efforts of the region's countries, a strong free world interest, and difficult political problems that the United States must contribute its assistance and conduct its programs.

Lebanon, Syria and Iraq no longer receive A.I.D. grants or loans on concessional terms. Some other countries are approaching the point where their developmental requirements can be provided either from their own resources or through more normal arrangements from international financial sources. Greece and Israel are good examples of countries which have used external aid successfully in achieving their developmental objectives. Grant aid to these countries ended in FY 1962. Iran's increasing oil revenues have shortened the period during which it needs external concessional capital assistance. Unless conditions change, A.I.D. does not plan to make loans to Greece in FY 1966.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	726.2	677.5-747.5	690.0-805.0
Technical Cooperation	50.5	50.0	46.4
Supporting Assistance	66.6	38.5	34.5
Total A.I.D. Assistance	843.3	766.0-836.0	770.9-885.9

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The FY 1966 economic aid request for Near East and South Asia includes funds for ten countries, Central Treaty Organization (CENTO) and regional projects, as compared to 15 in FY 1964. Development Loans account for 90% of the FY 1966 economic aid request. The Supporting Assistance request is less than 5%, while Technical Cooperation funds account for about 6%.

Development Loans

About 80% of world-wide Development Loan funds are concentrated in the Near East and South Asia countries. Over 90% of the regional request for loans will be concentrated in three countries -- India, Pakistan and Turkey. All of these countries have well-defined development plans, all of them have given evidence, through measures they have themselves taken, of a desire to move steadily along the road to development and all have exhibited an ability to use resources effectively. It is of great importance to the United States that these countries be provided the external resources from other free world donors and ourselves to be able to improve industrial productivity, strengthen social infrastructure, and increase agricultural output, which are necessary for the survival of free, democratic societies.

There are many important projects in each of these countries which require large amounts of capital for equipment and services which can be obtained only from abroad. Development Loan project assistance is necessary to build the power plants, irrigation systems, and transportation networks essential as a basis for economic and social development. These are usually very large projects which can be undertaken only by governments or large private concerns. Other project loans are made to finance feasibility studies, or to provide equipment for a specific private industrial concern to increase productivity in a key sector, or to provide funds for development banks for relending to medium and small-size industries.

Project loans, however, can be related to only part of the capital needs of India, Pakistan and Turkey. Countries with rapidly growing industrial and agricultural sectors have many needs which they cannot supply from internal sources and must obtain from abroad. These growing economies need raw materials which they do not produce, spare parts for existing equipment and machinery, components and semi-finished materials. These needs are spread over the whole economy and cannot be met by project loans.

Hence India, Pakistan and Turkey need program loans for essential imports, broad enough to cover a range of needed items, but specific enough to exclude non-essential imports and luxury goods. Growing experience in administering these loans, carefully compiled lists of allowable items, the close cooperation of host country governments, import liberalization, and regular end-use reviews are making the effectiveness of the program loan technique felt. Since these imports go to widely dispersed concerns of all sizes within the countries where this technique is used, they serve in large part to support investment in the private sector.

The balance of the region's Development Loan request will be used mainly for selected projects in Afghanistan, Jordan and perhaps the UAR. If suitable Development Loan applications are submitted by Cyprus and Nepal, they will be considered. Depending on the circumstances at the time, applications from Israel may also be considered.

Just as important as the volume of development lending are the terms on which the loans are made. All countries to which Development Loans are expected to be made in FY 1966 suffer from chronic shortages of foreign exchange. Since their development is on a long-range basis, they cannot afford commercial-type terms -- high interest, short-term repayments -- without overcommitting foreign exchange reserves and earnings. Internal development needs will absorb the bulk of their production for some years.

A.I.D. loan terms to individual countries are, of course, based on the foreign exchange position and forecasted debt-servicing capability. For example, a loan was made in FY 1964 to Greece for hydroelectric power development at 3½% for 25 years with a five year grace period. In contrast, loans to India and Pakistan are made at 2½%, with 40 year maturities and ten year grace periods, during which 1% interest is charged.

While a country's capacity to service dollar loans may be limited and the most favorable loan terms required, a given enterprise can pay commerical terms, reflecting the true cost of capital, in the currency of the country. Therefore, the "two-step" loan procedure was adopted. For example, in 1962 a dollar loan was made to Premier Automobiles, a private Indian company, to import U.S. car and truck dies. Under the two-step procedure, Premier will repay the rupee equivalent of the loan to the Government of India over a 15-year period, with two years grace, at 5-3/4%.

The Government of India will repay the United States in dollars over 40 years, with a ten years grace period at the lowest A.I.D. interest rate in effect at the time of the loan, 3/4%. Thus, the enterprise pays a competitive price for capital, but the country's balance of payments is not unduly burdened during its period of intensive development.

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Technical Cooperation

The slight decrease in the FY 1966 Technical Cooperation request reflects the completion of a number of projects within the region and the reduced scale of others. It results also from a gradual reduction of the Technical Cooperation program in Iran.

Technical Cooperation is, and will remain for some time, a valuable part of U.S. assistance to the region and an essential complement to our capital assistance programs. The needs of developing countries for technical advice and training are as great as their need for capital. This type of assistance is planned for nine countries, CENTO and for regional programs. Over 75% is concentrated in five countries: Afghanistan, India, Jordan, Pakistan and Turkey.

Within the next few years Technical Cooperation will be increasingly concentrated on key areas and institutions: rural development, including agricultural productivity, strengthening administration and management, and training for skilled manpower, are among the most important. The experience and competence of both private and public U.S. institutions will be drawn on to assure the availability of the best advisors possible.

American universities in particular can and do play a large role in A.I.D.'s Technical Cooperation program. A new technique -- a consortium of universities -- is being used in India in an effort to inject better quality in the teaching of science, mathematics, engineering and vocational education through summer institutes. American professors spend their summers in India conducting workshops and seminars in these fields. This program is carried out by contract teams from the Universities of Wisconsin and Illinois, Ohio and Michigan State Universities, Houston University and Teachers College of Columbia University.

Other American universities, such as the Washington State University and the Universities of Wyoming, Missouri, Tennessee, and Kansas, are assisting agricultural universities or university departments in Afghanistan, India, Pakistan and Turkey, especially in agricultural research and extension. Assistance to engineering education is given by U.S. educational institutions to universities in Afghanistan, India, Turkey and the UAR. In Iran, the University of Pennsylvania is helping to develop Pahlavi University at Shiraz after the pattern of American universities.

Increasing use is made also of other U.S. government agencies. Bureau of Public Roads personnel are helping build roads in Yemen, Public Health Service officers are working in several countries, and Bureau of the Census specialists are advising the Government of Turkey on statistical matters.

Technical Cooperation funds are used in this region to assist in the establishment of cooperatives. In Jordan, assistance is given in the East Ghor area to finance credit, marketing and other cooperative services. In Iran the Agricultural Credit and Rural Development Bank receives assistance in expanding its credit program and developing an effective credit organization. Agricultural credit institutions in Nepal and Turkey also receive assistance as part of the effort to increase agricultural productivity.

Over 1,300 present and potential leaders were brought to the United States for training during FY 1964 under A.I.D. programs. These people will return to positions in their governments or private enterprises from which they can influence their countries' development.

Supporting Assistance

The Near East and South Asia Supporting Assistance request has again been reduced from previous levels. It is now less than 5% of the regional request and is planned only for Jordan and Yemen. The amount requested for each of these two countries has been reduced.

Support of Jordan as an independent country is part of the U.S. objective and efforts to maintain reasonable prospects of peace in the Near East. Supporting Assistance contributes an essential part to the Jordan budget and is expected to be necessary, on a declining scale, for some years to help cover ordinary budget expenditures.

Military Assistance

U.S. interests in the Near East and South Asia are served also through military assistance programs to a number of countries, most of which share borders with Communist countries. Greece and Turkey maintain large defense forces to meet NATO requirements. Pakistan and Iran, members of CENTO, and Southeast Asia Treaty Organization (SEATO) in the case of Pakistan, also maintain substantial forces. India still needs help to build up from its low levels at the time of the 1962 attack by Communist China. All of these countries need military equipment and supplies which must be imported. The forces of these countries must be kept as modern as possible within the funding limitations of the military assistance program.

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Food for Peace

Agricultural products furnished under P.L. 480 are an important supplement to U.S. economic assistance. Rapidly growing populations, slowly rising agricultural productivity, the drive for higher standards of living and better diets have required food, feed and fiber imports by a number of countries. Because foreign exchange shortages limit normal procurement for most of these countries, sales are made under Title I of the Food for Peace program for local currencies. Part (country uses) of the sales proceeds is allocated to the country to be used for mutually agreed development purposes. A part is used for loans to U.S. investors (Cooley Loans). Another part (U.S. uses) is used to defray U.S. expenses of various kinds in the country.

Assistance under Title I has been important particularly to India, Pakistan and Turkey. In the UAR, food under this Title has represented the bulk of U.S. assistance and has provided about 15% of that country's food requirements.

Title III programs are conducted by Voluntary Agencies such as CARE, Church World Service, and the Catholic Relief Services, in 15 countries. Over 21.5 million people are reached through these programs, including 16.8 million children benefiting through the school milk and lunch programs.

Small Title IV dollar sales have been made in the past to Iraq and Syria. Sales to Iran and Greece will be made in FY 1965. Future sales may be made to these countries and to others as their foreign exchange positions enable them to pay for these products in dollars on reasonable terms.

Assistance to Private Enterprise

Private investment, domestic and foreign, plays an important role in the economic development of NESA countries. Since November 1961, A.I.D. has authorized 17 loans totaling $146 million directly to private firms to establish new plants and extend existing facilities. Twenty loans to Development Banks have been authorized since 1958, enabling these institutions to expand their lending facilities to the private sector. Moreover, the largest proportion of imports financed by program loans to India, Pakistan, and Turkey, goes to the private industry sectors of those countries.

One of the important ways in which the private sector is benefited is by Cooley local currency loans. From January 1962, when A.I.D. assumed administration of the Cooley Loan program, through June 30, 1964, 79 such loans were approved for use in Near East and South Asia countries. These loans totaled over $108 million. In FY 1964 alone, 32 loans totaling almost $59 million were made. Such loans will be used in Iran, Turkey and India to manufacture tires. They will help produce chemicals in Israel, Turkey and India, and pharmaceuticals in Pakistan. They will assist in the expansion of a steel plant in Turkey and a cement plan in India. Almost all of the borrowers are owned by or affiliated with U.S. companies.

Technical Cooperation also is used to foster private enterprise. In Nepal assistance is being given to the Nepal Industrial Development Corporation to help marshal private domestic and foreign capital. Technical assistance projects in Jordan are directed toward the development of managerial and technical capabilities needed in the private industrial sector. In Pakistan the private industrial development goal includes several technical assistance projects, such as assistance to the Pakistan Investment Advisory Center and training programs in mining methods and engineering.

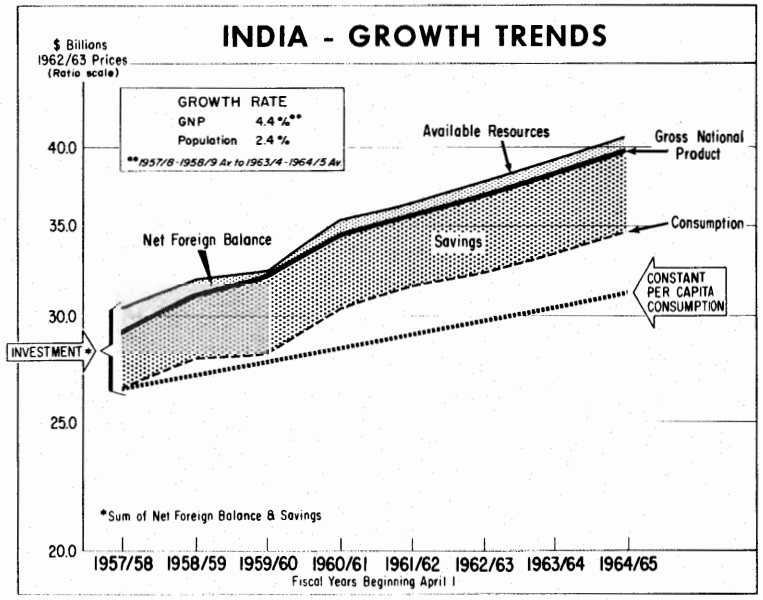
The Investment Guarantee program continues to provide a strong stimulus to U.S. firms investing abroad. A.I.D. has Investment Guarantee Agreements with all major aid receiving countries in the Near East and South Asia. As of September 30, 1964, there were 227 active contracts of guarantee with outstanding balances of guarantees of over $390 million. No payments have been made under any of these guarantees. In the first three months of FY 1965, 37 contracts of guarantee, amounting to over $15 million, were signed. Sixteen of these contracts are in India and six in Pakistan.

Since FY 1962, 29 investment survey grants have been authorized for a total of nearly $400,000. These surveys investigate investment opportunities such as constructing cement plants in Greece and Pakistan, producing abrasives in India and establishing canning facilities in Turkey.

India - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	475
Annual Growth Rate *(percent)*	2.4
Area *(1000 square miles)*	1,260
Population Density per square mile	377
Agricultural Land as % of Total Area	54
Percent of Population in Agriculture	70
Life Expectancy *(years)*	47
People per Doctor	5,000
Literacy Rate *(percent)*	24
Pupils as Percent of Population *(Primary & Secondary)*	10



	Calendar Years 1960	1961	1962	1963	1964 *Est.*
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)* * a/	34,470	35,620	36,850	38,400	39,700
Per Capita GNP *(dollars)*	79	80	81	82	83
Investment as percent of GNP	15	13	15	15	16
Domestic Savings as % of Investment	81	83	83	84	81
Net Foreign Balance as % of GNP	3	2	3	2	3
Agricultural Prod. Index *(1952-54 = 100)*	125	132	132	136	135
Index per Capita	109	112	109	111	107
Food Grains (Million MT)	66	68	67	70	70
Industrial Prod. Index *(1958 = 100)*	120	129	138	152	159(6 mos.)
INTERNATIONAL TRADE *($ millions)* b/					
Total Exports *(f.o.b.)*	1,324	1,403	1,433	1,684	1,675
Tea (Customs Basis)	(260)	(257)	(271)	(259)	(270)
Total Imports *(c.i.f.)*	2,322	2,113	2,292	2,584	2,775
Trade Balance	-998	-710	-859	-900	-1,100
GOLD & FOREIGN EXCHANGE (*end of FY – $ millions*)	667	662	660	700	561(Aug.)
COST OF LIVING INDEX *(1958 = 100)*	107	109	112	116	129

CENTRAL GOVERNMENT FINANCES *
(FY Ending March 31)

	– Million Dollar Equivalents – 1963	1964 (Rev. Bud.)	1965 (Budget)
Total Expenditures	5,662	7,217	7,707
(Defense Expenditures)	(1,037)	(1,742)	(1,841)
(Capital Outlays)	(2,482)	(3,082)	(3,201)
Total Domestic Revenues c/	3,954	4,797	5,251
As percent of GNP c/	10.7%	12.0%	12.2%
Deficit (–) or Surplus (+)	-1,708	-2,420	-2,456

* Converted at 4.762 rupees per U.S. dollar.

a/ FY beginning April 1.
b/ Payments basis; FY begining April 1 of year stated.
c/ In addition to the Central Government, the Provincial Governments levy substantial revenues of their own, amounting to an estimated amount of $2,000 million for the FY 1964/65.

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	337.2	335.0	335.0-385.0
Technical Cooperation	6.9	8.2	8.5
Total A.I.D. Assistance	334.1	343.2	343.5-393.5

U.S. Objectives and Assistance Policy

U.S. objectives are to help India remain free and independent, promote close and friendly relations between India and other free world countries, and improve India's capacity to resist encroachments from Communist China.

Achievement of these objectives requires India to sustain economic expansion at rates sufficient to maintain the confidence of the Indian people in the ability of their democratic system to improve standards of living for the masses as well as to finance higher defense needs. Thus India is one of the major development support countries and assistance from the United States provides a critical margin enabling India to press forward with the attack on the political, economic and institutional problems. India's size, resource potential, self-help record, and the importance of its development to the Free World make it one of the major recipients of U.S. assistance.

As a reaction from the Chinese attack on India in 1962, defense expenditures rose from $700 million in 1961 to an estimated $1.8 billion in 1964, with yearly imports of military goods of about $250 million, imposing an additional heavy burden on the country's limited resources. Despite the defense burden, the government is attempting to accelerate the development program as the best means of improving living standards and providing the resources for defense. To reduce inflationary pressures and to avoid excessive diversion of resources from development, the government now is limiting foreign exchange expenditures for defense to $1.5 billion over a five-year period. This also will require corresponding restraints on domestic defense expenditures.

India continues to adhere to the principle of planned economic development, but the strains of transition from the Nehru regime, the Indian realization of the slowdown in development progress, particularly in food production, and the shock of the Red Chinese aggression, have required India to re-evaluate the adequacy of its objectives and policies. Therefore, opportunities which did not exist before may arise to use U.S. assistance to encourage more efficient use of resources and adoption of more liberal economic policies. U.S. assistance can thus play an important role in improving Indian policies.

Achievement, Self-Help, the Role of Other Donors

In 1951 India initiated the first of its development plans, which are aimed ultimately at eliminating its reliance on external assistance for growth. India was determined, in the process, to create an institutional framework consistent with and contributing to the strengthening of a democratic society.

Since 1951 industrial production increased 110% with coal production doubling, steel capacity increasing by five times and installed electrical generating capacity by four times. Agricultural production increased by 40% although the increase was not enough to keep pace with both population growth and improved diets. Malaria, which formerly incapacitated 100 million people each year, has been almost eliminated. School attendance has more than doubled. Wells for potable water are increasing at the rate of 85,000 a year. Government revenues, which in 1951 amounted to only about 5% of GNP have risen to about 12% in 1964. Investment has climbed to 16% of GNP in 1964 from the earlier level of 13% in 1961. During the first two Five-Year Plans, about $24 billion was invested for development without serious pressure on domestic prices.

U.S. assistance has been concentrated principally in the fields of power, transportation, agriculture and education, all of which have been major bottlenecks to Indian economic development. Twenty-two Development Loans totaling about $435 million have been made for power projects alone. When U.S. financed plants under construction have been completed, total installed capacity will increase by 4,300 MW. Six equipment loans totaling $190 million have been extended to the Indian railways to finance about 380 diesel and 138 electric locomotives. The Indian Railways now have expanded their facilities for the production of locomotives and wagons so that large-scale imports will no longer be required. Loans also have been extended to development banks and substantial commodity assistance and project loans were made available to finance other private sector activities. In addition, over $75 million in Cooley Loans have been approved for projects to manufacture paper, rubber, aluminum, heavy engineering, machine tools, etc., since January 1962. Over 100 investment guaranties have been approved since 1958.

Under the Third Five-Year Plan, ending in March 1966, about $25 billion will have been spent by India for development purposes. Despite impressive gains in industry and in expanding power and transportation facilities, it is now clear that the production goals of the Plan will not be reached. As anticipated, unemployment will be higher at the end of the Plan, even though employment will have risen.

The most pressing problem is inadequate growth in agriculture. Rising food prices and resulting political pressures have stimulated debate within the Indian government on agriculture policy. The Indian Government and the United States are making major efforts to increase the supplies and use of fertilizer. India, with the support of A.I.D. program assistance, is planning to increase the imports of fertilizer by about one-third in 1965, and the government is discussing with potential U.S. investors a major investment in fertilizer production. A system of incentive prices for producers is being tried in some states. Efforts are under way to set up buffer stocks of foodgrains and strengthen the marketing organization to assure provision to consumers of adequate supplies at reasonable prices. India's consideration of new ideas offers the United States a unique opportunity to support India's efforts through selective use of U.S. assistance.

U.S. development assistance is provided through a Consortium organized by the IBRD to coordinate economic assistance from free world countries. The IBRD and free world countries other than the United States provided about 60% of the assistance received by India through the Consortium. The United States provided the other 40%. In addition, the Soviet bloc has extended over $1 billion outside the Consortium.

India Consortium Pledges for the First Four Years of Third Plan

(In millions of dollars)

	1961-64	1964-65	4-Year Total
U.S. Total[a]	1,415.0	435.0	1,850.0
A.I.D.	(1,242.5)	(385.0)	(1,627.5)
Ex-Im Bank	(172.5)	(50.0)	(222.5)
Others			
IBRD & IDA	695.0	245.0	940.0
W. Germany	463.5	95.0	558.5
United Kingdom	350.0	84.0	434.0
Japan	170.0	60.0	230.0
Six Others[b]	323.5	109.0	432.5
Total	3,417.0	1,028.0	4,445.0

a/ Excludes P.L. 480.
b/ Austria, Belgium, Canada, France, Italy and Netherlands.

The amount of assistance India receives is large. Nevertheless, India finances about 80% of its development costs from its own resources.

Service on India's external debt is expected to amount to over $1 billion during the Third Plan (1961-1966). This figure will more than double during the Fourth Plan (1966-1971), given continuation of lending at recent rates and terms. Therefore, it is essential that all donors offer the best possible terms on new loans.

FY 1966 Program

A.I.D. assistance will continue to be extended principally on a loan basis. As a result of prior assistance and its own efforts, India now produces much of the machinery and other capital equipment needed for development. This situation permits using more than one-half of A.I.D. loans for financing raw materials, spare parts, and other critically needed imports. This kind of development assistance, which goes largely to the private sector, makes possible fuller use of existing productive capacity and is as necessary to the success of the development program as is the financing of individual projects.

Program lending also offers India the most effective kind of support in meeting the risks and financing the direct or indirect foreign exchange costs of adopting changes in policy to make more effective use of resources. Liberalization of the present system of import, exchange and investment controls would tend to stimulate private activity. Such changes may require higher levels of program assistance.

In view of the greater emphasis on agriculture and the efforts by the Indian Government to offset earlier shortfalls from Plan targets, project loan funds will also be needed to finance fertilizer production. In addition, we expect projects to augment power and transportation facilities. The actual size of the pledge at the Consortium meeting to be held in the Spring of 1965 will depend on studies now under way by the United States and the IBRD, and on the contributions of others.

In view of continuing food shortages, it is expected that requirements for food grains, vegetable oils and other products under Title I of P.L. 480 will be about $400 million in FY 1966, which is about the average of such sales during the preceding three years.

The Technical Cooperation program of $8.45 million concentrates on increasing operating and managerial competence in agriculture and industry. Funds also will be used to improve the quality of Indian technical, engineering and agricultural education at the university level principally through contracts with U.S. universities such as Ohio State, Teachers College of Columbia University, Purdue, California Institute of Technology, Massachusetts Institute of Technology, Illinois, Kansas State and Missouri. A new program, designed to reorient the teaching of science and mathematics at the secondary school level is under way, with very significant efforts being put forward by the Indian government. In 1964, 2,200 Indian faculty members were introduced to the new American approach to science teaching. These programs will increase the supply of skilled people required to design and manage India's capital investments. Funds will be used for training both in India and in the United States of scientists and technicians now working in India's agricultural extension and research services.

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India

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

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PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	57.3	342.5	89.8	137.0	194.6	200.8	465.5	397.2	336.5	2,221.0	124.4	2,096.6
Loans a/	-	-	130.0	75.0	120.0	171.3	180.1	445.9	392.3	330.6	1,845.2	124.4	1,720.8
Grants	-	57.3	212.5	14.8	17.0	23.3	20.7	19.6	4.9	5.9	375.8	-	375.8
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.6	362.7	63.5	229.7	550.2	387.5	282.8	329.7	501.1	2,707.9	35.5	2,672.4
Title I - (Total Sales Agreements)	(-)	(-)	(354.6)	(50.0)	(237.9)	(616.9)	(412.8)	(288.3)	(351.2)	(520.9)	(2,832.6)	(-)	(2,832.6)
Less: (Planned for U.S. Uses)	(-)	(-)	(74.3)	(8.1)	(27.6	(78.8)	(44.1)	(31.7)	(35.1)	(52.1)	(351.8)	(-)	(351.8)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	280.3	41.9	210.3	538.1	368.8	256.6	316.1	468.8	2,480.9	35.5	2,445.4
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	54.0	-	37.5	253.6	174.1	121.1	149.2	195.8	985.3	-	985.3
104e - Loans to Private Industry	-	-	-	12.5	65.0	30.9	20.6	14.4	17.7	26.0	187.1	5.6	181.5
104g - Loans to Governments	-	-	226.3	29.4	107.8	253.6	174.1	121.1	149.2	247.0	1,308.5	30.0	1,278.5
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	4.0	-	2.1	-	-	-	-	6.1	-	6.1
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	4.9	-	-	-	0.3	3.4	-	7.8	16.4	-	16.4
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.6	77.5	17.6	19.4	10.0	18.4	22.8	13.6	24.5	204.5	-	204.5
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	151.8	-	13.6	79.5	25.7	40.3	57.2	368.2	47.5	320.7
OTHER U.S. ECONOMIC PROGRAMS	39.9 b/	190.8	-	-	-	-	-	0.4	1.0	1.7	233.8	66.5	167.3
TOTAL ECONOMIC	39.9	248.7	705.2	305.1	366.7	758.4	667.8	774.4	768.2	896.5	5,530.9	273.9	5,257.0
Loans	39.9	190.2	356.3	268.7	292.8	469.4	454.3	607.1	599.5	660.8	3,939.1	273.9	3,665.2
Grants	-	58.5	348.9	36.4	73.9	289.0	213.5	167.3	168.7	235.7	1,591.8	-	1,591.8
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	-	-	-	-	-	-	37.1	23.1	108.7	-	108.7
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(3.2)	(13.3)	(21.3)	(-)	(13.6)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-	-	-	-	37.1	23.1	108.7	-	108.7
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	37.1	23.1	108.7	-	108.7
TOTAL ECONOMIC AND MILITARY	39.9	248.7	705.2	305.1	366.7	758.4	667.8	774.4	805.3	919.6	5,639.6	273.9	5,365.7
Loans	39.9	190.2	356.3	268.7	292.8	469.4	454.3	607.1	599.5	660.8	3,939.1	273.9	3,665.2
Grants	-	58.5	348.9	36.4	73.9	289.0	213.5	167.3	205.8	258.8	1,700.5	-	1,700.5

a/ Does not include $20.0 million loan in FY 1958 financed by Asian Economic Development Fund. b/ Includes the utilization during FY 1946 of $29.2 million of lend-lease silver credits.

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	29.9	-	847.1
UN Tech. Ass't. (CY)	3.8	2.3	29.2
UN Special Fund	3.5	5.7	25.6
Int'l. Dev. Association	178.0	90.0	390.0
Int'l. Finance Corp.	0.9	5.5	8.0

SINO-SOVIET BLOC ASSISTANCE

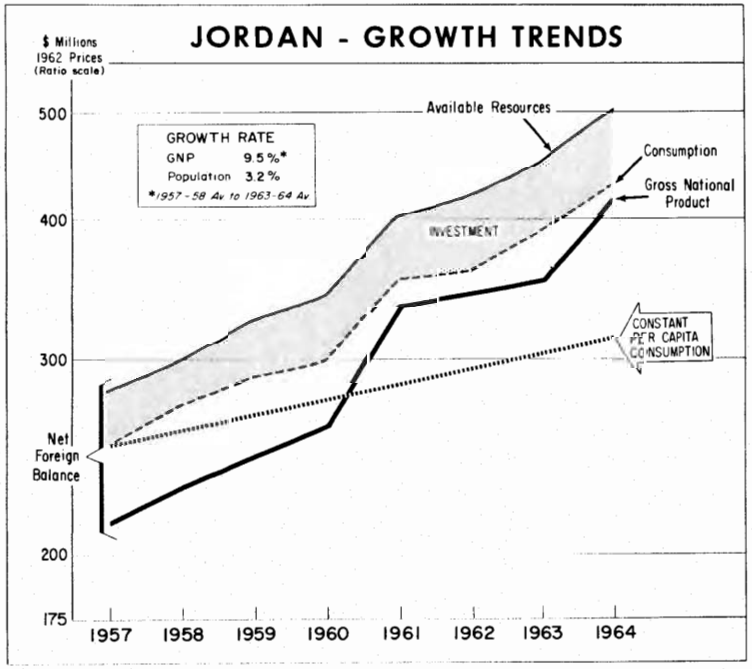
1963 (Calendar Year)	-
1964 (Calendar Year)	284
Cumulative Thru 1964	1,266

CONFIDENTIAL

Jordan - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	1.86
Annual Growth Rate *(percent)*	3.2
Area *(1000 square miles)*	37
Population Density per square mile	50
Agricultural Land as % of Total Area	13
Percent of Population in Agriculture	75
Life Expectancy *(years)*	n.a.
People per Doctor	4,800
Literacy Rate *(percent)*	35-40
Pupils as Percent of Population *(Primary & Secondary)*	17



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	261	334	343	350	415
Per Capita GNP *(dollars)*	158	197	196	194	223
Investment as percent of GNP	17	15	18	17	18
Domestic Savings as % of Investment	-88	-39	-25	-68	-20
Net Foreign Balance as % of GNP	31	21	22	29	22
Agricultural Prod. Index *(1952-54 = 100)*	60	147	88	92	196
Index per Capita	50	118	68	69	143
Wheat (1,000 MT)	44	140	110	75	290
Phosphate Rock (1,000 MT)	360	420	680	615	615
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	11	15	17	18	25
Vegetables and Fruits	(4)	(5)	(6)	(7)	n.a.
Total Imports *(c.i.f.)*	120	117	128	143	150
Trade Balance	-109	-102	-111	-125	-125
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	86	95	114	95	124(Oct.)
WHOLESALE PRICE INDEX (1958=100)	111	96	93	102	91

CENTRAL GOVERNMENT FINANCES ✱ — *Million Dollar Equivalents* —

FY Ending March 31)	1963	1964 (Rev. Bud.)	1965 (Budget)
Total Expenditures	107.3	112.3	133.1
(Defense Expenditures)	(53.8)	(59.0)	(59.0)
(Capital Outlays)	(22.4)	(18.3)	(33.6)
Total Domestic Revenues	59.1 a/	53.9	59.2
As percent of GNP	17.2% a/	15.0%	14.4%
Deficit (–) or Surplus (+)	-48.2	-58.4	-73.9

✱ Converted at $2.80 per Jordanian dinar.

a/ Includes $10 million extraordinary receipts from accumulated Tapline fees.

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

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	-	a/	15.0
Technical Cooperation	5.7	6.3	4.6
Supporting Assistance	34.0	33.0	32.0
Total A.I.D. Assistance	39.7	39.3	51.6

a/ Eligible for development lending.

U.S. Objectives and Assistance Policy

Jordan's independence and stability are primary U.S. objectives. Its collapse could disrupt the political balance in the Near East and perhaps lead to a renewal of Arab-Israeli hostilities.

U.S. aid policy is designed to help the Government of Jordan broaden the base of its support and increase its capacity to meet current and capital development costs. In order to reduce budget and balance-of-payments' deficits, the Government of Jordan must increase its domestic revenues, limit increases in ordinary expenditures, devote an increasing proportion of its expenditures to development, improve management of its financial and institutional resources, and engage in sound project planning which concentrates on income and revenue-producing activities. The United States, for its part, is prepared to continue budget support and, subject to the Government of Jordan's performance in increasing domestic revenues and restraining ordinary expenditures, provide Development Loans for projects which can improve Jordan's foreign exchange position and increase the base for revenue collection.

The economic and technical assistance provided in the past created a base for continued growth and made it possible gradually to reduce U.S. budget support. We shall continue this policy in FY 1966. In addition, A.I.D. is supporting carefully selected Technical Cooperation projects for income and revenue-producing activities, as well as for improved government management of financial and institutional resources. The Military Assistance and public safety programs help Jordan strengthen its internal security and defense capabilities.

Achievement, Self-Help, the Role of Other Donors

Jordan has always been heavily dependent on external foreign aid, formerly provided by budget subsidy from the United Kingdom. In 1957, Jordan terminated the Anglo-Jordanian Treaty of Alliance and, in view of the rapidly deteriorating situation and the danger that dismemberment of Jordan could produce area-wide violence, the United States assumed the burden. Since then we have provided the major financial contribution to sustain Jordan's essential government operations, although other donors have provided additional amounts.

Until recently, prospects for economic independence were extremely poor, and U.S. aid could be little more than a political holding action. However, the large amounts of economic and technical assistance applied over the last ten years have created a minimal economic and administrative base, and Jordan's general level of economic activity has shown continuing improvement. Gross investment, relying heavily on foreign resources, has been increasing steadily since 1959. A highway system now connects all the major sections and cities of the country.

Agricultural production has improved. Although several years of drought affected the wheat crop, output of other products increased, due largely to rapid development of canal and well irrigation along with improved extension services and agricultural credit. Sufficient rain in 1964 has resulted in bumper crops, and it is estimated that total agricultural production in 1964 will exceed the combined production of 1962 and 1963.

Earnings from tourism are increasing sharply -- from $8 million in 1959 to $16 million in 1963 and an estimated $22 million in 1964.

A number of self-help measures undertaken in 1962 are being implemented slowly despite successive changes in government. Probably the most significant achievement in 1964 was enactment of a new Income Tax Law which had been under debate for several years. The law provides for broader coverage, more equitable assessment and more effective collection. Customs duties were again revised upward in 1964. The new Central Bank, established in 1963, began operations in 1964. Jordan's FY 1965 budget was drawn up by the new Budget Department in accordance with the new budget law. Also in 1964, Jordan eliminated certain unsound policies in civil service administration, such as paying pensions to civil and military personnel on active duty and making salary advances to all employees at the beginning of the fiscal year. Strong government support of cooperatives is continuing, with increased concentration on the East Ghor area.

During the past two years, Jordan re-examined its first attempt to formulate a Development Plan and the cabinet is now studying a

revised draft. The areas selected for concentration of investment -- agricultural production (including water resources), tourism, import substituting industries and mining -- are agreed to be the most promising for reducing reliance on foreign aid.

This favorable assessment, which reflects recent economic developments and the apparent determination of the government to improve resource use, does not imply that Jordan will be able to support its current budget expenditures from its own resources in the near future. Expenditures for defense and public security now total nearly $60 million and account for about half of total government expenditures. To reduce the budget deficit, Jordan must limit increases in recurring expenditures, and take further decisive actions to capture tax proceeds obtained from increased production. For some time to come, Jordan will face difficult problems for which it will require substantial budget support. The present balance-of-payments deficit presents an equally difficult problem, even though there are good prospects for some improvement, primarily from tourism and an increase in agricultural production to replace agricultural imports.

Israel's water withdrawals from Lake Tiberias, following the opening of the National Water Conduit early in 1964, have spurred Arab States' plans for offsetting storage and use of Upper Jordan waters, as well as increased military defenses. Although these are intended to be financed by contributions from other Arab States, increased economic and military commitments under these plans constitute potential additional demands on Jordan's own budget.

The United Kingdom shares with the United States the cost of budget support and has provided $4.2 million in untied budget support annually since FY 1963, as well as technical assistance and non-interest bearing development loan assistance amounting to about $2 million a year. West Germany has made available about $600,000 for technical assistance annually for the past three years. A loan agreement of $3.8 million for expansion of Aqaba Port facilities was made in 1962. Additional German capital assistance is earmarked for future use: $3.8 million for further port expansion; $5 million for the Aqaba Railway; and $200,000 for a hotel training center. Kuwait extended a $21 million loan in 1962 for development projects, including phosphate production and a storage dam on the Yarmouk River. In 1964 Kuwait extended a $14 million loan in untied assistance, nearly all of which will be devoted to the capital budget. The UN and other international agencies also give technical and loan assistance to Jordan. International Development Association (IDA) loans in FY 1964 totaled $6.5 million for agricultural credit and municipal water supplies. In addition, United Nations Relief and Works Agency (UNRWA) assistance to Palestine refugees in Jordan totals $15 million annually.

FY 1966 Program

The United States has steadily reduced its Supporting Assistance grants -- from $40 million in FY 1961 to $33 million in FY 1965, and to a proposed $32 million in FY 1966. The United States will review new development activities which might be eligible for Development Loans. Among projects which are potential candidates for such financing are production of potash, an industrial development bank, and further expansion of irrigation and storage facilities.

Technical Cooperation and Development Grants totaling $4.6 million is proposed for FY 1966. Approximately half is concentrated in three priority areas which serve to save foreign exchange and to increase national income and government revenue -- the East Ghor Irrigation project, development of ground water resources by the Central Water Authority, and tourism. These projects are supported also by Jordan Army personnel and equipment under the Civic Action program. Tax and budget advisors are helping Jordan increase its revenue and improve government management. Additional assistance will help improve the government's technical and administrative capabilities in other departments. P.L. 480 Title III assistance through registered voluntary relief agencies such as CARE, Church World Service and Lutheran World Relief, will be continued.

Jordan

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	4.7	49.2	32.7	49.1	47.8	47.5	42.8	42.0	38.6	354.3	1.9	352.4
Loans	-	-	-	-	3.7	-1.0	1.0	-1.0	-	-0.2	2.5	1.9	0.6
Grants	-	4.7	49.2	32.7	45.4	48.8	46.5	43.8	42.0	38.8	351.9	-	351.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.4	4.3	4.7	14.4	3.2	20.3	1.5	13.8	11.8	74.3	-	74.3
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(3.0)	(3.0)	(-)	(3.0)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(2.3)	(2.3)	(-)	(2.3)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	-	-	-	0.8	0.8	-	0.8
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	0.8	0.8	-	0.8
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	-	3.5	12.4	1.6	17.4	0.2	11.9	10.0	56.9	-	56.9
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.4	4.3	1.2	2.0	1.6	2.9	1.3	1.9	1.0	16.6	-	16.6
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	1.6	-	-	1.6	-	1.6
OTHER U.S. ECONOMIC PROGRAMS	-	0.1	1.2	-	-	-	-	-	-	-	1.3	-	1.3
TOTAL ECONOMIC	-	5.2	54.7	37.4	63.5	51.0	67.8	45.9	55.8	50.4	431.5	1.9	429.6
Loans	-	-	-	-	3.7	-1.0	1.0	0.6	-	-0.2	4.1	1.9	2.2
Grants	-	5.2	54.7	37.4	59.8	52.0	66.8	45.3	55.8	50.6	427.5	-	427.5
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	-	8.5	2.2	2.9	1.9	2.6	2.5	7.4	32.4	-	32.4
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(0.5)	(-)	(0.1)	(0.3)	(0.2)	(-0.2)	(*)	(1.0)	(-)	(1.0)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	8.5	2.2	2.9	1.9	2.6	2.5	7.4	32.4	-	32.4
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	-	8.5	2.2	2.9	1.9	2.6	2.5	7.4	32.4	-	32.4
TOTAL ECONOMIC AND MILITARY	-	5.2	54.7	45.9	65.7	53.9	69.7	48.5	58.3	57.8	463.9	1.9	462.0
Loans	-	-	-	-	3.7	-1.0	1.0	0.6	-	-0.2	4.1	1.9	2.2
Grants	-	5.2	54.7	45.9	62.0	54.9	68.7	47.9	58.3	58.0	459.9	-	459.9

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
UN Tech. Ass't. (CY) ...	0.5	0.4	4.3
UN Special Fund	1.1	-	1.9
Int'l. Dev. Association	-	6.5	8.5

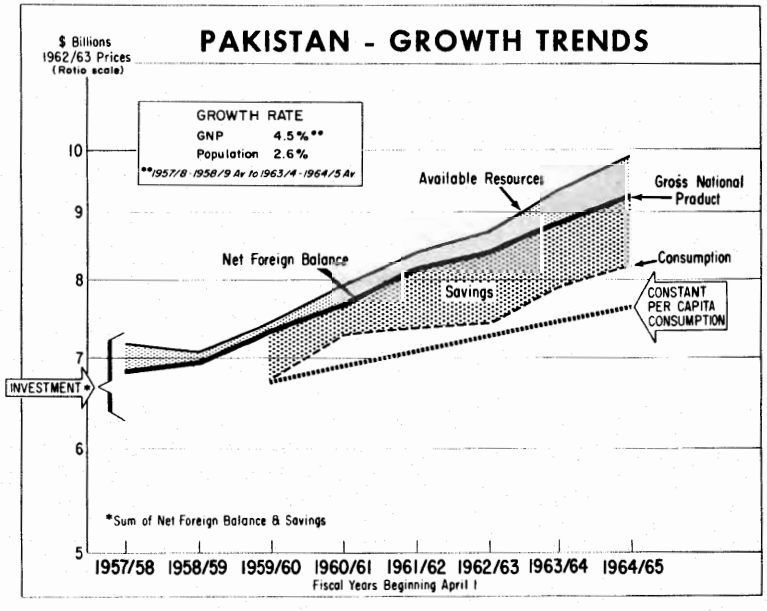
SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Pakistan - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	110.9
Annual Growth Rate *(percent)*	2.6
Area *(1000 square miles)*	365
Population Density per square mile	304
Agricultural Land as % of Total Area	27
Percent of Population in Agriculture	75
Life Expectancy *(years)*	40-45
People per Doctor	7,300
Literacy Rate *(percent)*	20
Pupils as Percent of Population *(Primary & Secondary)*	7



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)** a/	7,634	8,116	8,340	8,800	9,180
Per Capita GNP *(dollars)*	75	78	78	80	82
Investment as percent of GNP	10	12	14	16	17
Domestic Savings as % of Investment	62	79	72	64	61
Net Foreign Balance as % of GNP	4	2	4	6	7
Agricultural Prod. Index *(1952-54=100)*	117	123	124	132	129
Index per Capita	101	103	102	106	100
Rice, Rough (1,000 MT)	16,070	16,130	14,960	17,740	16,170
Industrial Prod. Index *(1958=100)*	119	126	150	171	180(3 mos.)
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	393	400	397	417	400
Jute, Raw	(169)	(188)	(163)	(154)	(150)
Total Imports *(c.i.f.)*	654	642	738	889	1,000
Trade Balance	-261	-242	-341	-472	-600
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	318	280	284	306	280(Sept.)
COST OF LIVING INDEX *(1958=100)*	103	105	105	106	109

CENTRAL GOVERNMENT FINANCES* (FY Ending June 30)	– Million Dollar Equivalents – 1963	1964 (Rev. Bud.)	1965(Budget)
Total Expenditures	1,072	1,397	1,600
(Defense Expenditures)	(216)	(274)	(287)
(Capital Outlays)	(542)	(688)	(805)
Total Domestic Revenues b/	639	770	881
As percent of GNP b/	7.7%	8.7%	9.3%
Deficit (–) or Surplus (+)	-433	-627	-719

* Converted at 4.762 rupees per U.S. dollar.

a/ FY beginning July 1.

b/ In addition to the Central Government, the Provincial Governments levy substantial revenues of their own, amounting to an estimated amount of $450 million for the FY 1964/65.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	227.3	190.0	190.0-210.0
Technical Cooperation	8.9	8.4	8.5
Contingency Fund	a/	XXX	XXX
Total A.I.D. Assistance	236.2	198.4	198.5-218.5

a/ $6 thousand.

U.S. Objectives and Assistance Policy

The objectives of U.S. assistance are to help Pakistan maintain its independence and strengthen its national unity, continue its major developmental effort, retain its Western orientation, continue to provide the United States with strategic facilities, contribute to the development of friendly and cooperative relationships among the countries in the region, and cooperate in bolstering South Asia against Communist pressures. These objectives are served by Pakistan's alliance relationship with the United States and its membership in the Central Treaty Organization (CENTO) and the Southeast Asia Treaty Organization (SEATO).

Frustrated in its attempts to break the impasse with India over Kashmir, Pakistan regards increases in India's relative military strength as upsetting the power balance on the subcontinent, and posing a threat to Pakistan's security interests. In reaction to the U.S. decision to provide military aid to India following the Chinese Communist attack on that country in 1962, the Government of Pakistan intensified its efforts to seek wider support against India and concomitantly to influence U.S. policies toward India.

In following this course, Pakistan has broadened its relations with Communist China and expanded economic and political ties with other Afro-Asian countries, excepting India. This new posture has found considerable popular favor within Pakistan. It is not in our interest for Pakistan to take this road. By continuing our economic and military support, we believe we will be in a better position to influence Pakistan's policy. However, we have warned the Government that there is a serious risk to U.S.-Pakistan relations if Pakistan continues to pursue the trend of seeking a significantly closer relationship with Communist China. We have stated that such a shift to Peiping must inevitably reflect on the high priority we have given to supporting Pakistan in its development efforts. We believe Pakistan recognizes this.

The achievement of U.S. objectives depends not only on allocation of substantial aid, but also on Pakistan's own ability to use U.S. and other external resources effectively in the orderly development of its economy. In conjunction with other members of the Consortium organized by the IBRD to support Pakistan's general economic development, the United States reviewed Pakistan's Second Five Year Plan (1960-1965) and found it an adequate framework for development assistance.

We support several major areas essential to the success of the Plan. Agricultural development must be accelerated sharply to increase the food supply and improve living standards. Private enterprise must be given the necessary incentives, services and materials for increased industrial expansion. The upgrading of the education, skills and health of the population is basic to the long-run success of the development effort. Administrative controls must be reduced, particularly over imports, thereby permitting a better allocation and freer flow of resources to expanding industries. To finance an enlarged development effort, exports must be increased, savings and taxes raised, and resources more effectively allocated. Administrative efficiency of public agencies concerned with development must be raised.

Achievement, Self-Help, the Role of Other Donors

Since 1960 Pakistan's GNP has risen about 5% a year and the per capita increase was over 2% a year. Private sector investment has grown by 75%, exceeding plan targets. There have been major increases in large-scale manufacturing, construction, mining and public utilities. Agricultural production has increased, due in part to favorable weather conditions in three of the four years.

Economic policy changes in several areas have had a favorable impact on the development effort. U.S. aid has helped Pakistan make these adjustments. The most significant self-help measures undertaken by Pakistan have been the recent rise in domestic savings, the passage in 1963 of the largest tax increase in Pakistan's history, and the import reform in 1964. This import reform, instituted largely as a result of U.S. initiative and with U.S. and Consortium support, plus increased import taxes, made possible removal of controls over imports of many raw materials and spare parts. The United States regards these reforms, which are aimed at reducing idle industrial capacity

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and strengthening the role of the market mechanism, as one of the most important economic policy changes of the past year. Early indications are that this program is successfully stimulating private industrial activity.

It is now expected that by the close of Pakistan's Second Five Year Plan in June 1965, the increase in national income will have exceeded the 24% projected in the Plan. This will be accomplished through the mobilization of greater internal resources and with less foreign assistance than the Plan originally contemplated. With the end of a successful Second Plan, Pakistan will be in a position to accelerate its development even further.

The Third Plan, which will extend through FY 1970 and is now being prepared, aims at a GNP growth of 30%, a reasonable target considering recent successes. While the Third Plan envisages substantial increases in development expenditures, the relative external assistance portion is expected to decline from 44% of total development expenditures to about 35%. Pakistan hopes to bring this about by a greater mobilization of domestic resources.

In 1961, the IBRD organized an international Consortium for free world assistance to Pakistan. Over the four year period the United States has contributed a little over half the total committed in the Consortium.

	U.S. $ million equivalent		
	FY 1962-64	FY 1965	Total
United States a/	712.5	212.5	925.0
A.I.D.	(637.5)	(187.5)	(825.0)
Export-Import Bank	(75.0)	(25.0)	(100.0)
All Other Consortium	662.7	218.5	881.2
IBRD & IDA	(289.4)	(80.0)	(369.4)
Germany	(107.5)	(38.1)	(145.6)
Japan	(75.0)	(30.0)	(105.0)
United Kingdom	(70.0)	(22.4)	(92.4)
Canada	(57.0)	(23.6)	(80.6)
Other b/	(63.8)	(24.4)	(88.2)

a/ Excludes P.L. 480.
b/ Belgium, France, Italy and the Netherlands.

The Indus Basin project, which is an integral part of West Pakistan's water resources development program, is described in the section on Contributions to International Organizations. (See page 33).

FY 1966 Program

Within the Consortium framework, A.I.D. program loans will again be made to finance the raw materials, equipment and spare parts which are an integral part of Plan requirements and are essential to its successful implementation. The bulk of U.S. program assistance goes to the private sector and is an important element in maintaining the pace of private investment activity. Based on the U.S. Consortium pledge for FY 1965, we have used the negotiations for the $140 million U.S. program loan to help Pakistan put into effect the liberalization of import requirements of essential raw materials to support higher levels of industrial production. For FY 1966, we plan to support further reforms along these lines, using the scale and timing of program assistance as the most effective instrument for supporting desirable Pakistan policy changes.

Acceleration of the development program and completion of feasibility studies for roads, power and water resources, are expected to result in a substantial number of project loan requests in FY 1966. Additional financing may also be made available through existing private financial institutions in Pakistan for the rapidly expanding private sector.

The actual U.S. pledge at the 1965 meeting of the Pakistan Consortium will depend on the Consortium assessment of Pakistan's requirements and performance, and on the contribution of other Consortium members.

It is estimated that Pakistan will use some $200 million in U.S. surplus agricultural products under the Food for Peace Title I program in FY 1966, or somewhat more than the level of the past several years. Approximately 1.5 million MT wheat will be made available, which will enable Pakistan with a production of about 16 million MT to meet its subsistance needs.

The Technical Cooperation program will emphasize agricultural improvement. An integrated agricultural productivity program in West Pakistan is focused on reversing the encroachment of waterlogging and salinity on arable land. A pilot scheme is demonstrating the value of the techniques applied. Loans will be made in support of this program. In East Pakistan, where rice is the main diet item, the goal is to double rice production by 1985 by using small pumps for irrigation, improving extension services, and through a large-scale rural works program supported by Food for Peace local currency funds. Work with agricultural universities, such as Texas A&M in East Pakistan and Washington State University in West Pakistan, supports these programs.

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To promote and encourage private enterprise, the United States is continuing its support for the Investment Advisory Center, which provides services to identify and develop new investment opportunities. Assistance will be given to improve administration in the major public or semi-private institutions which are primarily concerned with development activities. Also, to help promote private enterprise in Pakistan, A.I.D. has authorized $8.4 million in Cooley loans since January 1962. These loans were used for construction of facilities for the manufacture of tires, pharmaceuticals and sewing machines, as well as of hotels, bulk storage and jute milling plants. Under the Investment Guaranty Agreement with Pakistan, there are 22 active contracts totaling over $85 million.

A continuing Technical Cooperation project in public safety is aimed at improving the capability of Pakistan police services to maintain public order.

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Pakistan

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

CONFIDENTIAL

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	10.6	330.3	92.9	162.7	198.6	124.2	240.1	174.3	213.9	1,547.6	59.9	1,487.7
Loans	-	-	103.0	38.6	63.2	102.0	27.2	207.1	169.4	206.0	916.5	59.9	856.6
Grants	-	10.6	227.3	54.3	99.5	96.6	97.0	33.0	4.9	8.0	631.2	-	631.2
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.1	169.5	67.1	72.3	99.2	41.4	159.5	185.4	163.8	958.6	18.7	939.9
Title I - (Total Sales Agreements)	(-)	(-)	(118.9)	(65.4)	(85.9)	(114.6)	(45.2)	(168.0)	(155.4)	(155.4)	(908.8)	(-)	(908.8)
Less: (Planned for U.S. Uses)	(-)	(-)	(17.0)	(8.2)	(14.2)	(16.5)	(6.2)	(11.1)	(9.3)	(9.3)	(91.8)	(-)	(91.8)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	101.9	57.2	71.6	98.0	39.0	156.9	146.1	146.1	817.0	18.7	798.1
104c - Grants for Common Defense	-	-	74.3	5.0	-	-	-	-	-	-	79.3	-	79.3
104e - Grants for Economic Development	-	-	5.0	15.0	32.4	48.7	20.6	112.9	107.2	107.2	449.0	-	449.0
104e - Loans to Private Industry	-	-	-	6.4	3.1	8.2	2.5	8.5	7.8	7.8	44.3	1.4	42.9
104g - Loans to Governments	-	-	22.6	30.8	36.1	41.1	15.9	35.5	31.1	31.1	244.2	17.3	226.9
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	40.6	8.0	-	-	-	-	35.5	10.7	94.8	-	94.8
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.1	27.0	1.9	0.7	1.2	2.4	2.6	3.8	7.0	46.8	-	46.8
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	- a/	3.2	-	3.5	6.4	37.9	-	-	51.0	6.0	45.0
OTHER U.S. ECONOMIC PROGRAMS	0.1	0.4	67.4	-	-	-	-	1.1	2.3	1.9	73.2	0.1	73.1
TOTAL ECONOMIC	0.1	11.1	567.2	163.2	235.0	301.3	172.0	438.6	362.0	379.6	2,630.4	84.7	2,545.7
Loans	0.1	-	125.6	79.0	102.4	154.8	52.0	289.0	208.3	244.9	1,256.1	84.7	1,171.4
Grants	-	11.1	441.6	84.2	132.6	146.5	120.0	149.6	153.7	134.8	1,374.2	-	1,374.2
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	157.5	93.8	104.4	79.6	56.7	29.1	65.9	43.4	677.0	-	677.0
(Additional Grants from Excess Stocks)	(-)	(-)	(3.8)	(2.1)	(2.9)	(5.5)	(1.1)	(2.4)	(1.7)	(2.5)	(22.4)	(-)	(22.4)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	157.5	93.8	104.4	79.6	56.7	29.1	65.9	43.4	677.0	-	677.0
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	157.5	93.8	104.4	79.6	56.7	29.1	65.9	43.4	677.0	-	677.0
TOTAL ECONOMIC AND MILITARY	0.1	11.1	724.7	257.0	339.4	380.9	228.7	467.7	427.9	423.0	3,307.4	84.7	3,222.7
Loans	0.1	-	125.6	79.0	102.4	154.8	52.0	289.0	208.3	244.9	1,256.1	84.7	1,171.4
Grants	-	11.1	599.1	178.0	237.0	226.1	176.7	178.7	219.6	178.2	2,051.2	-	2,051.2

a/ PL 77 Wheat to Pakistan. Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	42.9	62.0	361.2
UN Tech. Ass't. (CY)	1.6	1.2	14.9
UN Special Fund	-	1.2	12.5
Int'l. Dev. Association	11.5	146.5	179.0
Int'l. Finance Corp.	0.4	-	5.8

SINO-SOVIET BLOC ASSISTANCE

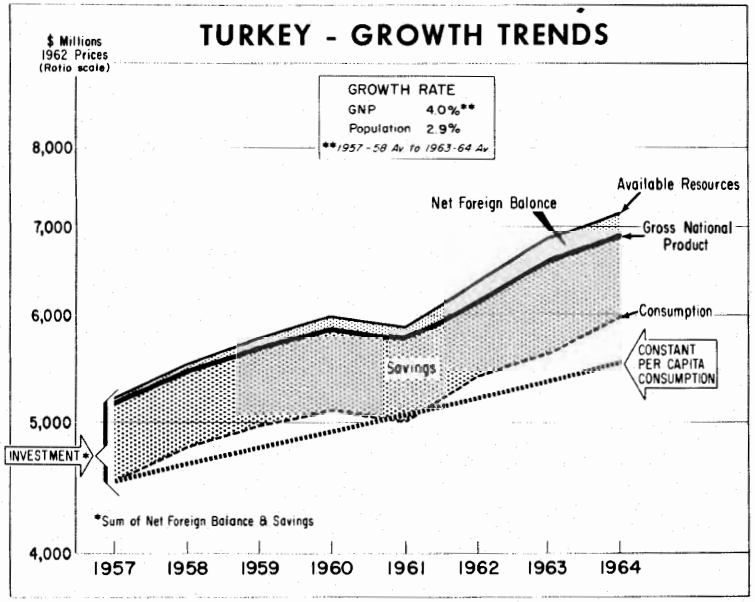
1963 (Calendar Year)	-
1964 (Calendar Year)	99
Cumulative Thru 1964	132

CONFIDENTIAL

Turkey - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	30.8
Annual Growth Rate *(percent)*	2.9
Area *(1000 square miles)*	300
Population Density per square mile	103
Agricultural Land as % of Total Area	69
Percent of Population in Agriculture	72
Life Expectancy *(years)*	48
People per Doctor	2,000
Literacy Rate *(percent)*	35
Pupils as Percent of Population *(Primary & Secondary)*	13



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	5,882	5,775	6,130	6,590	6,850
Per Capita GNP *(dollars)*	214	204	210	220	222
Investment as percent of GNP	15	16	16	18	17
Domestic Savings as % of Investment	87	86	75	79	74
Net Foreign Balance as % of GNP	2	2	4	4	4
Agricultural Prod. Index *(1952-54 = 100)*	124	121	125	137	135
Index per Capita	102	97	97	103	99
Wheat (1,000 MT)	7,080	6,120	6,800	7,890	7,080
Cement Production (1,000 MT)	2,040	2,030	2,330	2,680	3,000
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	321	347	381	368	350
Tobacco	(65)	(95)	(96)	(66)	n.a.
Total Imports *(c.i.f.)*	468	509	622	691	600
Trade Balance	-147	-162	-241	-323	-250
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	203	194	189	178	118(Oct.)
COST OF LIVING INDEX *(1958 = 100)*	133	137	143	153	155

CENTRAL GOVERNMENT FINANCES ✱ (FY Ending February 28)	– Million Dollar Equivalents – 1963P	1964(Budget)	1965(Budget)
Total Expenditures	1,086	1,295	1,469
(Defense Expenditures)	(336)	(371)	(388)
(Capital Outlays)	(345)	(315)	(410)
Total Domestic Revenues	916	1,103	1,251
As percent of GNP	14.9%	15.8%	17.3%
Deficit (–) or Surplus (+)	-170	-192	-218

✱ Converted at 9 lira per U.S. dollar. P - Preliminary.

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

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	121.8	110.0-150.0	140.0
Technical Cooperation	4.2	4.2	4.2
Supporting Assistance	6.4	XXX	XXX
Total A.I.D. Assistance	132.4	114.2-154.2	144.2

U.S. Objectives and Assistance Policy

The principal objective of U.S. assistance is to help Turkey develop sufficient economic and military strength and political cohesiveness so that it can better fulfill its role as a member of the Western Alliance. A valuable member of NATO and CENTO, Turkey provides strategically important facilities to NATO and the United States.

Progress toward this objective depends in large measure on continued economic growth. A national election is to be held in the fall of 1965. Because both major parties are dedicated to the economic development of Turkey, we expect that reform and development efforts will be continued under the guidance of either party.

In 1962 Turkey prepared a comprehensive development plan to respond to the social and economic needs of its increasing population. The plan's target is a sustained 7% annual increase in GNP. The United States supports this effort and intends to help Turkey capitalize further on the progress made thus far. Turkey has been able to maintain its financial stability, increase investment, encourage exports, increase tax revenues and provide a legislative base to attract private investment and reform the State Economic Enterprises. We seek more progress in all of these areas.

The Organization for Economic Cooperation and Development (OECD) Consortium, formed in 1962 to help Turkey reach its development objectives, is the major vehicle for channeling external assistance. The Consortium, whose principal members are the United States, West Germany, the United Kingdon, France and the IBRD, has found Turkey's development program to be a reasonable basis for providing assistance and has made substantial contributions in 1963 and 1964, but larger contributions are needed.

The Consortium is considering ways to meet Turkey's specific requirements, including increased bilateral assistance, expanded Consortium membership, improved terms and conditions of assistance, and appropriate action by the members individually and through the European Monetary Agreement (EMA) to ameliorate Turkey's difficult debt problem. The United States has taken the lead in encouraging action on these points and in urging other members to help Turkey improve its performance in achieving development goals.

Achievement, Self-Help, the Role of Other Donors

Turkey's Development Plan for the five-year period 1963-1967 calls for an annual investment of over $1.3 billion. Of this amount, about $1 billion is sought from domestic resources, public (60%) and private (40%).

Since the adoption of the Plan, Turkey has made relatively good progress in maintaining monetary and fiscal stability. At the same time, GNP increased 7.5% in 1963, a year of exceptionally good cereal crops. In 1964, GNP is expected to increase around 4%. On a per capita basis the increase for the two year period has been almost 6%.

In 1963, total investment exceeded the 18% target for that year. Investment slowed down in 1964 because of the uncertainties of the Cyprus situation, but still reached 17% of GNP. Partly as a result of tax reforms, Government revenues rose by almost 20% in 1963 and are expected to increase by another 13% in 1964.

Allocation and use of resources also have improved, reflecting efforts to direct investment into high priority areas. The government has discouraged investment in luxury housing and is promoting investment in manufacturing. Turkey has not yet succeeded, however, in stimulating any substantial investment in new industries such as petrochemicals. A shortage of ready capital and efficient management personnel in both private and public sectors are problems in carrying out the investment program.

Following recommendations by U.S. and OECD experts, legislation was passed in 1964 to establish a State Investment Bank and a committee to recommend reform of the State Economic Enterprises which, in Turkey, account for almost 40% of industrial output. By the end of 1964 the committee had reviewed the organization of many of the enterprises. An important result of this work will be a further clarification of the role of the private sector in Turkey's mixed economy. Interest by foreign private entrepreneurs in investment in Turkey has increased with encouragement by the

Government, and by the United States through Development Loans and $31 million of Cooley Loans for the manufacture of tires, pharmaceuticals, aluminum and other products. The Turkish Union of Chambers and Turkish Management Association, are expanding their services to the private sector through training programs, an Investment Guide, and technical and management services.

A.I.D. has also helped stimulate private enterprise through the Investment Guaranty Program, which has outstanding 36 active contracts totaling over $135 million.

Further infrastructure development is under way to support expanded industrial production. This includes additional power facilities, development of mineral resources, and a stronger transportation system. The United States has made loans in these three fields and additional projects are planned. These projects complement existing programs to increase agricultural production through intensive cultivation of irrigated acreage.

Turkey's most pressing problems derive from a serious imbalance in its external payments position. External debt incurred in the 1950's as a result of imprudent financial policies, coupled with difficulties in improving traditional exports, make it difficult for Turkey to meet its external obligations and its development targets. These problems are aggravated by the concentration of debt in short-term maturities which make the repayment burden particularly heavy in the next two to three years when about 40% of the debt is to be repaid. The Turks are taking measures to increase foreign exchange availabilities by encouraging emigrant workers' remittances (an increase of $20-$25 million is expected in 1965 as against a neglible amount in 1963), providing tax incentives to stimulate exports, developing import substitutes, promoting tourism, and recently establishing a cabinet committee to eliminate export production bottlenecks. Results of recent oil explorations and completion of the Eregli Steel Mill in 1965 will permit domestic production of many items now imported and will result in substantial foreign exchange savings in the next few years.

Turkey looks to the OECD Consortium for financial assistance to support its investment program and self-help efforts to achieve self-sustaining growth within a reasonable period. In calendar year 1964, Turkey received $240.5 million in program and project assistance from members of the Consortium. In addition, Turkey was able to meet about $40 million of its requirements through P.L. 480 assistance. Nevertheless, Consortium assistance was short of total requirements by about $40 million and Turkey was forced to resort to short-term borrowings from the International Monetary Fund (IMF) and EMA. The major pledges in 1964 were:

(In millions of dollars)

	Program Assistance	New Project Commitments	Total
United States	76.0	50.1	126.1
United Kingdom	19.0	8.4	27.4
West Germany	37.0	3.0	40.0
Other Bilateral a/	18.0	-	18.0
Int'l. Develop. Ass'n. (IDA)	-	29.0	29.0
Total	150.0	90.5	240.5

a/ Austria, Belgium, Canada, Denmark, France, Italy, Luxembourg, Netherlands, Norway, Sweden and Switzerland.

Turkey's request for 1965 program assistance is about $200 million, excluding a scheduled EMA repayment of $55 million. In addition, project requirements are estimated to be $150 million. A working group of the Consortium has undertaken a special review of Turkey's debt problem, including its EMA repayments. The United States has proposed that the EMA debt repayment schedule be revised to permit repayments over a longer period and recommended that terms of contributions of other donors be improved, to ease Turkey's debt repayment burden.

FY 1966 Program

U.S. assistance to Turkey in FY 1966 again will be provided through the Consortium in the form of program and project loans. Program loans will be used for imports of raw materials, semi-manufactured goods and spare parts to improve the use of existing plant capacity. They are also an important element in helping to maintain the pace of investment in high priority areas. Turkey, with U.S. assistance, has undertaken feasibility studies in power (including a major power project on the Euphrates River) irrigation, mineral development, manufacturing, transportation, and tourism, primarily for private sector projects with high import-substitution and export potential. These studies will provide a basis for project loan applications in 1965 and 1966 for consideration by the United States, other countries, and multilateral agencies. Negotiations will be undertaken in 1965 for a new P.L. 480 agreement to provide agricultural commodities to cover the food deficit. The estimate for FY 1966 is $50 million.

The proposed Technical Cooperation program will require $4.2 million and will be concentrated in agriculture, education and administrative management. The agricultural program will concentrate on key problems in management and planning, credit, water resource

development, and university level technical training. Education activities will focus on improved planning, teacher education to meet rising demands for teachers at all levels, and vocational education to provide skilled industrial and clerical workers. To address specific problems in government institutions, assistance will be given in statistics and public management. Assistance to the Turkish private sector will be concentrated on technical advice to the Union of Chambers, the Industrial Development Bank, and other private sector institutions. Management and technical training also will be provided in the private sector.

Turkey

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	225.1	394.0	81.7	141.8	91.5	200.1	70.8	127.5	125.9	1,458.2	26.9	1,431.3
Loans	-	85.0	70.0	10.0	37.5	6.0	117.3	10.0	71.1	117.5	524.4	26.9	497.5
Grants	-	140.1	324.0	71.7	104.3	85.5	82.8	60.8	56.4	8.4	933.8	-	933.8
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	*	61.8	29.0	24.7	29.6	21.3	117.7	49.8	51.5	385.4	12.1	373.3
Title I - (Total Sales Agreements)	(-)	(-)	(99.8)	(52.0)	(34.7)	(35.0)	(25.4)	(127.5)	(55.9)	(53.6)	(483.9)	(-)	(483.9)
Less: (Planned for U.S. Uses)	(-)	(-)	(51.4)	(23.5)	(12.5)	(6.7)	(5.1)	(25.5)	(10.8)	(10.9)	(146.4)	(-)	(146.4)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	48.4	28.5	22.2	28.4	20.3	102.0	45.0	42.7	337.5	12.1	325.4
104c - Grants for Common Defense	-	-	48.4	15.3	-	11.5	3.9	15.0	-	-	94.1	-	94.1
104e - Grants for Economic Development	-	-	-	-	-	-	-	2.3	-	-	2.3	-	2.3
104e - Loans to Private Industry	-	-	-	7.8	5.2	5.3	2.7	21.0	9.8	8.9	60.7	5.9	54.8
104g - Loans to Governments	-	-	-	5.4	17.0	11.6	13.7	63.7	35.2	33.8	180.4	6.2	174.2
TITLE II - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	1.8	-	-	-	-	-	1.8	-	1.8
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP.	-	-	12.2	-	-	-	-	12.8	-	2.7	27.7	-	27.7
TITLE III - VOLUNTARY RELIEF AGENCIES	-	*	1.2	0.5	0.7	1.2	1.0	2.9	4.8	6.1	18.4	-	18.4
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	32.3	-	5.6	-	37.4	-	-	-	-	-	75.3	47.7	27.6
OTHER U.S. ECONOMIC PROGRAMS	12.2	-	-	-	-	-	-	0.1	0.7	1.6	14.6	14.4	0.2
TOTAL ECONOMIC	44.5	225.1	461.4	110.7	203.9	121.1	221.4	188.6	178.0	179.0	1,933.5	101.1	1,832.4
Loans	44.5	85.0	75.6	23.2	97.1	22.9	133.7	94.7	116.1	160.2	853.0	101.1	751.9
Grants	-	140.1	385.8	87.5	106.8	98.2	87.7	93.9	61.9	18.8	1,080.5	-	1,080.5
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	146.1	895.2	249.4	196.4	92.6	85.9	156.4	160.8	127.9	2,354.1	-	2,354.1
(Additional Grants from Excess Stocks)	(-)	(21.4)	(15.4)	(4.9)	(14.8)	(13.2)	(10.1)	(4.9)	(7.9)	(3.0)	(96.1)	(-)	(96.1)
OTHER MILITARY ASSISTANCE a/	68.8	89.8	21.3	-	5.2	7.9	-	-	-	-	193.0	-	193.0
TOTAL MILITARY	68.8	235.9	916.5	249.4	201.6	100.5	85.9	156.4	160.8	127.9	2,547.1	-	2,547.1
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	68.8	235.9	916.5	249.4	201.6	100.5	85.9	156.4	160.8	127.9	2,547.1	-	2,547.1
TOTAL ECONOMIC AND MILITARY	113.3	461.0	1,377.9	360.1	405.5	221.6	307.3	345.0	338.8	306.9	4,480.6	101.1	4,379.5
Loans	44.5	85.0	75.6	23.2	97.1	22.9	133.7	94.7	116.1	160.2	853.0	101.1	751.9
Grants	68.8	376.0	1,302.3	336.9	308.4	198.7	173.6	250.3	222.7	146.7	3,627.6	-	3,627.6

a/ Includes Greek-Turkish Aid, $158.6 million.

* Less than $50,000.

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	-	-	60.7
UN Tech. Ass't. (CY)	1.1	0.9	7.7
UN Special Fund	1.9	1.2	5.7
Int'l. Dev. Association	26.7	-	26.7
Int'l. Finance Corp.	-	0.9	0.9

SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	17

Other NESA - Basic Data

COUNTRY	POPULATION		AREA		GNP	TRADE		HEALTH & EDUCATION	
	Total (1964)	Annual Growth Rate	Total	Agricultural Land	Per Capita (Est.)	Total Exports (1963)	Main Exports	People per Doctor	Literacy Rate
	Millions	Percent	1,000 Sq. Mi.	Percent of Area	Dollars	$ Mill.	Item	Persons	Percent
Afghanistan	14.1	2.0	251	19	80	69	Karakul	33,500	5-10
Cyprus	0.6	1.7	4	57	475	62	Minerals	1,400	82
Iran	22.7	2.5	636	11	216	1,030[a]	Petroleum	3,900	15-20
Israel	2.5	4	8	53	1,111	350	Citrus fruits	400	90
Nepal	9.9	1.7	54	28	59	33[E]	Rice	42,000	5-10
United Arab Republic ..	28.7	2.5	386	3	139	522	Cotton	2,600	30
Yemen	4.0	n.a.	75	n.a.	90	n.a.	Coffee	68,000	25

E - Estimated.
a - Year beginning March 21.
n.a. - Not available.

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AFGHANISTAN

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	9.7	10.0-15.0	10.0
Technical Cooperation	12.5	10.0	9.0
Total A.I.D. Assistance	22.2	20.0-25.0	19.0

The United States is helping Afghanistan develop a more progressive society and carry out a development program consistent with its capabilities. U.S. economic aid in support of activities in selected priority areas provides Afghanistan with an alternative to excessive dependence upon the USSR. In this way, the United States supports the independence of a non-aligned Afghanistan friendly to the broad objectives of the Free World.

The new government which took office in March 1963 has made far-reaching changes. A liberal constitution adopted in September 1964 lays the foundation for a Western-type political system including an independent judiciary and a free press. Afghanistan has re-established good relations with Pakistan by reopening the border. A new trade agreement with Iran has also been negotiated.

The new government inherited a deteriorating economic situation. The 1962-63 deficit of the combined current and development budgets, to be covered from domestic borrowing, was the highest in recent history. Money supply and prices were rising. In an effort to correct the situation, economic reforms have been introduced, non-essential imports curtailed, and customs duties and internal taxes increased. The Ministry of Planning is re-examining the size and composition of the Second Five-Year Development Plan, which was initiated in March 1962. Afghanistan's development program depends heavily on foreign technical and capital assistance. Germany is assisting technical schools and Kabul University, and has made a $50 million loan commitment to the Afghan Plan. Japan helped set up a small industries and production training center in 1963. The United Kingdom is lending approximately $2.3 million for the expansion of a beet sugar plant, cotton ginning facilities and a cotton seed oil processing plant. France and Yugoslavia are providing small amounts of technical assistance. The UN allocates $1 million annually for technical services in education, community development and health.

Soviet aid has totaled nearly $550 million for the last ten years of which about half is committed to the support of the Second Five-Year Development Plan. Russian projects include assistance for roads, hydropower dams, irrigation projects and industrial plants.

The U.S. aid program in Afghanistan includes technical and capital grant assistance, development loans and assistance under P.L. 480 Title II. Loans have been authorized for construction of a road in northwest Afghanistan and for transportation equipment. A Title II program for 100,000 tons of wheat has been approved, and the local currency generated by this program has been earmarked for local costs of the technical assistance program and development projects. A Title I program for edible oils is being considered in FY 1965.

A $9 million Technical Cooperation program is planned for FY 1966. This will finance programs concentrated in agriculture and education, which represent Afghanistan's greatest needs. A.I.D. will expand assistance in agricultural planning, research and extension, continue development programs for irrigated lands in the Helmand Valley and provide an over-all planning and management team for that area. Under contracts with Educational Services, Inc. (a consortium of American schools), the University of Wyoming and Teachers College, Columbia University, the United States will assist the faculties of engineering, agriculture and education of Kabul University and will expand assistance to the Afghan Institute of Technology and the secondary schools. The Technical Cooperation program also will include projects for strengthening the highway and equipment maintenance organizations, the reorganization of the administration of the judiciary system, and the modernization of management in the ministries.

Loan applications totaling about $10 million for the further development of the Helmand Valley, the creation of small industrial enterprises, and additional transportation equipment are expected in FY 1966. P.L. 480 Title I and Title II programs will be considered.

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CYPRUS

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	0.4	0.1	0.1

In December 1963 fighting erupted between the Greek and Turkish-Cypriot communities on the island, which had received its independence only three years earlier. The crisis opened the possibility of disrupting the NATO alliance, as Greece and Turkey were drawn into the conflict. Although no political settlement has been reached, a truce has been in effect for the past several months under the supervision of the United Nations, which by its efforts as peacekeeper and mediator has achieved some degree of normalization of relations between the two communities.

Cyprus has shown an increasing tendency to look to the Soviet bloc as an outgrowth of the bloc's support of the Greek-Cypriot position before the UN. A recent agreement between the USSR and Cyprus has resulted in the delivery of some equipment for the Greek-Cypriot security forces, and although details of the agreement have never been made public, additional deliveries of military equipment can be expected. A commercial trade agreement between the USSR and Cyprus has once again solved the problem of surplus agricultural products to Cyprus' benefit.

The U.S. objectives in Cyprus are a settlement of the conflict which preserves Greek and Turkish memborship in NATO, continued access to communications facilities and the solution of economic and social problems inherent in rehabilitation.

Virtually all A.I.D. projects were either terminated or suspended early in 1964. Before the outbreak of fighting between the two communities, the A.I.D. program had helped the Government of Cyprus establish a Central Bank and a Development Bank, define a three-year economic program, begin a long-term water resources development program, and undertake the reorganization and improvement of the agricultural extension service. Two water engineers have continued to work with their Cypriot counterparts in FY 1965. In addition, Cyprus is expected to receive P.L. 480 assistance.

We contemplate expanding technical assistance in the water development field in FY 1966 and returning advisers in planning and statistics. A small training program is also planned. If the political situation permits effective use of additional technical assistance, A.I.D. may increase the Technical Cooperation program by a modest amount above the presently planned $100,000 level. Cyprus is eligible for development lending in FY 1966, should conditions justify it. Loans would bear at least a 3-1/2% interest rate.

IRAN

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	1.5	10.0	0-10.0
Technical Cooperation	3.4	3.1	2.4
Total A.I.D. Assistance	4.9	13.1	2.4-12.4

The United States has a stake in helping Iran remain independent of Soviet influence and overcome the economic, social and political weaknesses which threaten its internal political stability and inhibit orderly political and social change.

Iran's improved economic position has permitted a substantial reduction in U.S. assistance over the course of the past four years. A.I.D. assistance has been reduced from $63 million in FY 1961 to a planned $2.4 to $12.4 million in FY 1966. In the earlier years much of the assistance was on a grant basis. Supporting Assistance grants were terminated in 1962. A.I.D. loan terms have also been hardened as Iran's capacity to repay has improved. Iran is approaching the point where it can rely on other sources of financing for its development effort.

Iran is well launched on its modernization program and is at the mid-point of its Third Development Plan. Like its predecessors, the Plan uses the government's oil revenues for investment in development. The land reform program is breaking down the feudal structure of rural Iran and is the main element of the government's

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social development program. Iran has embarked also on a major literacy drive in the villages by using army conscripts as instructors. The government is modernizing its administrative structure and its civil service code, and is moving toward increased village autonomy. Improved budgetary and fiscal procedures also are being worked out.

Oil revenues have been rising rapidly and Iran is able to finance an increasing portion of its development effort, and to service foreign loans on harder terms. Iran has obtained sizable European commercial credits and has negotiated new loans from the IBRD. The Ex-Im Bank has offered a $68 million loan for the electrification program. A.I.D. also is planning to contribute $10 million to the electrification program. If the loan negotiation is not completed in FY 1965, A.I.D. would fund its share of this program in FY 1966. The interest rate on this A.I.D. loan will be 3-1/2%.

Since 1952, U.S. advisors have been helping Iran establish and improve educational and training institutions and programs. They have also helped the government set up better machinery for bringing to its citizens government services, such as agricultural extension and public health services. As a result of the progress achieved in the period 1953-62, it has been possible for A.I.D. to reduce the scale of its Technical Cooperation program. A.I.D. plans to continue programs in rural development, public administration and higher education. It may be possible to complete the phase-out of the Technical Assistance program by the end of FY 1968.

As in other developing countries, the pace of Iran's modernization program is hampered by the political tensions it creates and by the weakness of the administrative machinery of government agencies. Land redistribution involves a diminution of the political power of the wealthy secular and religious land owners. The pace at which the social and economic development program can proceed without jeopardizing internal stability will require many delicate judgments by the Shah and his government.

ISRAEL

PROGRAM SUMMARY

(in millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	20.0	20.0	0-10.0

U.S. policy is to support Israel's continued existence as a secure and economically viable state. Since deterioration of Israel's economic or military position might give rise to a more aggressive posture from its Arab neighbors and possibly lead to a major armed conflict, it is in our interest to help seek acceptable solutions to those issues which heighten Arab-Israeli tensions. This would permit both sides to allocate larger amounts of their scarce resources for development rather than military uses.

U.S. and other external assistance, combined with Israel's own efforts, has resulted in one of the highest economic growth rates in the world. As a result of this progress, Supporting Assistance was terminated in FY 1961, and Development Grants ended the following year. Loan terms have been progressively hardened from 3/4% interest in FY 1962, to 2% in FY 1963, and 3-1/2% in FY 1964. Loans made in FY 1965 will bear an interest rate of 3-1/2%. If Development Loans are made in FY 1966, they will bear at least this rate.

In FY 1965 Israel will receive $32 million surplus agricultural commodities under P.L. 480 Title I. In FY 1966, P.L. 480 sales of approximately $30 million are expected to be made under Title IV.

Israel will continue to be eligible for loans from the Ex-Im Bank.

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NEPAL

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	1.0	2.5	a/
Technical Cooperation	3.4	3.7	3.6
Total A.I.D. Assistance	4.4	6.2	3.6

a/ Eligible for development lending.

The United States is providing aid to Nepal to help it maintain its national independence. We are helping build a base for economic and social development through an assistance program directed toward five essential areas of the nation's economy: (a) Education and Training of its people; (b) Public Administration, to create the administrative machinery for development; (c) Industry, to develop revenues; (d) Rural Development, to draw the outlying areas into the nation's development; and (e) Transportation and Communications -- in this country which has few roads and limited means of communication. In 1964, the United States -- in coordination with India and the United Kingdom -- also began a small Military Assistance Program for the Nepalese Army.

Nepal, which until 1951 lived in near-isolation from the rest of the world, has a very low development base. Yet, there are the beginnings of progress. With U.S. help, a national education system has been started; primary school enrollment has increased from 26,000 to 230,000 in the past nine years. An American adviser has introduced new accounting and estimates systems which are contributing to improved national budgets. Administrative training programs, worked out with the U.S. A.I.D. Mission, have been conducted in two-thirds of the country. Private industrial investment through the U.S.-assisted Nepal Industrial Development Corporation has risen from less than $100,000 equivalent in FY 1960 to more than $2,500,000 in FY 1964. The United States has also helped Nepal institute its new "Panchayat" system of village councils which are intended ultimately to provide representative government throughout the country. A U.S.-financed cargo-carrying ropeway into the Kathmandu Valley was completed in 1964, as was a small telecommunications system which links Nepal to India.

The Nepalese Government is undertaking social and administrative reforms. It has started on a difficult program of land reform aimed at redistribution of land to tenant farmers. The Government's budget for FY 1965 continues a trend toward fiscal responsibility and self-help. Although tax revenues have been increasing sharply, regular budget expenditures are being held to a minor increase. The Government is taking on a greater share of the costs of the development program -- a program financed mainly from foreign aid. The Government plans to finance 40% of the current development budget; four years ago it was financing only 12%.

Less than a third of the U.S. aid program in Nepal is financed with dollars; the bulk comes from Indian rupees paid us by India for surplus agricultural commodities sent to India under the P.L. 480 program. India, too, provides significant assistance to Nepal -- roads, power, irrigation, education, and agricultural projects -- and its aid this year, for the first time, may exceed that of the United States. Other major aid donors are Communist China, the Soviet Union, and the United Kingdom. Chinese and Soviet aid commitments total over $60 million though outlays have reached only about 10% of that amount.

In FY 1966 the proposed U.S. program of $3.6 million and $11.5 million in U.S.-owned Indian rupees will continue to assist Nepal to create the preconditions for its own development. Assistance will be concentrated on the same basic sectors, but with less emphasis on education; we will complete most of our aid to the education sector in the next two years. Of the Indian rupee total, $3.5 million equivalent is planned for loans to the Nepal Industrial Development Corporation and the new Agricultural Cooperative Bank.

UNITED ARAB REPUBLIC

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	-	0-25.0	0-25.0
Technical Cooperation	1.4	2.8	2.3
Total A.I.D. Assistance	1.4	2.8-27.8	2.3-27.3

The UAR is the most influential of all Arab countries. It has the largest population, the largest number of educated people, and the greatest industrial capacity of any Arab country. Because of its strategic position in the Near East and in Africa, because of the Arab-Israeli conflict, because of the West's interests in the oil of the Middle East -- for these and other reasons, a UAR which is unstable or which is consistently hostile to basic U.S. objectives in this area is contrary to our interests. It is likewise contrary to our interests for the UAR, a key country in the Soviet drive for influence in the Near East and Africa, to become completely dependent on Soviet aid.

The declared policy of the UAR is one of non-alignment between East and West. In pursuit of this policy, it takes positions in line with the West on some issues and in line with the East, on others.

In the past year or two, the UAR has followed a number of political policies which are not to our liking and are contrary to our interests. Examples are the UAR's involvement in Yemen and its support of the rebels in the Congo.

At the same time that the UAR has been devoting substantial resources to what we believe to be ill-advised and undesirable political adventures, it has been making some progress in the realm of economic development. It has maintained a reasonable rate of growth for a number of years. However, its performance leaves something to be desired. For this economic growth has been accompanied by increasing inflationary pressures, domestic shortages and rapid accumulation of external debt, the servicing of which may now absorb 20% of total foreign exchange earnings. There also has been some misdirection of investment. These problems and the requirements of financing a continuing development effort call for careful attention to economic problems by UAR officials if development is to be successful.

In the spring of 1964, the UAR entered into a stabilization agreement with the International Monetary Fund (IMF) designed to alleviate both domestic financial pressures and the foreign exchange strain. Late in the year UAR officials publicly recognized the need for further action and announced plans for additional economies in government spending and greater incentives to domestic production and savings. The United States welcomes this evidence of greater concern for domestic development.

Title I sales of agricultural commodities under P.L. 480 are and have been the most important element of U.S. assistance to the UAR. These have been furnished pursuant to a multi-year agreement which will expire in 1965. We are also carrying on a small technical assistance program in the fields of agriculture, water, development planning and management. We authorized no development loans in FY 1964 and have authorized none to date in FY 1965. In FY 1962 and FY 1963, in connection with a general diplomatic effort to develop better relations with the UAR, A.I.D. loans aggregated roughly $40 million annually.

Whether we will make any loans to the UAR between now and the end of FY 1965, and the extent of our aid in FY 1966, will depend upon what happens in the next few months. Various actions of the UAR in 1964 strained U.S.-UAR relations. At the turn of the year, however, there were some signs that the UAR did not wish to precipitate a full-scale confrontation. Thus the UAR offered compensation for the U.S. library burned by African students and acted to inhibit the Arab world from boycotting a major U.S. bank as was proposed by the Arab League.

We do not believe that it is in the interest of the United States to cut off all aid to the UAR. To do so would force that country into complete dependence on the Soviets, thereby giving the latter a far stronger and more influential position in both the Middle East and Africa than they have heretofore been able to attain. It would also effectively eliminate our present ability to influence the UAR on many matters which are of great importance to us.

U.S. assistance to the UAR in FY 1966 can consist of Title I sales of agricultural commodities at approximately the level of the recent past ($130 million to $150 million), a continuation of the existing Technical Cooperation program at a level of $2.3 million and possibly one or more project loans not to exceed $25 million. As of this date, however, no decision has been reached as to what part of this assistance, if any, will be furnished.

The UAR receives extensive assistance from many other sources. A $280 million Soviet credit for the Second Five-Year Plan in May 1964 and assistance commitments from East European Communist countries brought total Communist economic assistance commitments to the UAR since 1955 to more than $1 billion. $835 million of this was from the USSR. In late 1964, Communist China extended a $50 million loan to the UAR. The Soviet block also has extended massive military aid. Since 1959, economic assistance from the Free World has exceeded $1 billion. In addition to the United States, major lenders were the IBRD, the United Kingdom, West Germany, Japan, Kuwait, and Italy.

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YEMEN

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Supporting Assistance	5.2	4.5	2.5

The principal U.S. objective in Yemen is to deny its use as a base for forces hostile to vital Western interests in the oil-rich Arabian Penisula. Attainment of the objective is endangered by Yemen's continued political instability, economic assistance by the Soviet bloc and the Chinese Communists, and the continuation of internal civil strife. The United States is making efforts to get the UAR and Saudi Arabia to compose their differences in Yemen.

U.S. assistance began in FY 1959 with an agreement to construct the Mocha-Taiz-Sana'a road Approximately 80% of this 226 mile road is now completed In addition, through the road project about 700 Yemenis have received training which will enable them eventually to staff a Roads Department. A.I.D. plans to build a 34 mile spur road connecting the Mocha-Taiz-Sana'a road with the border town of Rahida, thus strengthening Yemen's historical economic ties with the West through Aden. Work on the spur is to start during FY 1965 with completion scheduled for mid-FY 1966.

In FY 1961, the United States agreed to construct a potable water system for the city of Taiz and help establish a Department of Public Water Supply and Sanitation. This project is scheduled for completion in FY 1966. Headquarters facilities with laboratories, work shops and a U.S.-trained Yemeni staff are expected to be fully operational in FY 1966.

The Soviet Union and Communist China have provided substantial assistance to Yemen since 1957. Soviet aid was used to purchase military equipment, construct an airfield at Sana'a and provide military training. In addition, $15 million in economic credits were used to construct the Port of Hodeida. The Chinese Communists provided nearly $15 million to build the Hodeida-Sana'a road. The Soviets are planning a Hodeida-Taiz road and a fish processing plant. The Communist Chinese have plans for a Sana'a-Saada road and a textile factory.

West Germany has a small technical assistance staff in Yemen to improve agricultural practices Kuwait is financing an economic study to document projects for possible Kuwaiti financing In the past, Kuwait has financed construction of a number of schools and hospitals.

The greater part of the $2.5 million Supporting Assistance planned for FY 1966 will be used to complete the Mocha-Taiz-Sana'a road, including the Rahida Spur, and the Taiz Water System. With the completion of the U.S.-financed capital assistance projects in FY 1966, U.S. efforts will be directed toward technical assistance. A project for urban and rural development will seek to bring improvements to sections of Yemen previously unaffected by U.S. aid projects. Assistance based on community self-help is planned to provide village water supplies, farm-to-market roads, school buildings and improved agricultural practices.

CENTO

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	0.5	0.5	0.5
Supporting Assistance	21.1	0.9	-
Total A.I.D. Assistance	21.5	1.4	0.5

The U.S supports Central Treaty Organization (CENTO) economic programs in order to promote a community of interest among the CENTO countries, encourage cooperation in economic development, and increase the orientation of the regional members toward the West.

Assistance to CENTO capital projects has been concentrated on multi-country communications projects such as roads, a railroad link between Iran and Turkey, a telecommunications system and a civil airway navigation net connecting Ankara, Tehran and Karachi. Loan proposals for further regional capital projects will be considered only within individual country loan programs.

Forty U.S.-financed technical assistance conferences and training activities involving mutual problems in the economic and public administration fields have been completed. These

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regional projects act as catalysts for achieving concrete results on national problems. For example, as an outgrowth of two U.S.-financed conferences on narcotics control, Turkey and Iran have established over 100 guard stations along their common border. Aid has been given also to a regional, mutual self-help program under the CENTO Multilateral Technical Cooperation Fund (MTCF), which uses institutions and experts located within the region.

In FY 1966, technical assistance activities will follow the pattern of those carried out in FY 1965. About ten regional training activities and conference seminars will be undertaken in fields such as agricultural credit, cooperatives and marketing; geological field mapping; problems in implementing national economic development plans; labor and business statistics development and application; and new methods of teaching mathematics. Further grants will be made to the MTCF.

REGIONAL PROJECTS

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	2.2	2.9	2.9

The major regional project is participant training at the American University of Beirut (AUB). It was begun in 1951 and had two objectives: (a) to extend training opportunities in certain technical fields to countries of the area; and (b) to assist AUB to expand its curricula and establish new departments. Both of these objectives are still valid.

Between 1951 and 1965, 2,748 participants have received training in agriculture, business administration, public administration, engineering, nursing, pharmacy, and public health These participants were drawn from 20 countries in the Near East and Africa, with about 45% coming from Iran, Jordan and Pakistan.

In 1964-65, 625 scholarships are planned and for FY 1966, 645 are proposed. In both years, 500 will be filled by students from ten Near East and South Asia countries.

Other regionally funded activities include regional technical advisers in malaria eradication, water resources and loan services.

AFGHANISTAN

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	16.1	19.8	170.3	1.6	168.7
Loans	2.6	9.7	24.5	1.6	22.9
Grants	13.5	10.1	145.8	-	145.8
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	0.1	21.5	61.5	-	61.5
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	21.4	60.3	-	60.3
TITLE III - VOLUNTARY RELIEF AGENCIES	0.1	0.1	1.2	-	1.2
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	39.3	20.6	18.7
OTHER U.S. ECONOMIC PROGRAMS	0.3	0.6	1.0	-	1.0
TOTAL ECONOMIC	16.5	41.9	272.1	22.2	249.9
Loans	2.6	9.7	63.8	22.2	41.6
Grants	13.9	32.2	208.3	-	208.3
MILITARY ASSIST. PROGRAM - (Chg. to App.)	0.7	0.7	3.3	-	3.3
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	0.7	0.7	3.3	-	3.3
Loans	-	-	-	-	-
Grants	0.7	0.7	3.3	-	3.3
TOTAL U.S. ECONOMIC AND MILITARY	17.2	42.6	275.4	22.2	253.2
Loans	2.6	9.7	63.8	22.2	41.6
Grants	14.6	32.9	211.6	-	211.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	N.A.	41	548		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech Ass't. (CY)	1.3	1.2	10.5		
UN Special Fund	2.8	3.4	7.5		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

CYPRUS

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	3.0	0.3	3.9	-	3.9
Loans	2.3	-	2.3	-	2.3
Grants	0.7	0.3	1.7	-	1.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	1.1	1.2	17.2	-	17.2
Title I - (Total Sales Agreements)	(1.1)	(1.1)	(2.2)	(-)	(2.2)
Less: (Planned for U.S. Uses)	(0.3)	(0.3)	(0.6)	(-)	(0.6)
TITLE I - PLANNED FOR LOANS & GRANTS	0.9	0.8	1.6	-	1.6
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	0.3	0.3	0.6	-	0.6
104g - Loans to Governments	0.6	0.5	1.1	-	1.1
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	15.0	-	15.0
TITLE III - VOLUNTARY RELIEF AGENCIES	0.2	0.4	0.6	-	0.6
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.1	0.1	0.3	-	0.3
TOTAL ECONOMIC	4.2	1.6	21.4	-	21.4
Loans	3.2	0.8	3.9	-	3.9
Grants	1.0	0.8	17.6	-	17.6
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(±)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	4.2	1.6	21.4	-	21.4
Loans	3.2	0.8	3.9	-	3.9
Grants	1.0	0.8	17.6	-	17.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	1		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	20.5	-	20.5		
UN Tech. Ass't. (CY)	0.2	0.3	0.8		
UN Special Fund	0.7	-	2.8		

IRAN

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	22.0	4.3	594.4	48.0	546.4
Loans	17.4	1.3	218.2	48.0	170.2
Grants	4.6	3.0	376.2	-	376.2
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	22.4	12.6	96.2	1.0	95.2
Title I - (Total Sales Agreements)	(7.7)	(6.2)	(57.2)	(-)	(57.2)
Less: (Planned for U.S. Uses)	(1.9)	(1.9)	(15.8)	(-)	(15.8)
TITLE I - PLANNED FOR LOANS & GRANTS	5.8	4.3	41.4	1.0	40.4
104c - Grants for Common Defense	-	-	5.9	-	5.9
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	1.2	0.3	3.7	*	3.7
104g - Loans to Governments	4.6	4.0	31.8	1.0	30.8
TITLE II - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	13.2	2.5	35.9	-	35.9
TITLE III - VOLUNTARY RELIEF AGENCIES	3.4	5.8	18.9	-	18.9
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	8.7	78.8	48.8	30.0
OTHER U.S. ECONOMIC PROGRAMS	0.2	1.1	29.0	2.4	26.6
TOTAL ECONOMIC	44.6	26.7	798.4	100.2	698.2
Loans	23.2	14.3	358.3	100.2	258.1
Grants	21.4	12.4	440.1	-	440.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	66.0	47.1	685.1	-	685.1
(Additional Grants from Excess Stocks)	(2.7)	(0.7)	(53.3)	(-)	(53.3)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	66.0	47.1	685.1	-	685.1
Loans	-	-	-	-	-
Grants	66.0	47.1	685.1	-	685.1
TOTAL U.S. ECONOMIC AND MILITARY	110.6	73.8	1,483.5	100.2	1,383.3
Loans	23.2	14.3	358.3	100.2	258.1
Grants	87.4	59.5	1,125.2	-	1,125.2
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	39	15	60		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	18.5	212.7		
UN Tech. Ass't. (CY)	1.5	1.4	14.4		
UN Special Fund	3.0	-	9.1		
Int'l. Finance Corp.	-	-	0.3		

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ISRAEL

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	44.8	20.0	484.0	22.0	462.0
Loans	45.0	20.0	206.0	22.0	184.0
Grants	-0.2	-*	278.0	-	278.0
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	22.1	19.9	292.7	25.7	267.0
Title I - (Total Sales Agreements)	(23.2)	(23.0)	(267.3)	(-)	(267.3)
Less: (Planned for U.S. Uses)	(3.4)	(3.5)	(34.6)	(-)	(34.6)
TITLE I - PLANNED FOR LOANS & GRANTS	19.8	19.5	232.7	25.3	207.4
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	4.6	4.6	28.0	-	28.0
104e - Loans to Private Industry	3.5	3.4	43.4	5.2	38.2
104g - Loans to Governments	11.7	11.5	161.3	20.1	141.2
TITLE II - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	2.5	0.4	2.1
TITLE II - EMERGENCY RELIEF & ECON. DEV.	1.5	-	1.5	-	1.5
TITLE III - VOLUNTARY RELIEF AGENCIES	0.8	0.4	56.0	-	56.0
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	11.2	-	220.0	178.1	41.9
OTHER U.S. ECONOMIC PROGRAMS	-	-	0.1	-	0.1
TOTAL ECONOMIC	78.1	39.9	996.8	225.8	771.0
Loans	71.4	34.9	633.2	225.8	407.4
Grants	6.7	5.0	363.6	-	363.6
MILITARY ASSIST. PROGRAM - (Chg. to App.)	0.1	6.4	31.2	5.9	25.3
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	0.1	6.4	31.2	5.9	25.3
Loans	0.1	6.4	31.2	5.9	25.3
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	78.2	46.3	1,028.0	231.7	796.3
Loans	71.5	41.3	664.4	231.7	432.7
Grants	6.7	5.0	363.6	-	363.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	22.0	-	74.5		
UN Tech. Ass't. (CY)	0.5	0.3	5.2		
UN Special Fund	-	1.2	3.8		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

NEPAL

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	3.4	4.1	35.0	*	35.0
Loans	-	1.0	1.4	*	1.4
Grants	3.4	3.1	33.6	-	33.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	15.3	1.3	37.1	*	37.1
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	15.1 a/	-	31.9	*	31.9
TITLE II - EMERGENCY RELIEF & ECON. DEV.	0.2	1.3	5.2	-	5.2
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.5	0.9	1.7	-	1.7
TOTAL ECONOMIC	19.2	6.3	73.8	*	73.8
Loans	-	1.0	1.4	*	1.4
Grants	19.2	5.3	72.4	-	72.4
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	19.2	6.3	73.8	*	73.8
Loans	-	1.0	1.4	*	1.4
Grants	19.2	5.3	72.4	-	72.4
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	54		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	0.6	0.6	3.8		
UN Special Fund	-	0.1	1.1		

* Less than $50,000

a/ Rupees from FY 1957 India sales agreement.

UAR (EGYPT)

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	46.0	-2.6	169.1	3.4	165.7
Loans	44.0	-3.5	103.2	3.4	99.8
Grants	2.0	0.9	65.9	-	65.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	143.7	143.1	715.1	17.6	697.5
Title I - (Total Sales Agreements)	(138.6)	(149.1)	(673.4)	(-)	(673.4)
Less: (Planned for U.S. Uses)	(14.5)	(14.9)	(114.8)	(-)	(114.8)
TITLE I - PLANNED FOR LOANS & GRANTS	124.1	134.2	558.6	17.6	541.0
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	25.7	-	25.7
104e - Loans to Private Industry	7.3	7.5	72.2	0.5	71.7
104g - Loans to Governments	116.8	126.7	460.7	17.1	443.6
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	24.3	-	24.3
TITLE III - VOLUNTARY RELIEF AGENCIES	19.6	8.9	132.2	-	132.2
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	10.0	-	47.8	22.5	25.3
OTHER U.S. ECONOMIC PROGRAMS	-	-	11.1	10.7	0.4
TOTAL ECONOMIC	199.7	140.5	943.1	54.2	888.9
Loans	178.1	130.7	694.6	54.2	640.4
Grants	21.6	9.8	248.5	-	248.5
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	199.7	140.5	943.1	54.2	888.9
Loans	178.1	130.7	694.6	54.2	640.4
Grants	21.6	9.8	248.5	-	248.5
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	44	440	1,181		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	56.5		
UN Tech. Ass't. (CY)	1.2	1.6	10.1		
UN Special Fund	1.5	1.4	11.4		

YEMEN

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	5.6	5.0	24.6	-	24.6
Loans.....	-	-	-	-	-
Grants.....	5.6	5.0	24.6	-	24.6
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	0.5	0.6	10.0	-	10.0
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	0.5	0.6	10.0	-	10.0
TITLE III - VOLUNTARY RELIEF AGENCIES...	-	*	*	-	*
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	6.1	5.6	34.6	-	34.6
Loans.....	-	-	-	-	-
Grants.....	6.1	5.6	34.6	-	34.6
MILITARY ASSIST. PROGRAM - (Chg. to App.).	-	*	*	-	*
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY.....	-	*	*	-	*
Loans.....	-	-	-	-	-
Grants.....	-	*	*	-	*
TOTAL U.S. ECONOMIC AND MILITARY.....	6.1	5.6	34.6	-	34.6
Loans.....	-	-	-	-	-
Grants.....	6.1	5.6	34.6	-	34.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	68	111		
ASSISTANCE FROM INTERNATIONAL AGENCIES UN Tech. Ass't. (CY).....	0.2	0.2	1.0		

* Less than $50,000

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FAR EAST

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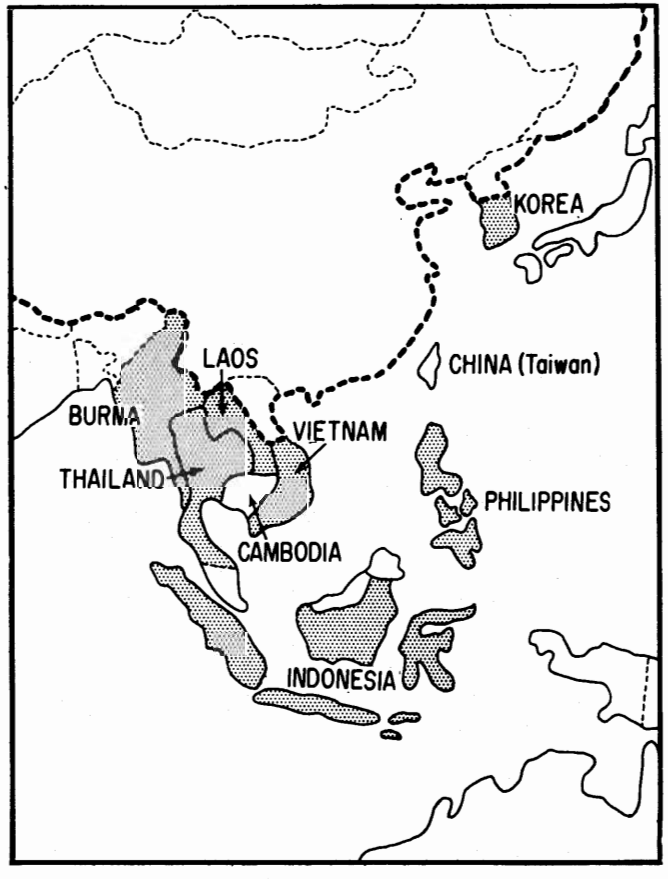

FY 1966 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Development Loans	Tech. Coop. & Develop. Grants	Supporting Assistance
TOTAL	390,000–435,000	50,000–95,000	34,000	306,000
Burma	225	—	225	—
Indonesia	—*	—	—	—
Korea	109,300–129,300	40,000–60,000	4,300	65,000
Laos	45,000	—	8,000	37,000
Philippines	3,000–23,000	0–20,000	3,000	—
Thailand	20,300–25,300	10,000–15,000	6,300	4,000
Vietnam	211,000	—	11,000	200,000
Regional	1,175	—	1,175	—

*Under Review

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More than 90% of Far East A.I.D. funds will be concentrated on four major mutual security and development programs in FY 1966. These operations -- in Vietnam, Korea, Laos and Thailand -- are essential elements of U.S. national security policy.

A fifth major A.I.D. program, in Taiwan, has succeeded in sparking self-sustained economic progress and is being closed out in FY 1965. The U.S. interest in the Republic of China's security and development continues and will be reflected in Military and Food for Peace assistance and encouragement of U.S. private investment in Taiwan.

Technical assistance programs focused on long-term objectives are beomg continued in the Philippines and Burma, and there may be consideration of an A.I.D. project loan in the Philippines in FY 1966. The program in Indonesia is under review.

Security

The concentration of A.I.D. resources in countries withstanding immediate Communist threat or attack underlines A.I.D.'s primary security mission in the Far East. The Communist campaign feeds on political and social unrest, on economic frustration, ignorance and suspicion of Western motives. Containment of this threat requires maintenance of strong internal and external security forces, development of effective and respected governments, and visible economic and social progress broadly shared by the people.

None of these elements alone can assure survival in freedom. The enormous task of creating, simultaneously, these conditions for survival is beyond the capacity of most developing nations. For countries living next to Communist China and its truculent satellites, the task is magnified by a starkly urgent timetable.

Aid, ours and others, gives threatened nations a chance of winning this life-and-death race. Aid does not guarantee victory. But without it, the rapid erosion of national independence, or a collapse of the line of containment against Communist expansion, would be certain.

FY 1966 Budget

Sharp increases in requirements in support of the struggle against Communist insurgency in Vietnam during FY 1965 have more than offset declines in several other country programs, so that obligations will rise to an estimated $421 million. This compares to a level above $700 million annually in the late 1950's which had been steadily reduced to $351 million in FY 1964.

A continued high level of aid to Vietnam will be required in FY 1966, to maintain that country's war-torn economy under the pressure of emergency deficit spending for troops, police, public works, civil administrators and supplies for counter-insurgency activities. Only limited reductions in other countries are possible.

We are requesting for Far East A.I.D. programs $390 million, compared with an estimated $421 million in FY 1965. This request will cover only the minimum requirements of presently planned operations. A supplemental appropriation request may well be necessary to support further intensification of both military and civil operations by the Vietnamese Government. We are, therefore, requesting authorization for FY 1966 of such additional amounts as the President may later determine to be necessary and the Congress may subsequently appropriate for essential purposes in connection with the situation in Vietnam. Any program to be carried out under this authorization will be presented to the authorizing committees concurrently with the appropriation request.

The present request carries $306 million in Supporting Assistance, down from $321 million in FY 1965; $34 million in Technical Cooperation, compared with $44 million in FY 1965; and $50 to $95 million in Development Loans, against $56 million estimated in FY 1965. The lower figure in the ranges of loan estimates assumes that nearly all of Thailand's and the Philippines' loan requirements will be met by lenders other than A.I.D.

Supporting Assistance

More than 80% of the world-wide total A.I.D. request for Supporting Assistance is for three Far East countries -- Vietnam, Korea and Laos. Over half is for South Vietnam alone. Following the expected fulfillment in FY 1965 of a last remaining portion of a 1957 loan commitment, no further Supporting Assistance is planned for Burma. With the Republic of China, Indonesia, the Philippines, and Cambodia, this makes a total of five Far East countries eliminated from the list of recipients of Supporting Assistance grants in recent years.

Supporting Assistance provides the basic economic support, mainly in the form of commodities, to make possible vastly greater military, counter-insurgency and related economic and social effort in Vietnam, Laos and Korea than these nations could otherwise afford. Supporting Assistance funds also buy supplies and services for urgent security-strengthening projects in Vietnam, Laos and Thailand. In Korea, Supporting Assistance is being gradually

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reduced as expanding export earnings permit; in FY 1966 a further reduction of $10 million to a level of $65 million is planned.

Technical Cooperation

Technical assistance -- the sharing of our skills and experience with developing nations -- brings a high long-term return on relatively small investment. For FY 1966 in the Far East, projects totaling $34 million in new obligations are planned, as compared with $44 million estimated in FY 1965. Among the changes in the country figures are the elimination of the Republic of China program, reductions in Burma and a continued rise in the Vietnam program. No estimate of funding requirements for an Indonisia program were included as this program was under review at the time this presentation was prepared.

Technical Cooperation funds support rural development programs in Thailand, Korea, Laos, and South Vietnam. They assist land reform efforts in the Philippines. They spur industrial development and the growth of the private sector in Korea, the Philippines and Thailand. They bring American public health advice and medicines to the people of the Philippines, Indonesia, Vietnam, Laos, and Thailand. A.I.D. Technical Cooperation helps develop road building and maintenance capability in Thailand, Laos, and Korea. Our advisers are helping to improve education in Thailand, Laos, Vietnam, Indonesia, the Philippines, and Korea. Technical Cooperation programs reach both the villagers of Southeast Asia and the key men who are today's and tomorrow's leaders in Far Eastern capitals. They bring more than 1,600 technicians, government officials, and young professionals from Far Eastern countries to the United States annually for study, finance U.S. university contract teams and other advisory groups, and put American agricultural and industrial experience and techniques to work in developing nations.

Development Lending

Requirements for A.I.D. loans in the Far East in FY 1966 range from a minimum $50 million to a maximum $95 million, the range dependent largely upon the availability of non-A.I.D. financing. At least $40 million is likely to be required in Korea. A portion of this may be used for an initial program loan for developmental purposes as the economic performance and prospects of the country improve.

In several Far East countries, insecurity, financial instability, limited savings, and the costs of counter-insurgency present serious obstacles to investment in longer-term development. In other countries funds for development projects are available from various free world sources, but there are problems in mobilizing local capital or a lack of technical sophistication in the definition and preparation of sound projects. To stimulate domestic capital mobilization, A.I.D. is pressing for monetary stabilization, development of savings institutions, economic allocation of government investment funds, more equitable and vigorous tax collection and other measures. To clear technical bottlenecks, A.I.D. is providing advisory assistance for feasibility studies, economic planning, and project preparation which should lead to a greater demand for external capital from private investors, international and national lending agencies, with the major share of the investment expected to come from sources other than A.I.D.

Military Assistance Program

The objectives of the Military Assistance Program (MAP), administered by the Department of Defense, are closely related to A.I.D.'s objectives in the Far East. Both are essential to the defense and the development of free nations of the region. The allocation of scarce resources between military and other demands, in assisted countries and in the aid programs, requires close interagency cooperation in field missions and in Washington. The FY 1966 MAP budget proposes almost $600 million for Far East programs, the largest being in Vietnam, Korea, and the Republic of China.

Food for Peace

Concessional sales and grants of surplus U.S. farm products under P.L. 480 are also a major element of U.S. assistance to several Far Eastern countries. For example, distribution of surplus feed grains and vegetable oils to Vietnamese villagers is and has been an important tool of the counter-insurgency program. The freedom and economic stability of South Vietnam, Korea, and the Republic of China depend partially on their access to P.L. 480 cotton, wheat, rice, or other surplus products of America's farms. New agreements for Title I sales for local currency to Far Eastern countries are expected to decline somewhat in FY 1965 from the level of about $160 million in FY 1964. The shift to Title IV (dollar-repayment sales) in the Republic of China is continuing with a two-year sales agreement signed in December 1964, which provides for about $18 million under Title I and $16 million under Title IV in 1965 and $30 million under Title IV only in 1966.

In FY 1964, Title II programs for emergency relief and food-for-work programs in the Far East amounted to $49 million, of which

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about $17 million went to Vietnam. A large Title II food-for-work program in Korea is reclaiming and improving 200,000 acres of farm land -- a substantial contribution to Korea's agricultural development.

Title III relief programs, administered in developing Far East countries by American voluntary agencies such as Catholic Relief Service, CARE and Church World Service, amounted to about $28 million in FY 1964.

Problems and Prospects

The economic success of the Republic of China, in which U.S. assistance played an important role, illustrates, like the success of Japan before it, how much foreign aid can accomplish when well used. There is much less opportunity for economic assistance to achieve substantial development in countries suffering, as Korea and Laos have, from political and economic instability; the sheer weight of the requirements for economic stabilization absorbs most of aid's impact. Assistance also has produced fewer results in those Far Eastern countries whose governments, preoccupied with the politics of emotional nationalism, and subject to overwhelming currents of anti-Westernism, pursue unsound economic and fiscal policies as in Indonesia.

Burma has maintained a position of non-alignment, but has pushed economic nationalism to the point where no acceptable basis for substantial aid operations exists; there A.I.D. is continuing only a five-member American staff in the U.S. Embassy to monitor the completion of previously funded projects.

There are numerous lessons to be learned from the experience of aid to the Republic of China on Taiwan. One is the direct benefit to U.S. export sales of rising purchasing power in the developing countries. The volume of U.S. exports to Taiwan not financed by U.S. aid has risen from $55 million in 1962 to $72 million in 1963 to an estimated $85 to $90 million in 1964. Taiwan's growing market also serves to enhance Taiwan's importance in the eyes of other countries and thus offset to some extent the attractions of closer relations with Mainland China.

A second lesson is the particular importance of the agricultural sector in achieving self-sustaining growth in a developing country. From the outset, the Chinese, with our encouragement, concentrated on building the agricultural base of the Taiwan economy. Through a joint Chinese-American commission, the JCRR, Chinese technicians were mobilized and trained, a successful land reform program was instituted, higher crop yields and improved farm marketing were achieved. Strong and versatile farmers associations, with professional staff and elected leaders, were developed. Food output rose 50% since 1953, savings were mobilized, and technological innovation proceeded at a much faster pace than would have been possible if the job had been left entirely to central government agencies. Now, agriculture is one of the mainstays of Taiwan's remarkable economic surge.

Priority #1: Rural Development

In the early stages of economic growth, industries can absorb only a small part of the labor force; the population "explosion" pours a flood of people into the cities, whose slums become centers of discontent. Where population growth outruns food supplies, the problem is compounded. In any less-developed economy, the vast majority of the population can share the benefits of development only if there is real growth in farm income and expansion of other rural economic activity. In some countries agricultural products, like sugar and rice in Taiwan, rice, corn and kenaf in Thailand, have made a major contribution to rising export earnings. Higher production from the farms either for export or for import substitution is a major factor in achieving self-sufficiency in almost every case. Even in countries that are achieving good general rates of development, there are rural areas such as the Northeast of Thailand whose economic backwardness expose them to Communist subversion.

A.I.D. in the Far East is experimenting with many approaches to the central problem of rural development. Very large proportions of our import financing programs under Supporting Assistance go into fertilizer sales. We are negotiating proposed loans for additional fertilizer plants in Korea. Technical assistance attacks the problem in many ways: research on the application of modern techniques and the discovery of new crops and varieties; building an institutional framework of extension services, farmers associations, cooperatives and good local government; creating the right economic incentives for the farmers, providing credit and market facilities; promoting local, decentralized industry and commerce, to link agriculture to the rest of the economy. Finally, A.I.D. influence is applied to central governments to promote interest in rural problems, the adoption of wise and active policies and the assignment of priority in public investment to building agricultural production.

Rural Development means political and social development as well as economic progress. In it we are directing our public administration and community development advisory efforts toward making local governments more responsive to the will and aspirations of the people and opening channels between the masses and central governments.

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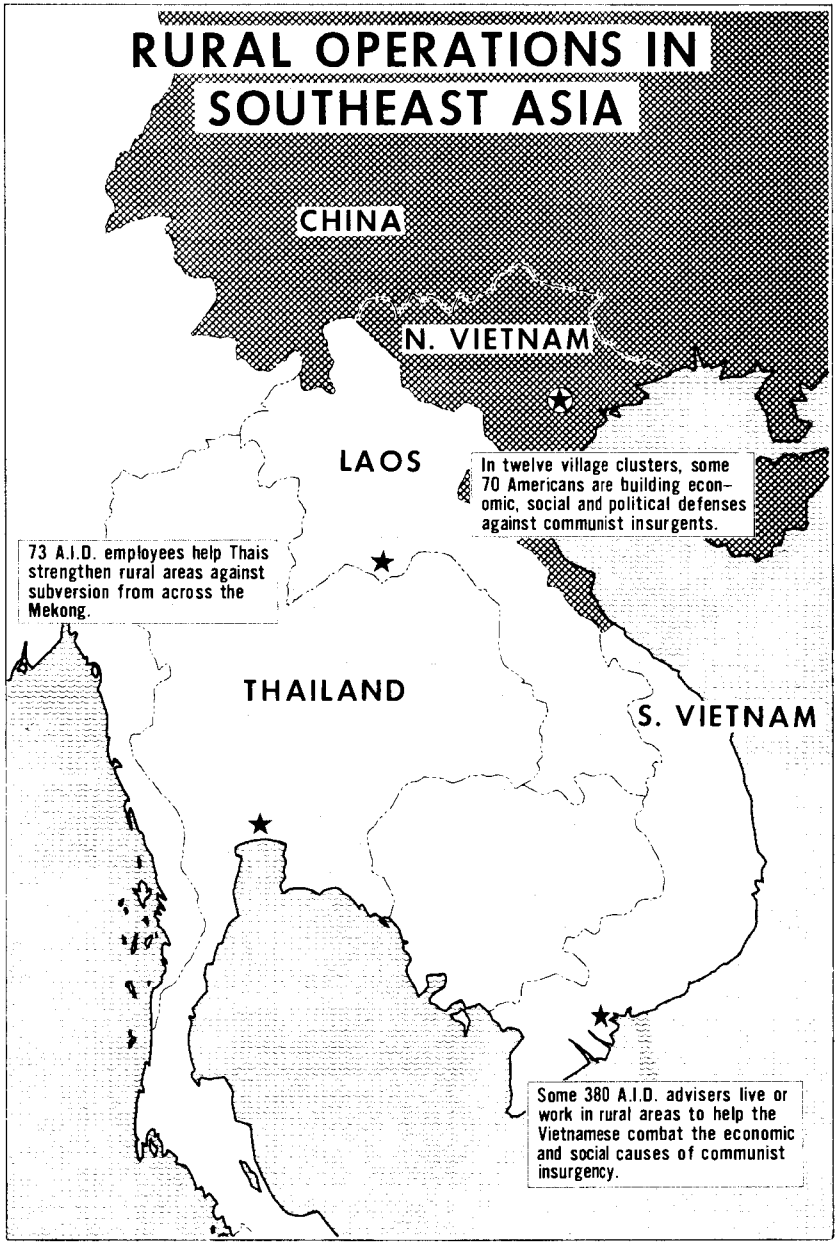

Population

If there were no other imperative for aid to accelerate economic development, the less-developed countries' mushrooming population would require it. In the Far East, the costs to individual families and whole societies of unchecked population growth is being recognized by several countries. The Korean Government is officially sponsoring a major family planning program, and a large-scale effort is also under way in Taiwan. Both are receiving technical aid in this effort from the Population Council, a private American group. Although it is still too early to judge, there is reason to expect that population growth rates in both countries will show important declines in the next five to eight years.

Private Investment and American Private Resources

As economic conditions in some parts of the Far East improve, there is a marked increase in the willingness of U.S. financial institutions and corporations to invest, particularly in countries where there is a dynamic private sector. Branches of the Bank of America and the First National City Bank will shortly open in Taiwan, where some 13 U.S. firms hold A.I.D. guarantees covering $70 million of investments. In Thailand, investment guarantees total $36 million; some recent investments include a Union Carbide tin smelter and a Firestone tire and tube plant. Gulf Oil has put $25 million in equity and loan capital guaranteed by A.I.D. into the Ulsan Refinery in Korea which began production last spring, and substantial private American equity capital is expected to go into the two Korean fertilizer plants. American private investment in the Philippines is a major factor in that country's production.

A.I.D. contributes in many ways to private sector growth and increased American investment in the Far East region. Several mission directors and industrial development officers have joined our staff direct from private business and are vigorously promoting expansion of private enterprise. Through advisory and technical services, financial assistance to local and U.S. investors and policy discussions with the host governments, we are constantly seeking to improve the investment climate.

A.I.D. is working through private American firms, universities, highly qualified specialists and other U.S. Government agencies to carry out its program in the Far East. As of September 30, 1964, 11 private architectural and engineering firms were operating in the Far East under A.I.D. contracts. The region had in effect five contracts for the design and construction of projects

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involving installation of telecommunications equipment, roads and electric power units. Eighteen contracts providing for a wide range of education, research, and training activities in several Far East countries were held during 1964 by: The University of California, Colorado State University Research Foundation, the University of Hawaii, the University of Illinois, Southern Illinois University, Los Angeles State College, Indiana University, The University of Kentucky, Long Beach State College, the University of Michigan, the State University of New York, Ohio University, and the University of Virginia. Excluding individual specialists, the largest category of technical service contracts covers 34 contracts held by 15 private management firms providing specialized advice to private industry and government alike in the Far East.

Regional Development

In the colonial era, peoples of the Far East were in more direct contact with the colonial powers than they were with their neighbors. With independence and the growth of nationalism, ancient rivalries came to the fore once again. For a number of years the Asian countries talked of regional cooperation in the Economic Commission for Asia and the Far East (ECAFE) and Colombo Plan Meetings, identified the common problems they faced but did little to solve the problems jointly. The picture is changing. ECAFE has achieved modest regional cooperation in the project for developing the Lower Mekong River basin, a work of many decades comparable to the management of the Tennessee River. The Southeast Asia Treaty Organization (SEATO), while primarily a military alliance, represents a political link with some economic elements among three Asian members -- the Philippines, Thailand and Pakistan -- and between them and the Western Powers.

U.S. foreign policy supports these regional efforts which, by promoting political and military, as well as economic and social cooperation among the free world countries of the Far East, promote the cause of freedom in the area. A.I.D. serves U.S. interests by support to certain enterprises undertaken by these and other regional organizations. The United States is a significant but minority contributor to the Mekong River project, along with the four riparian countries, Vietnam, Cambodia, Laos, and Thailand, and other Western nations and the United Nations. A.I.D. assists several projects sponsored by SEATO in the training of engineers, cholera research and telecommunications. A.I.D. helped to create the Asian Productivity Organization (APO) in which nine governments participate. Small A.I.D. financial contributions in the early years of this organization have encouraged its establishment as an effective means of sharing productivity ideas; A.I.D. assistance will not be required in FY 1966.

Organization and Administration

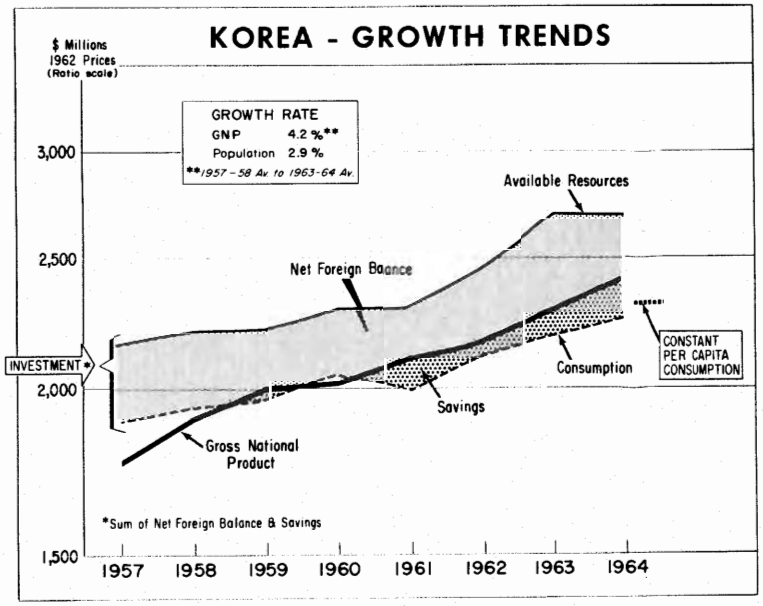
Improvement of A.I.D.'s own management systems, particularly in supply management and personnel, is receiving major emphasis in the Far East region. Improvements are being made in all Far East programs on determination of requirements, procurement, stock control, warehousing, use of U.S. excess property, utilization and maintenance, and improving host governments' capacities in these fields. Streamlined supply management is particularly important and difficult in fast-moving counter-insurgency programs in Southeast Asia. Special arrangements have been negotiated with the General Services Administration and with the Department of Defense for personnel for field staffing and for use of facilities, such as the MAP Depot in Japan. A regional supply supervisor, formerly a senior logistics officer in the Army, is being stationed in the field to inspect and give close support to the missions most heavily involved.

General downward trends in direct hire U.S. staff during FY 1965 and 1966 have been more than offset by increased requirements for rural operations, principally in Vietnam and Laos. To reduce vacancy rates and improve staff quality, special recruitment and training programs have been set up to locate suitable employees and equip them with language skills and local area knowledge necessary for effective work in rural Asia.

Korea - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	28
Annual Growth Rate *(percent)*	2.9
Area *(1000 square miles)*	38
Population Density per square mile	730
Agricultural Land as % of Total Area	21
Percent of Population in Agriculture	60-70
Life Expectancy *(years)*	47
People per Doctor	3,000
Literacy Rate *(percent)*	85
Pupils as Percent of Population *(Primary & Secondary)*	20



	Calendar Years 1960	1961	1962	1963	1964 *Est.*
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)**	2,029	2,100	2,160	2,285	2,400
Per Capita GNP *(dollars)*	82	83	83	85	87
Investment as percent of GNP	12	15	16	22	18
Domestic Savings as % of Investment	-6	37	13	20	35
Net Foreign Balance as % of GNP	13	9	13	18	12
Agricultural Prod. Index *(1952-54 = 100)*	125	142	133	127	152
Index per Capita	102	114	103	95	112
Rice, Rough (1,000 MT)	3,130	3,710	3,130	3,760	3,960
Industrial Prod. Index *(1958 = 100)*	125	132	154	175	185
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	33	41	55	87	110
Fish	(3)	(5)	(9)	(10)	(10)
Total Imports *(c.i.f.)*	344	316	422	560	400
Trade Balance	-311	-275	-367	-473	-290
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	157	207	169	132	129(Oct.)
COST OF LIVING INDEX *(1958 = 100)*	112	121	129	156	201

CENTRAL GOVERNMENT FINANCES* (FY Ending December 31)	– Million Dollar Equivalents – 1962	1963	1964 *(Rev. Bud.)*
Total Expenditures	568	596	617
(Defense Expenditures)	(157)	(157)	(184)
(Capital Outlays)	(187)	(201)	(171)
Total Domestic Revenues	305	345	384
As percent of GNP	14.1%	12.3%	10.7%
Deficit (–) or Surplus (+)	-263	-251	-233

* Converted at 130 won per U.S. dollar.

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Country: KOREA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	29.6	41.0	40.0- 60.0
Technical Cooperation	2.3	3.8	4.3
Supporting Assistance	76.2	75.0	65.0
Total A.I.D. Assistance	108.1	119.8	109.3-129.3

U.S. Objectives and Assistance Policy

The basic U.S. objective in the Republic of Korea is to maintain a stable, democratically oriented and increasingly self-reliant nation capable of resisting subversion and, with U.S. assistance, of repelling Communist aggression. In addition, our assistance makes possible the maintenance of a military force serving U.S. security interests in Northeast Asia. To achieve these objectives A.I.D. will help the South Koreans to: (a) increase and sustain their growth in per capita production; (b) achieve net self-sufficiency in food production; and (c) improve and strengthen social and political institutions.

In the immediate future, resource requirements for defense and economic growth will require substantial inputs of U.S. economic and military aid without which Korea could not survive as an independent country. In addition to assuring survival, however, the U.S. effort has now brought Korea to a point where it is realistic to plan for its future self-sustaining development.

The main emphases of current U.S. economic assistance are: (a) improved Korean economic policies and practices to contain inflation through stabilization; (b) maximum feasible increase in domestic savings and their use in effective investment; (c) development of public utilities and infrastructure; and (d) expanded agricultural and industrial production with particular emphasis on the development of the private sector and strengthening the role of free market forces. A.I.D. is steadily reducing Supporting Assistance but planning for expanded Development Lending. The United States is encouraging other countries and international agencies to provide capital to Korea on concessional terms for sound investment projects.

For the present, South Korea must continue to maintain larger military forces than its economy can support. U.S. Military Assistance helps maintain and improve the 600,000-man Korean armed forces which include 18 combat-ready Army divisions, a two wing Air Force and small but efficient Marine and Navy units. The economic and military assistance programs are coordinated to promote increased production in Korea of those military maintenance requirements heretofore provided by the United States which can now be locally produced. It is planned that nearly $50 million worth of items now funded through military assistance will be shifted from United States to Korean financing and local production at the rate of $6 to $8 million annually.

Achievement, Self-Help, the Role of Other Donors

Two and a half years of military rule ended in South Korea when President Park's popularly elected government took office in December 1963. The Park Government is taking vigorous action to increase exports, and is taking a generally commendable course in its economic policies and in its approach to a comprehensive settlement with Japan.

The Republic of Korea's economic history has been a continuing struggle against such fundamental handicaps as the artificial division of the country, relative scarcity of natural resources, high population density, reconstruction problems, shortages of managerial and technological skills, and lack of institutions required for economic development (particularly in the field of finance).

Since 1960, an increasing percentage of total available resources has been allocated to investment. The rising investment levels have been supported by rising import levels, made possible by increased non-U.S. private capital and official loans plus the drawdown of foreign exchange reserves. There has been substantial growth in essential power, transportation, and communication facilities, and industrial production has grown rapidly.

A notable recent achievement has been the increase of Korea's exports from an annual average of $20 million for the period 1955-1959 to more than $110 million in 1964. The government hopes to exceed $150 million in 1965. The principal export markets are Japan and the United States. Hong Kong and South Vietnam are also important customers for Korean products.

Inflation, a result of governmental fiscal policies, led to a large reduction of foreign exchange reserves and heavy reliance on short-term foreign suppliers' credits in 1962 and the first half of 1963. The United States informed the Korean Government that fiscal reforms were a condition for commitment of the total amount of U.S. economic aid planned for 1963 and future years. In response, in May 1963, Korea adopted a stabilization program providing credit and fiscal restraints and tighter controls over the use of foreign exchange and supplier credits.

In the past year the Koreans, with continuing U.S. encouragement, have undertaken to reform their foreign exchange system, balance the central government cash budget and restrict credit and thus limit the increase in money supply. Electricity and coal prices and railroad fares have been raised to eliminate their government subsidies.

The Korean Government is giving major attention to increasing export earnings, encouraging small and medium industry and stimulating interest among businessmen in export markets. At the same time, it has launched an ambitious rural investment and service program. In sum, South Korea is showing an increased awareness of its basic economic policy requirements, although its performance has not always been satisfactory.

A Korea-Japan settlement would give a strong impetus to investment in Korea by the Japanese and increase Japan-Korea trade, as well as provide $500 million over ten years in Japanese grants and liberal loans. Both the Japanese and Korean Governments are seeking an early settlement, evidently prepared to accept the domestic political controversy surrounding this issue.

West Germany agreed in December 1961 to lend Korea $18.75 million on reasonably favorable terms. Two projects ($8.75 million for telecommunications and $5.2 million for coal production) are being implemented and the two governments are negotiating over the use of the remaining $4.8 million. In December 1964, the Germans agreed to provide another $13.5 million for additional project loans. Germany also has provided economic advisors to the Korean Government and has agreed to provide additional technicians and training in other fields, plus $26 million in export credit guaranties. Other non-U.S. assistance includes: (a) a $14 million loan in August 1962 from the International Development Association (IDA) for railroad cars; (b) $6.5 million allocated by the UN Special Fund for eight projects executed by UN specialized agencies; (c) $1 million residual UN Korean Reconstruction Agency funds for technical assistance; (d) various UN technical experts and fellowships; (e) UN Children's Fund allocations; and (f) $6.5 million allocated by Denmark, Norway, and Sweden for the operation of the Scandinavian Medical Center in Seoul for 1963-68.

Gulf Oil has now made a substantial capital investment in the Ulsan refinery under an Investment Guaranty from A.I.D. Gulf and a consortium of Swift, Texas Gulf Sulphur and Skelly Oil are considering an investment totaling $20 million in two new fertilizer plants, with an additional $20 million equity to be supplied from the Korean Government. Two A.I.D. loans, totaling $41 million, will provide the remainder of the capital requirement. The output of these two plants will meet Korea's projected minimum fertilizer requirements for nitrogen plus an estimated 57% of the potash and 68% of the phosphate needs. Supplier credits from Western Europe and Japan have also been accepted.

FY 1966 Program

Supporting Assistance has been further reduced as Korea increases its capacity to get along with less aid from the United States.

The Supporting Assistance level of $65 million proposed for FY 1966 was determined by an analysis of the gap between Korea's projected essential current import requirements and its foreign exchange earnings. The Supporting Assistance funds will continue to be released in increments in response to Korean self-help action under the economic stabilization agreement.

Future Development Loans will be directed largely to the expansion to the private sector, although some further loans will be made to finance improvement of basic infrastructure facilities such as power and transportation. Possible private borrowers include Korean or Korean-American joint ventures in industries such as paper, lubricants, and synthetic fibers. FY 1966 funds also will be used to develop small and medium-sized private enterprise through additional loans and technical assistance to the Korean Reconstruction Bank and the Medium Industry Bank. In addition, since the prospects for long-range economic growth in Korea are becoming a reality, the United States may offer program loan assistance. Such loans could provide further incentive to the Koreans to sustain a high level of investment, improve economic performance, and close the balance-of-payments gap. Such assistance could be designed to be particularly helpful to the private sector.

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

The Technical Cooperation program is improving and strengthening Korean management capability and performance in such essential areas as credit, tax administration, monetary and fiscal policy, power production and distribution, promotion of exports and planned use of available resources. In addition, the program provides technical advice and training in agriculture and fisheries, vocational education, public administration, minerals and coal exploration and ground water development. There are also limited programs in police administration, public health and communications.

Korea

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	10.0	1,202.4	225.7	227.9	200.4	186.0	119.8	107.6	104.9	2,384.6	4.1	2,380.5
Loans	-	-	-	5.6	12.1	1.1	6.5	25.2	25.8	27.6	103.9	4.1	99.8
Grants	-	10.0	1,202.4	220.1	215.8	199.3	179.5	94.6	81.8	77.3	2,280.7	-	2,280.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.3	120.2	65.3	44.9	14.1	74.5	74.6	78.1	121.9	594.3	0.7	593.6
Title I - (Total Sales Agreements)	(-)	(-)	(80.4)	(50.0)	(33.0)	(-)	(52.0)	(71.5)	(74.0)	(97.3)	(458.2)	(-)	(458.2)
Less: (Planned for U.S. Uses)	(-)	(-)	(16.4)	(7.0)	(5.0)	(-)	(5.3)	(7.1)	(7.4)	(13.5)	(61.5)	(-)	(61.5)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	64.0	43.0	28.0	-	46.7	64.4	66.6	83.8	396.7	0.7	396.0
104c - Grants for Common Defense	-	-	64.0	41.0	28.0	-	45.6	62.8	65.0	83.3	389.7	-	389.7
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	2.0	-	-	1.1	1.6	1.6	0.5	6.8	0.7	6.1
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	0.1	-	-	4.7	17.3	-	1.4	27.9	51.5	-	51.5
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.3	56.1	22.3	16.9	9.4	10.5	10.2	10.1	10.2	146.1	-	146.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS a/	181.2	475.3	202.8	-	-	-	-	-	-	-	859.4	6.5	852.9
TOTAL ECONOMIC	181.2	485.6	1,525.4	291.0	272.8	214.5	260.5	194.4	185.7	226.8	3,838.3	11.3	3,827.0
Loans	24.9	-	-	7.6	12.1	1.1	7.6	26.8	27.4	28.1	135.6	11.3	124.3
Grants	156.3	485.6	1,525.4	283.4	260.7	213.4	252.9	167.6	158.3	198.7	3,702.5	-	3,702.5
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	11.7	487.6	331.1	190.5	187.1	192.2	136.9	160.4	164.7	2,113.5	-	2,113.5
(Additional Grants from Excess Stocks)	(-)	(0.6)	(12.1)	(22.4)	(21.9)	(22.9)	(40.5)	(52.6)	(21.0)	(13.0)	(207.7)	(-)	(207.7)
OTHER MILITARY ASSISTANCE	-	-	40.2	-	-	3.1	-	-	-	-	43.3	-	43.3
TOTAL MILITARY	-	11.7	527.8	331.1	190.5	190.2	192.2	136.9	160.4	164.7	2,156.8	-	2,156.8
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	11.7	527.8	331.1	190.5	190.2	192.2	136.9	160.4	164.7	2,156.8	-	2,156.8
TOTAL ECONOMIC AND MILITARY	181.2	497.3	2,053.2	622.1	463.3	404.7	452.7	331.3	346.1	391.5	5,995.1	11.3	5,983.8
Loans	24.9	-	-	7.6	12.1	1.1	7.6	26.8	27.4	28.1	135.6	11.3	124.3
Grants	156.3	497.3	2,053.2	614.5	451.2	403.6	445.1	304.5	318.7	363.4	5,859.3	-	5,859.3

a/ **Includes (in millions), CRIK, $420.2; Civilian Supplies, $292.1; Korean Aid Program, $121.6; Surplus Property Credits, $24.9; and UNRRA, $0.6.**

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

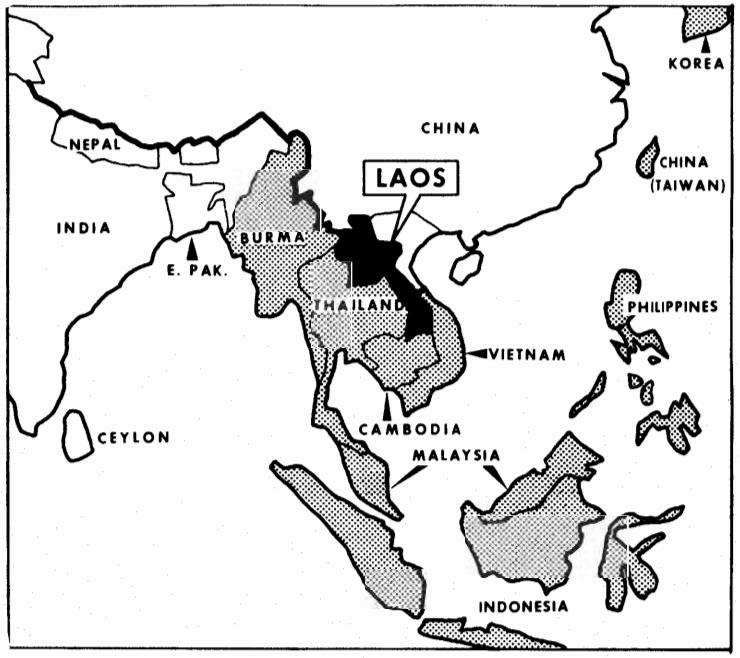
ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
UN Tech. Ass't. (CY) ...	0.4	0.4	2.0
UN Special Fund	1.6	1.7	6.5
Int'l. Dev. Association	14.0	-	14.0

SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Laos - GENERAL ECONOMIC DATA



BASIC DATA

Population (millions - mid-1964)	2.5	Life Expectancy (years)	30
Annual Growth Rate (percent)	2	People per Doctor	45,000
Area (1,000 square miles)	91	Literacy Rate (percent)	15
Agricultural Land as % of Area	8	Pupils as % of Population ... (Primary & Secondary)	5
GNP Per Capita (dollars) - 1962	60		

	1960	1961	1962	1963	1964(Est.)
PRODUCTION TRENDS					
Agricultural Production					
Rice, Rough (1,000 MT)	430	430	450	450	450
Tin Output (Sn content - 1,000 MT) ..	0.4	0.3	0.4	0.4	0.4
Electric Power Output (Mill. KWH) ...	7	8	9	9	10
INTERNATIONAL TRADE ($ millions)					
Total Exports (f.o.b.)	1	1	1	1	1
Tin ore	(0.4)	(0.2)	(0.4)	(0.4)	(0.4)
Total Imports (c.i.f.)[E]	15	19	26	26	26
Trade Balance	-14	-18	-25	-25	-25
GOLD & FOREIGN EXCHANGE ($ millions) .. (End of year)	27.7	21.6	22.3	11.1	8.0(Sept.)
COST OF LIVING INDEX (1959=100)	114	115	134	256	500

E - Estimate.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	8.3	10.4	8.0
Supporting Assistance	24.1	35.3	37.0
Contingency Fund	8.8	XXX	XXX
Total A.I.D. Assistance	41.2	45.7	45.0

U.S. Objectives and Assistance Policy

The importance of Laos to the United States stems from its strategic position. It can be either a buffer against or a bridge for Communist expansion in Southeast Asia. Prime Minister Souvanna Phouma has refused to bow to Communist military pressure. With the support of the United States, he has drawn neutralist and conservative elements of Laos together in common defense of the country's independence and is attempting to keep alive the Geneva plan for a neutral and unified state outside the power blocs.

Our objective in Laos is to eliminate the threat to international peace posed by the current situation while denying Laos to the Communists. In the context of our larger strategic goal of maintaining the independence of Southeast Asia, it is of the utmost importance to deny the use of Laos as a staging area for Communist subversion and infiltration of neighboring countries.

U.S. policy is designed to assist efforts of the Government of National Union headed by Souvanna Phouma to resist subversion and military attacks by the Viet Minh-supported Pathet Lao and to maintain control over the Mekong River Valley and certain tribal areas where resistence to the Pathet Lao is strong.

Modest, but successful mopping-up operations by combined neutralist-conservative Lao forces in July - August 1964--notably in clearing Communist guerilla forces from a large area between the administrative capital of Vientiane and the royal capital of Luang Prabang--have encouraged the Souvanna Phouma Government in its policy of resistence to the Pathet Lao. U.S. economic aid assists this policy by encouraging the Lao to support their government and enabling the government to continue to present itself to the Lao as an attractive alternative to Communist control.

A.I.D. assistance in FY 1966 will concentrate on measures aimed at: (a) improving rural standards of living, particularly in village clusters on or near the perimeters of Royal Lao Government influence; (b) providing relief for refugees and other victims of the security situation; and (c) supporting economic stabilization in government-controlled areas. The A.I.D. mission in Laos also places orders for, and arranges delivery to Laos of, military materials financed by the Military Assistance Program (MAP) for Lao Government forces.

Achievement, Self-Help, the Role of Other Donors

The major objective of project assistance in Laos continues to be to improve living standards of the rural people under Royal Lao Government control and thereby encourage them--as well as non-Communist people in areas partially controlled by the Pathet Lao--to support their Government's efforts to achieve an independent, peaceful Laos. To do this, rural development efforts have been concentrated in selected clusters of villages in strategic areas; beginning in six areas last year, the program is being expanded to twelve this year.

The objective of the program is to develop combined services to meet priority needs for education and health and to improve farm production and distribution in existing village groupings or clusters. Although 41 A.I.D. technicians and more than 37 International Voluntary Services (IVS) volunteers on contract to A.I.D. work and live in these clusters and nearby field posts to provide help and guidance to the Lao villagers, there is a major self-help aspect to the program, in that the villagers provide the labor, the land and many of the construction materials for the social and economic betterment projects.

In addition to the many projects in the rural clusters, the A.I.D. program in Laos has helped to establish teacher training centers in the principal cities with a current enrollment of over 1,300 students. The centers are preparing the students for teaching in rural schools by emphasizing training in agriculture and community development techniques.

The program in health also goes beyond the village clusters in that it not only helps build dispensaries, supply them with drugs and train Lao medical technicians to man them, but similarly provides field hospitals in selected areas, particularly near the fighting fronts in northern and central Laos. Most of the non-Lao technical personnel under this program come from Operation Brotherhood, a Philippine private organization--

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sponsored by the Philippine and Laos Junior Chambers of Commerce and under contract with A.I.D. -- formed to do medical and rural development work in underdeveloped areas. More than 120 Philippine doctors, nurses and technicians work in Laos under this contract.

To create and improve communications between Vientiane and the southern provinces of Laos, A.I.D. has been helping to build a major segment of road and repair other links. These roads will also make it possible to develop better distribution within Laos of agricultural products from areas where there is a modest abundance to those in which shortages exist.

A.I.D. is attempting to increase agricultural self-sufficiency in non-Pathet Lao-controlled areas. With A.I.D. help, the Lao Extension Service has been introducing a vegetable production program and the Lao Agriculture Service has initiated a program to produce improved rice seed.

Another important aspect of the program in Laos is to provide relief supplies, medical care, education and other facilities for resettlement of the refugees from Communist-held areas of Laos, particularly the hill-tribe people of the North.

The breakdown of the cease-fire and the postponement of national reunification have prevented the implementation of plans for joint military demobilization and forced increases in the Lao defense budget. In spite of these problems, the rampant inflation which existed during most of 1963 has been arrested as a result of a stabilization program which went into effect in January 1964. The success of this program was due to: Lao Government adherence to the terms of the Stabilization Agreement; commercial commodity import assistance from the United States, the United Kingdom and Australia, and the multinational Foreign Exchange Operations Fund (FEOF), established following recommendations by the International Monetary Fund (IMF), to which the United States, France, and the United Kingdom and Australia have contributed.

The three nations' commodity import programs have provided substantial balance-of-payments support and, through commercial sales in Laos, have generated local currency to help support the extraordinary defense expenditures of the Lao Government.

The Foreign Exchange Operations Fund has served the following purposes:

1. The open market exchange rate which had been rapidly deteriorating during most of 1963 has been held near the level of 500 Laotian kip to the dollar. This has avoided the economic distortions previously created by a wide and increasing disparity between the official exchange rate and the open market rate.

2. In general the kip has been strengthened as reflected in the fact that the demand for foreign exchange has now become sensitive to small fluctuations in FEOF offering rates.

3. Absorption of kip through FEOF sales has helped reduce inflationary pressures in the economy.

We are assisting the Royal Lao Government in its efforts to obtain renewed contributions to FEOF from the original donors. Additional contributions have been and will continue to be sought from other nations. Japan has agreed to contribute in FY 1965.

FY 1966 Program

Of the $18 million requested for FY 1966 Supporting Assistance projects, $12.6 million is required for certain security activities. A.I.D. provides U.S. technicians, commodities, and contract services, including the support of a civilian staff, to implement the MAP-funded military supply program in Laos; finances subsistence consumables to feed the Lao Government armed forces; furnishes relief supplies to some 150,000 refugees, most of whom continue to defend themselves actively against the Communists; and provides air support for transporting relief, military and other essential supplies to isolated areas.

The remaining $5.4 million for Supporting Assistance and $8 million for Technical Cooperation projects will finance activities associated with the rural development and relief programs described above.

Based on recommendations expected from surveys now underway, A.I.D. will also assist during FY 1966 in the establishment of Lao small businesses, expecially for commercial processing of agricultural products, and will support training activities to develop skilled Lao manpower.

U.S. non-project assistance provides general economic support through foreign exchange financing of imports and foreign services. In FY 1966, A.I.D. will continue the direct financing of non-luxury commercial imports $11 million estimated and reimbursement to the Lao Government for essential foreign exchange expenditures abroad $3 million estimated for such purposes as higher education, medical treatment and official expenses of the

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Lao Government in free world nations. Approximately half of the A.I.D.-financed imported commodities are procured in the United States, with all of the balance procured in the less-developed countries. Sales of foreign exchange through FEOF will continue to supplement the United States, British and Australian import programs in maintaining economic stability. It is anticipated that a U.S. contribution of $5 million will be required in FY 1966.

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Laos

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

CONFIDENTIAL

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			133.6	31.5	25.1	42.1	30.5	26.9	37.0	40.3	367.0	-	367.0
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			133.6	31.5	25.1	42.1	30.5	26.9	37.0	40.3	367.0	-	367.0
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL			0.8	-	-	-	0.3	0.1	0.5	1.7	3.4	-	3.4
Title I - (Total Sales Agreements)			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	*No Programs Prior to FY 1955.*		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS AND GRANTS			-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense			-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development			-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry			-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments			-	-	-	-	-	-	-	-	-	-	-
TITLE II - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.			-	-	-	-	-	-	-	-	-	-	-
TITLE III - EMERGENCY RELIEF AND ECON. DEVELOP...			0.8	-	-	-	-	-	-	-	0.8	-	0.8
TITLE III - VOLUNTARY RELIEF AGENCIES			*	-	-	-	0.3	0.1	0.5	1.7	2.6	-	2.6
TITLE IV - DOLLAR CREDIT SALES			-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS			-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC[a]			134.4	31.5	25.1	42.1	30.8	27.0	37.5	42.0	370.4	-	370.4
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			134.4	31.5	25.1	42.1	30.8	27.0	37.5	42.0	370.4	-	370.4
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)			31.7	5.4	7.5	13.4	33.4	37.1	24.9	10.6	188.1	-	188.1
(Additional Grants from Excess Stocks)			(1.4)	(10.2)	(0.4)	(1.1)	(7.9)	(3.9)	(-1.3)	(1.4)	(27.1)	(-)	(27.1)
OTHER MILITARY ASSISTANCE			-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			31.7	5.4	7.5	13.4	33.4	37.1	24.9	10.6	188.1	-	188.1
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			31.7	5.4	7.5	13.4	33.4	37.1	24.9	10.6	188.1	-	188.1
TOTAL ECONOMIC AND MILITARY			166.1	36.9	32.6	55.5	64.2	64.1	62.4	52.6	558.5	-	558.5
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			166.1	36.9	32.6	55.5	64.2	64.1	62.4	52.6	558.5	-	558.5

a/ Excludes aid to Indochina prior to partition.

* Less than $50,000.

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
UN Tech. Ass't. (CY) ...	0.5	0.5	3.0
UN Special Fund	-	-	0.6

SINO-SOVIET BLOC ASSISTANCE

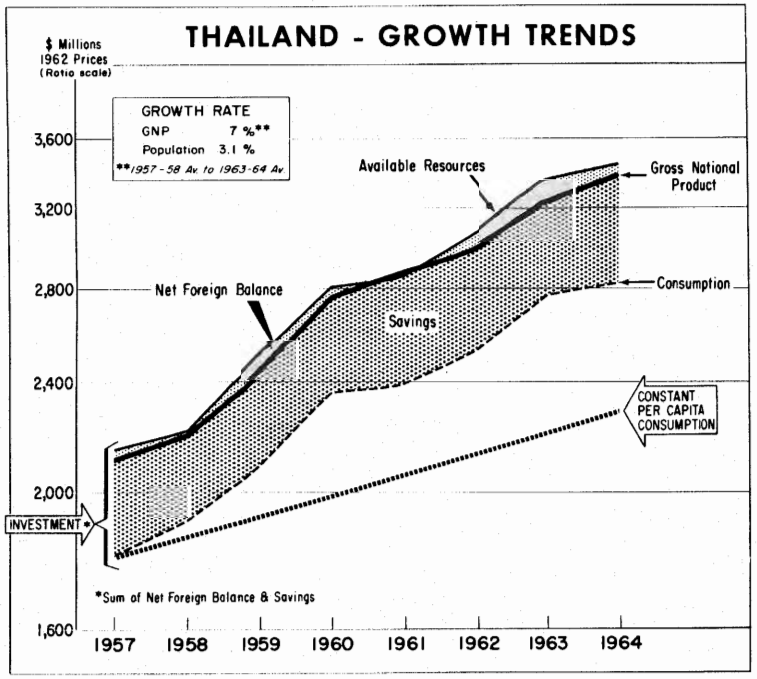
1963 (Calendar Year).....	n.a.
1964 (Calendar Year).....	n.a.
Cumulative Thru 1964.....	n.a.

CONFIDENTIAL

Thailand - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	31
Annual Growth Rate *(percent)*	3.1
Area *(1000 square miles)*	198
Population Density per square mile	150
Agricultural Land as % of Total Area	20
Percent of Population in Agriculture	65
Life Expectancy *(years)*	50
People per Doctor	7,900
Literacy Rate *(percent)*	70
Pupils as Percent of Population *(Primary & Secondary)*	17



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	2,766	2,878	3,000	3,245	3,375
Per Capita GNP *(dollars)*	102	103	105	110	111
Investment as percent of GNP	16	17	18	18	18
Domestic Savings as % of Investment	91	101	87	80	88
Net Foreign Balance as % of GNP	1	a/	2	4	2
Agricultural Prod. Index *(1952-54 = 100)*	142	147	155	166	169
Index per Capita	119	120	122	127	125
Rice, Rough (1,000 MT)	7,830	8,250	9,260	10,170	10,000
Tin Output (1,000 MT)	12	13	15	16	16
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	408	477	459	469	550
Rice	(123)	(171)	(154)	(168)	(205)
Total Imports *(c.i.f.)*	453	485	553	595	640
Trade Balance	-45	-8	-94	-126	-90
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	395	489	556	622	690(Oct.)
COST OF LIVING INDEX *(1958 = 100)*	94	101	105	106	105

CENTRAL GOVERNMENT FINANCES✱ (FY Ending September 30)	– Million Dollar Equivalents – 1962	1963 (Rev. Bud.)	1964 (Rev. Bud.)
Total Expenditures	449	525	560
(Defense Expenditures)	(74)	(77)	(86)
(Capital Outlays)	(140)	(143)	(157)
Total Domestic Revenues	380	416	450
As percent of GNP	12.7%	13.3%	13.5%
Deficit (–) or Surplus (+)	-69	-109	-110

✱ Converted at 21 baht per U.S. dollar.

a/ Less than 0.5 percent.

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

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	-	15.0	10.0-15.0
Technical Cooperation	6.1	7.0	6.3
Supporting Assistance	6.5	5.4	4.0
Contingency Fund	0.3	XXX	XXX
Total A.I.D. Assistance	12.9	27.4	20.3-25.3

U.S. Objectives and Assistance Policy

Thailand is playing an increasingly important role as a stable influence in Southeast Asia. In the last decade, Thailand, with substantial U.S. and other free world assistance, has achieved significant economic growth and progress. Although still underdeveloped, this central nation of the Southeast Asia mainland has built a remarkable degree of political, economic, and military strength. It provides bases for emergency U.S. operations in Southeast Asia. Close U.S.-Thai cooperation greatly facilitates our support of the non-Communist forces in Laos.

Despite this progress, Thailand's security, particularly in the Northeast area of the country, is vulnerable to Communist subversion and infiltration through Laos. The long-standing Thai-Cambodian hostility, Cambodia's moves toward reliance on Communist military aid, the Vietnam situation and the Indonesia-Malaysia confrontation raise potential security problems. Communist agents have taken advantage of conditions in Northeast Thailand, which until recently had been neglected by the Central Government. The Thai people in this region are ethnically and linguistically different from the dominant Thai people; they are poor; water is lacking for irrigation; there are few roads. Nearly one-third of Thailand's population lives in the Northeast.

A difficult situation also prevails in the remote, mountainous areas of Northern Thailand which also border on Laos. Although the Thai of the North are generally better off economically than the Northeasterners, some of the non-Thai hill people near the frontier are potential targets for Communist subversion. The mountainous terrain in this area would lend itself to insurgent activity.

The United States is helping Thailand take both remedial and preventive action in these vulnerable areas. U.S. economic assistance is planned primarily to help Thailand meet the threat to its internal security by accelerating economic and social progress in the more backward rural areas, particularly those bordering Laos.

U.S. assistance policy in FY 1966 will continue to be to draw more Thai resources into the development of areas in which Thai security is threatened by Communist subversion or aggression. Continued political equilibrium and economic growth are essential to maintenance of this security. Therefore, the United States will also provide selected technical assistance in education, government management, feasibility surveys and rural industry development to help Thailand sustain a level of economic growth sufficient to maintain political stability and to attract private investment and public capital from abroad. High priority projects meeting both security and economic development objectives will be considered for Development Loans.

Achievement, Self-Help, the Role of Other Donors

U.S. economic and military assistance has helped Thailand improve its military and para-military capabilities, make important investments in transportation, communications, irrigation and power, modernize education and health facilities, and improve the competence and effectiveness of key government agencies. Over recent years, annual growth of GNP has averaged about 6 1/2% while per capita GNP has increased at an average rate of 3% annually. Agricultural production is estimated to be rising faster than population growth and an important degree of agricultural diversification has been achieved in the last five years. Higher growth rates have been achieved in manufacturing, power, and communications, although from a modest initial base. Administrative and regulatory reforms, to a large degree stimulated by U.S. advisors, have led to doubling of government revenues in the last decade. 1964 was a record year for Thai export earnings.

Thailand has been considered a good risk by the Ex-Im Bank and non-U.S. sources of capital, both government and private. In 1963-64, World Bank loans totaled $56.1 million, Ex-Im Bank $19 million and German loans and credits $23 million. By mid-1964, the Thai Government had drawn down nearly $175 million of a total of approximately $400 million of contracted foreign credits.

Economic expansion has been unevenly distributed within the country. Incomes in the Northeast are estimated to be only two-thirds of the national rural average, and investments in power, transportation and irrigation until recently tended to favor Bangkok and the Central Plains region. General economic expansion is only indirectly and inadequately affecting the remote and vulnerable areas of the Northeast and the North.

Since 1962, with U.S. encouragement, the Government of Thailand has shown a growing concern for the problems of potential insurgency and has taken steps to cope with it. Under the leadership of the armed forces, teams of rural development and psychological warfare specialists--called Mobile Development Units (MDU's)--have been sent to sensitive areas of the Northeast and the extreme South. In addition, in May 1964, Thailand entered into an agreement with the United States to undertake an "Accelerated Rural Development Program" in the six Northeast provinces bordering on Laos. This program will enable the governors of these provinces directly to carry out rural development projects such as village roads, wells, ponds, and small irrigation systems.

Both projects involve a significant commitment and allocation of Thai budgetary support and trained manpower to the security sensitive provinces. The changing Thai attitute toward the remote rural areas is also reflected in the strengthening of Northeast farm extension services and the establishment of a Northeast agricultural research center.

FY 1966 Program

A major portion of the U.S. assistance requested for FY 1966 will be specifically directed toward the internal security threat. If the results of a field review and evaluation planned for the spring of 1965 are favorable, it is anticipated that the Accelerated Rural Development program will be expanded into selected remote provinces of the north and possibly into additional provinces of the Northeast at a cost of $2.1 million in FY 1966.

In addition, A.I.D. will support Thai efforts at improving the economic position of the Northeast farmers through research in agricultural techniques and a strengthened extension service. Studies now being carried out are expected to identify practical means of establishing in FY 1966 small, light industry in the Northeast. Feasibility studies are analyzing the developmental potential of the two major river basins of the Northeast to provide the basis for possible loan projects in irrigation and flood control. Training programs are contemplated for nearly 3,000 local officials and village teachers. 500,000 elementary school students in the six border provinces of the Northeast will be provided with improved textbooks. Community development and village health programs will continue to be concentrated in the Northeast.

Continued support will be given, with $1.9 million in Supporting Assistance for training and equipping the mobile 6,300 man Border Patrol Police and strengthening the counter-insurgency capability of the Provincial Police.

In accordance with a 1963 assessment by A.I.D. and the World Health Organization, the malaria eradication program has been accelerated to assure the success of work carried out to date. The United States will continue to finance a contract with the University of Illinois providing for assistance to the Chiengmai Medical School in North Thailand, which is training badly needed doctors. The malaria and medical programs will require $2.6 million in U.S. technical assistance in FY 1966.

Although the main thrust of the A.I.D. program is directed to the remote rural areas, A.I.D. is also providing selective technical assistance addressed to key institutional problems which are impeding Thailand's economic growth. One of these is government management. A.I.D. financed advisers, from the non-profit Public Administration Service, will be helping such agencies as the Highway Department, the Bureau of the Budget and the Ministries of Finance, Education and Agriculture to increase their operational effectiveness. Similar help is contemplated to the Civil Service Commission in personnel administration. Advisory assistance will continue to be given to the National Statistical Office by the U.S. Bureau of the Census and to the National Economic Development Board, the Thai planning agency. A.I.D. will devote some $300,000 in Technical Cooperation funds to these activities in FY 1966.

In the field of human resource development, A.I.D. will follow up on the pioneering 1963 study of Thailand's manpower requirements for economic growth. Technical help will be given by Michigan State University to the newly-established Educational Planning Office and by another institution to the Manpower Planning Office to enable these units to coordinate educational policy with manpower needs. FY 1966 funding is estimated at $300,000.

To promote industrial investment, consultants will be provided to the Thai investment promotion agency. A study will be undertaken on how best to transfer government-owned enterprises to

private hands. Maximum use will be made of the newly-established International Executive Service Corps to provide experienced managerial skills for Thai enterprises. The Investment Survey and Investment Guaranty programs will be continued. Thirteen private U.S. surveys have been planned or undertaken to date and several of these are expected to result in the establishment of new enterprises.

Thailand's rate of economic growth is limited more by the difficulty it encounters in the preparation and implementation of projects than by the availability of capital. Thailand currently has good opportunities to borrow additional funds abroad at medium or conventional terms. To assist in preparing projects for external financing, A.I.D. will pay for feasibility studies for sound projects. As in the past, many of these projects will then be financed by non-U.S. capital. Priority for A.I.D. Development Loans estimated at $10-$15 million in FY 1966 will go to projects having a combined security and developmental purpose, for which other timely free world financing is not available.

Thailand

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	16.1	129.1	25.8	44.9	23.8	24.2	35.8	15.5	11.7	326.7	6.4	320.3
Loans a/	-	-	20.0	1.8	20.8	-	-	11.1	-	-	53.6	6.4	47.2
Grants	-	16.1	109.1	24.0	24.1	23.8	24.2	24.7	15.5	11.7	273.1	-	273.1
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	-	1.8	0.1	0.1	2.0	0.1	0.1	0.1	0.1	4.3	0.2	4.1
Title I - (Total Sales Agreements)	(-)	(-)	(4.3)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(4.3)	(-)	(4.3)
Less: (Planned for U.S. Uses)	(-)	(-)	(2.6)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(2.6)	(-)	(2.6)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	1.7	-	-	-	-	-	-	-	1.7	*	1.7
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	1.7	-	-	-	-	-	-	-	1.7	*	1.7
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	1.9	-	-	-	-	1.9	0.2	1.7
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	*	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.7	-	0.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	1.0	1.2	-	13.9	0.1	-	10.9	4.9	19.2	51.4	10.7	40.7
OTHER U.S. ECONOMIC PROGRAMS	6.2	-	-	-	-	-	-	0.8	1.4	1.2	9.6	7.1	2.5
TOTAL ECONOMIC	6.2	17.1	132.1	25.9	58.9	25.9	24.3	47.6	21.9	32.2	392.0	24.4	367.6
Loans	6.2	1.0	22.9	1.8	34.7	2.0	-	22.0	4.9	19.2	114.7	24.4	90.3
Grants	-	16.1	109.2	24.1	24.2	23.9	24.3	25.6	17.0	13.0	277.3	-	277.3
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	16.5	205.1	19.7	18.0	20.1	23.9	39.1	68.5	48.2	526.5	-	526.5
(Additional Grants from Excess Stocks)	-	(1.7)	(10.1)	(9.4)	(1.4)	(0.7)	(5.1)	(9.1)	(15.2)	(2.5)	(58.6)	(-)	(58.6)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	4.6	-	-	-	-	4.6	-	4.6
TOTAL MILITARY	-	16.5	205.1	19.7	18.0	24.7	23.9	39.1	68.5	48.2	531.1	-	531.1
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	16.5	205.1	19.7	18.0	24.7	23.9	39.1	68.5	48.2	531.1	-	531.1
TOTAL ECONOMIC AND MILITARY	6.2	33.6	337.2	45.6	76.9	50.6	48.2	86.7	90.4	80.4	923.1	24.4	898.7
Loans	6.2	1.0	22.9	1.8	34.7	2.0	-	22.0	4.9	19.2	114.7	24.4	90.3
Grants	-	32.6	314.3	43.8	42.2	48.6	48.2	64.7	85.5	61.2	808.4	-	808.4

a/ Does not include $7.0 million loan in FY 1958 financed by Asian Economic Development Funds. * Less than $50,000.

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	40.6	2.5	164.4
UN Tech. Ass't. (CY)	1.3	1.1	9.8
UN Special Fund	1.7	2.1	8.7
Int'l. Finance Corp.	-	0.2	0.5

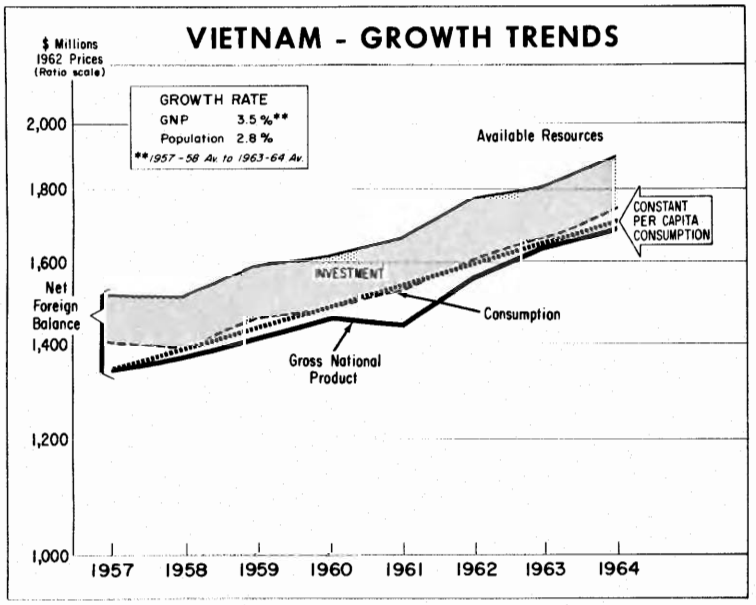
SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Vietnam - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	16
Annual Growth Rate *(percent)*	2.8
Area *(1000 square miles)*	66
Population Density per square mile	240
Agricultural Land as % of Total Area	35
Percent of Population in Agriculture	85
Life Expectancy *(years)*	35
People per Doctor	28,800
Literacy Rate *(percent)*	40-50
Pupils as Percent of Population *(Primary & Secondary)*	12



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	1,465	1,450	1,563	1,640	1,690
Per Capita GNP *(dollars)*	104	100	105	107	108
Investment as percent of GNP	9	9	10	10	9
Domestic Savings as % of Investment	-22	-69	-33	-8	-38
Net Foreign Balance as % of GNP	11	15	14	10	12
Agricultural Prod. Index *(1952-54 = 100)*	207	195	215	208	220
Index per Capita	162	148	159	150	154
Rice, Rough (1,000 MT)	5,000	4,600	5,200	5,000	5,300
Rubber Output (1,000 MT)	78	79	78	76	76
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	86	71	55	77	46
Rubber	(48)	(44)	(38)	(33)	(32)
Total Imports *(c.i.f.)*	240	255	288	313	310
Trade Balance	-154	-184	-233	-236	-264
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	223	179	158	179	144(Nov.)
COST OF LIVING INDEX *(1958 = 100)*	102	108	111	119	123

CENTRAL GOVERNMENT FINANCES✱ (FY Ending December 31)	– Million Dollar Equivalents – 1962	1963	1964 a/
Total Expenditures	380	442	517
(Defense Expenditures)	(192)	(231)	(267)
(Capital Outlays)	(64)	(39)	(37)
Total Domestic Revenues	191	208	256
As percent of GNP	12.2%	12.0%	13.5%
Deficit (-) or Surplus (+)	-189	-234	-261

✱ Converted at 60 piastres per U.S. dollar.

a/ A.I.D. estimates of cash transactions for the 12-month period.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	5.9	8.2	11.0
Supporting Assistance	121.8	202.0	200.0
Contingency Fund	38.0	XXX	XXX
Total A.I.D. Assistance	164.7	210.2	211.0

U.S. Objectives and Assistance Policy

The objective of U.S. policy is to help South Vietnam preserve its national independence against Communist subversion and take-over. To do so the United States must assist in the development of a government capable of winning and maintaining the active support of the Vietnamese people and thereby progressively denying that support to the Communist inspired and dominated Viet Cong insurgency. The Vietnamese Government needs to develop at all echelons sufficient capacity, integrity and constructive programs to attract allegiance and encourage resistance to the Viet Cong in both urban and rural areas. Concurrently the government must conduct the necessary police and military operations to provide adequate protection for the population, and to counter the insurgent forces and gradually weaken both their military base and their ability to organize and rally popular support.

The A.I.D. program in Vietnam assists the Government of Vietnam in striking at many of the root causes of insurgency, dealing with issues of vital concern to the peasants, labor, students, local officials and other key groups -- issues such as economic and social reforms, government practices, schools and health stations at the hamlet level, increased productivity and a better way of life for the common man. The Communist campaign feeds on local issues and grievances. The A.I.D. programs of economic, social and psychological action assist the Vietnamese Government to counter Communist insurgency on the civil and political front, while the Military Assistance Program assists to meet the Communist challenge on the military front.

In support of U.S. objectives, the A.I.D. program is designed to provide:

1. Assistance and guidance to the Vietnamese in improving government administrative organization and practices at the central government and provincial levels, planning and implementation of realistic and meaningful programs for economic and social progress in rural and urban areas, the development of effective war and disaster relief and relocation programs, and the creation of police forces capable of maintaining law and order and controlling subversive elements in areas secured and protected by military forces.

2. Essential commodities and technical services necessary to carry out the counter-insurgency program.

3. Balance-of-payments support to prevent serious inflation and undue loss of foreign exchange reserves resulting from the greatly expanded Vietnamese budget required to finance these economic and social programs and the military effort.

The challenge confronting A.I.D. in Vietnam is unique. Through the broad range of essential activities in which the USAID is assisting and advising the Vietnamese Government at both the central Saigon level and in the provinces, the United States seeks to assist the Vietnamese develop the capacity and confidence necessary to achieve success themselves and reach a workable and durable Vietnamese solution.

Progress and Problems

Success in this continuing attempt to build an effective government is rendered extremely difficult by the fact that Vietnam, although barely ten years old as an independent country, has been the scene of a continuing armed conflict and terrorist activities for over 20 years. This experience has resulted in an indifferent attitude by much of the population; a pre-emption of the most appealing and broadly based "causes" by the Viet Cong; and a government structure characterized by indecision, devisiveness, cumbersome administrative practices, and a lack of confidence in its own ability to maintain the support of the various political elements necessary to its continued existence. Continued factionalism exemplified by agitation by Buddhist groups, military and political personalities in power positions, students, elements of the press and out-of-power politicians seriously endangers Vietnam's effort to deal effectively with the Viet Cong insurgency.

Despite continuing internal pressures, the Government of Vietnam has shown a willingness to be more responsive to popular

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requirements and also to take some of the steps necessary to re-establish effective government. For example, it has, in the past year, made efforts to improve administration at all levels. The National Institute of Administration today graduates 70-80 students a year. Every 1964 graduate of the intensive three-year course in Public Administration went into provincial and district offices.

The Vietnamese Government has been devoting an increasing amount of its own resources to its civilian counter-insurgency programs. Coupled with mounting military defense expenditures, this has resulted in growing budget deficits. To offset the inflationary pressure of deficit financing, recent governments have shown a greater willingness to draw upon the country's foreign exchange holdings than did the Diem regime. Between December 1963 and November 1964 reserves declined from $179 million to $144 million.

The main burden of foreign support for the Government of South Vietnam has been and will continue to be borne by the United States for the foreseeable future. During FY 1965 this is expected to amount to over $200 million in A.I.D. funds and $79 million under P.L. 480. However, substantial contributions have been provided by France, Japan, Britain, West Germany, Australia, Canada, and New Zealand in the form of loans, grants and commercial credits. In CY 1964 aid from free world sources other than United States is estimated at more than $40 million. In response to appeals by President Johnson and the Vietnamese Government for more international support, most of the present donors have increased their aid and several other countries have pledged contributions. Currently, 25 nations are providing or have agreed to provide aid to South Vietnam including new contributions from the Philippines, Korea, Thailand, and the Republic of China.

FY 1966 Program

Proposed economic assistance in FY 1966 totals $211 million from A.I.D. and $57 million at export value under P.L. 480.

Emphasis will be placed during FY 1966 on rural development, encouraging domestic private industry, giving increased attention to the needs of the urban population, improving the numbers, training and effectiveness of the National Police Force, and further assisting in the development of crucially needed public administrators at the national and local government levels.

The FY 1966 A.I.D. Program will consist of three major elements:

1. Balance-of-payments support of $150 million in Supporting Assistance funds to finance imports needed to maintain the economy of Vietnam, and to prevent serious inflation. This will be supplemented by $40 million in sales of agricultural commodities under Title I of P.L. 480.

   The amount proposed is based on an assessment of Vietnam's balance-of-payments gap, given the projected level of Vietnam's production, export earnings, the impact of budgetary deficits on imports demand, and aid expected from other sources. The increase in balance-of-payments support from the FY 1965 level of $135 million does not reflect a proposed increase in expenditures, principally in the defense field, which would involve tripling the government deficit after planned A.I.D. receipts. The measures under consideration include 13% manpower increases in the military, 55% in para-military and 73% in police forces. Because of uncertainties in Vietnam at the time of preparing the A.I.D. budget request, it was not possible to estimate accurately all A.I.D. requirements to support an expanded military and civil effort. If these plans for stepping up both the military and civil effort go forward, it will probably be necessary to request additional funds for the Vietnam program. To allow for this possibility, we are requesting a standby authorization which would facilitate later appropriation of additional funds for Vietnam, if required. The present proposal does take account of some urban development programs, flood relief and reconstruction costs.

   Most of this aid will be in the form of commodities purchased in the United States and in less-developed countries. Some of it will be held in an incentive fund to encourage prompt and more effective action by the Vietnamese Government on agreed programs, and to reimburse the Government for part of its expected drawdown of foreign exchange holdings beyond an agreed level.

   All the piasters generated from the sales of P.L. 480 Title I commodities with the exception of the percentage for U.S. uses (currently 10%) will be contributed to the support of military and para-military operations. While the major portion of counterpart piaster deposits, arising from A.I.D. assistance, will go to military budget support, an increased percentage this year may be devoted to civil counter-insurgency and development uses.

2. Counter-Insurgency: Supporting Assistance funds of $50 million are required for commodities and technical assistance for the over-all counter-insurgency effort with emphasis on

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the strengthening of the National Police, rural development, communications, and urgent public works programs.

By carrying out and providing assistance to various rural programs in reasonably secure areas, the government demonstrates strength and willingness to help the people. Many relief and self-help activities are largely supported from the Vietnamese budget and involve only limited commodities and technical assistance from A.I.D. These activities assist refugees, relocatees, and disaster victims. The New Life Hamlet self-help program is designed to meet the people's needs quickly by helping construct simple improvements such as market places, schools and health stations.

A.I.D. also provides improved seed, fertilizer, pesticides, wells and surface water facilities, repair and maintenance of highways and railroads, dredging of waterways, and construction of new roads. It helps in supplying instructional materials, and in direct provision and development of comprehensive rural health services. New urban development activities are designed to promote employment and improve urban living conditions and thereby help reduce the increasing unrest in the cities.

A.I.D. assistance is supplemented by the distribution of agricultural surpluses valued at $11 million under Title II of P.L. 480. In addition, over $6 million of foodstuffs is to be provided under Title III for distribution by voluntary agencies.

3. Technical Assistance: The provision of technical skills, advice, and training will assist the Vietnamese regime in developing the ability to govern effectively throughout the country and enhance its capacity for self-reliance. Specific attention will be devoted to the preparation and expenditure of the budget, provincial administration, and simplification of administrative procedures and lines of responsiblity and authority. These activities would be financed from Technical Cooperation funds. The $11 million requested would also provide for the continued financial and technical support and training in areas of institutional development such as education and health and other areas in which we hope to assist in the creation of permanent Vietnamese systems and institutions. A.I.D. presently has a contract with the International Voluntary Services to provide 80 U.S. volunteers to work in the provinces in agriculture, health and education. Contracts with Southern Illinois and Ohio Universities provide assistance in elementary, secondary and technical-vocational education.

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Viet Nam

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

CONFIDENTIAL

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			783.9	179.1	200.6	169.0	132.6	110.7	133.2	159.3	1,868.4	0.8	1,867.6
Loans a/			50.0	-	19.5	9.7	10.7	-	-	-1.9	88.0	0.8	87.2
Grants			733.9	179.1	181.1	159.3	121.9	110.7	133.2	161.2	1,780.4	-	1,780.4
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL			39.4	9.7	6.5	11.5	12.0	32.5	64.3	71.0	247.0	-	247.0
Title I - (Total Sales Agreements)	No Programs Prior to FY 1954.		(-)	(5.9)	(-)	(7.0)	(10.0)	(30.5)	(27.0)	(39.2)	(119.6)	(-)	(119.6)
Less: (Planned for U.S. Uses)			(-)	(1.4)	(-)	(1.8)	(2.5)	(3.1)	(2.7)	(3.9)	(15.4)	(-)	(15.4)
TITLE I - PLANNED FOR LOANS AND GRANTS			-	4.5	-	5.2	7.5	27.4	24.3	35.3	104.2	-	104.2
104c - Grants for Common Defense			-	3.0	-	3.5	5.0	27.4	24.3	35.3	98.5	-	98.5
104e - Grants for Economic Development			-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry			-	1.5	-	1.7	2.5	-	-	-	5.7	-	5.7
104g - Loans to Governments			-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.			-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...			0.7	-	*	-	-	1.3	34.7	33.5	70.3	-	70.3
TITLE III - VOLUNTARY RELIEF AGENCIES			38.7	5.2	6.5	6.3	4.5	3.8	5.3	2.2	72.5	-	72.5
TITLE IV - DOLLAR CREDIT SALES			-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS			-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC b/			823.3	188.8	207.1	180.5	144.6	143.2	197.5	230.3	2,115.4	0.8	2,114.6
Loans			50.0	1.5	19.5	11.4	13.2	-	-	-1.9	93.7	0.8	92.9
Grants			773.3	187.3	187.6	169.1	131.4	143.2	197.5	232.2	2,021.7	-	2,021.7
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)			277.8	53.2	41.9	70.9	65.0	144.0	185.6	159.8	1,174.4	-	1,174.4
(Additional Grants from Excess Stocks)			(18.6)	(26.9)	(-0.9)	(1.9)	(6.1)	(23.7)	(13.8)	(10.9)	(103.4)	(-)	(103.4)
OTHER MILITARY ASSISTANCE			-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			277.8	53.2	41.9	70.9	65.0	144.0	185.6	159.8	1,174.4	-	1,174.4
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			277.8	53.2	41.9	70.9	65.0	144.0	185.6	159.8	1,174.4	-	1,174.4
TOTAL ECONOMIC AND MILITARY			1,101.1	242.0	249.0	251.4	209.6	287.2	383.1	390.1	3,289.8	0.8	3,289.0
Loans			50.0	1.5	19.5	11.4	13.2	-	-	-1.9	93.7	0.8	92.9
Grants			1,051.1	240.5	229.5	240.0	196.4	287.2	383.1	392.0	3,196.1	-	3,196.1

a/ Does not include $3.3 million loan in FY 1958 financed by Asian Economic Development Funds. b/ Excludes aid to Indochina prior to partition.

* Less than $50,000.

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
UN Tech. Ass't. (CY) ...	0.5	0.4	3.1
UN Special Fund	-	-	0.2

SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

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Other Far East - Basic Data

BASIC DATA	UNIT	BURMA	INDONESIA	PHILIPPINES
POPULATION				
Total (mid-1964)	Millions	24	103	31
Annual Growth Rate	Percent	2.1	2.3	3.3
AREA				
Total	1,000 sq. mi.	262	576	116
Agricultural Land	% of Area	13	12	37
GROSS NATIONAL PRODUCT				
Per Capita (Est.)	dollars	72	80	142
TRADE				
Total Exports (1963)	$ Millions	266	696	727
Main Exports	Item	Rice	Rubber Oil	Sugar Coconut Prod.
HEALTH & EDUCATION				
Life Expectancy	Years	35	32	55
People Per Doctor	Persons	15,900	48,600	1,700
Literacy Rate	Percent	60	45	75

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BURMA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	0.9	0.6	0.2
Supporting Assistance	0.3	3.4	-
Total A.I.D. Assistance	1.2	4.0	0.2

Despite periodic shifts in the relative cordiality of its relationships with the West and with the Communist countries, Burma has thus far maintained a position of non-alignment. In striking a balance, Burma has been increasing its relationships with the Communist countries while allowing its ties with the Free World to decline. Internally, the Burmese Government has embarked on a socialist program involving nationalization and "Burmanization" of most economic activities. Under these circumstances, we have concentrated A.I.D. activity on completion of existing commitments, continuing a small A.I.D. technical staff in Burma primarily to monitor the final phases of construction projects.

Activities in Progress

Under a $25 million line of credit extended in 1957, $21.6 million has been obligated for 15 projects, nine of which are finished, while six are still in progress. Assuming final agreement is reached with the Burmese Government, A.I.D. expects to obligate during FY 1965 the $3.4 million remaining balance of the 1957 line of credit for the design and construction of a large teakwood sawmill in Rangoon.

Out of the 1959 grant commitment of $30 million, some $2 million (together with a $5.5 million P.L. 480 local currency grant) is being used in building a new campus for the Rangoon University Liberal Arts College, scheduled for completion in 1967. The other $28 million was originally intended for design and construction of part of a new Rangoon-Mandalay highway, a project cancelled in May 1964, at the request of the Burmese Government. These is therefore no further U.S. liability under the 1959 commitment.

Other Assistance

As a nation practicing non-alignment, Burma receives aid from both free world and Communist sources. During 1965, grants and loans from non-U.S., non-Communist sources will total about $29 million, including approximately $19 million in reparations from Japan, a $0.7 million West German loan, $7.5 million of assistance from various UN agencies and $1.7 million in World Bank loans. Burma is also expected to draw down approximately $8.5 million of Communist loans and credit financing, mostly from Communist China.

FY 1966 Program

Technical Cooperation funds of $225,000 are requested to provide advisory and technical assistance, at minimum levels, essential to assure successful monitoring of the several ongoing projects financed previously but not yet completed. No other A.I.D. funds are requested. The principal prior-year projects continuing into FY 1966 include: development of a new campus for Rangoon University's Liberal Arts College; improvement of Rangoon's water and sewerage systems; equipping of the Burmese civil police; as well as establishment of a modern teak mill.

INDONESIA

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	10.4	a/	b/

a/ $1.4 million obligated through December 31, 1964 against $8 million previously planned TC program. This program now under review.

b/ Under review.

At the time of preparation of this presentation to the Congress, the program of technical assistance for Indonesia was under review. Consequently, no estimates of funding requirements for an Indonesia program were included in this budget submission. The appropriate Committees of the Congress will be consulted

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and informed of the results of the review during the course of the hearings.

PHILIPPINES

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	-	-	0-20.0
Technical Cooperation	3.5	3.5	3.0
Total A.I.D. Assistance	3.5	3.5	3.0-23.0

The Philippines is in the forefront among Asian nations seeking to achieve progress and security under freedom. It co-operates with the United States in seeking to further free world objectives. Despite abundant natural resources and a skilled labor potential, the vast majority of the Filipinos have low living standards. At present, the population growth rate is at least 3.3% per year, while GNP expands at only something over 4.5%. The limited margin of growth now benefits mainly a few in the cities. The Philippines needs to accelerate the rate of growth and to insure a larger proportion of national income for the increasingly dissatisfied rural areas. To achieve this objective is a real challenge to a free, democratic society.

U.S. assistance supports the efforts of the Philippine Government to develop the industrial base and increase agricultural productivity, to provide jobs, raise rural income and meet the needs of an expanding population. Continuation of the special close relationship between the United States and the Philippines depends to a considerable extent upon the success of these undertakings.

The Philippine Five-Year Development Plan, inaugurated in 1962, identified basic development goals and the following preconditions for achieving such goals: (a) a better trained and qualified civil service; (b) improvement in revenue collection (which currently realizes less than half its potential); (c) improved enforcement of law and elimination of graft and corruption; (d) greater government capacity to manage its own resources of funds and equipment and to plan and coordinate capital projects; (e) improved land use and productivity; (f) encouragement of private investment; and (g) correction of deficiencies in education. Unfortunately, political preoccupations, waves of economic nationalism, and the failure of the private sector to exploit opportunities for productive investment have dimmed the optimism of foreign observers and some Filipino officials regarding the pace of hoped-for achievements. There have nevertheless been some substantial gains: a phased decontrol program has stabilized the currency; a well-planned program to implement the recently passed Land Reform Code has been established in four districts; and badly needed improvements in civil service salaries and entrance requirements have been enacted.

These efforts, together with abundant opportunities for progress, have elicited substantial support from international institutions and private foundations. A World Bank technical team has been in the Philippines for more than a year assisting in development planning and the Bank is ready to make capital loans to worthwhile projects; the UN is providing help in many areas such as statistical collation, plant research and housing; the Rockefeller and Ford Foundations offer considerable support, including significant contributions toward making the College of Agriculture of the University of the Philippines into a major regional institution.

FY 1966 Program

A.I.D. proposes a $3 million technical assistance program for FY 1966 primarily to aid in the solution of social and managerial problems inpeding rural and industrial growth.

Technicians experienced in crime prevention and law enforcement will be provided in response to a request by the Mayor of Manila for help in carrying out the recommendations of a recent A.I.D. study of the Manila Police.

A.I.D. technicians will work through the Land Reform Districts to help raise agricultural productivity and increase the practical use of agricultural credit and cooperatives. Assistance will also be given in aerial photography, essential to proper land redistribution.

A new private Philippine Foundation for Economic Development will receive assistance through local currency loans. There will also be a contract with a private U.S. firm for the Foundation's program of helping Filipino investors recognize opportunities, assess the factors that go into project preparation, and thus

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take greater advantage of available foreign and domestic credit sources.

The availability of information collected under A.I.D.-sponsored surveys of water resources and energy requirements will help in the development of capital projects for potential lenders such as the World Bank, the Ex-Im Bank and private U.S. and foreign investors.

A.I.D. itself will consider loans for sound projects necessary for the country's development, when financing is not available from other sources on reasonable terms. These would include activities such as rural electrification, irrigation and potable water projects connected with implementation of land reform. It is anticipated that as much as $20 million may be required in FY 1966 for these purposes, particularly if, following the Philippine Presidential election in November 1965, adequate domestic resources are budgeted in support of development.

FAR EAST REGIONAL

PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	1.6	2.0	1.2

The Regional Program in the Far East, for which $1.2 million is proposed in FY 1966, is aimed at building institutions which will assist the countries of the area to: (a) promote the economic development of the region as a whole; and (b) make progress toward regional economic and political cooperation. Despite the potential benefits to be derived from regional economic cooperation among the nations of the Far East, progress continues to be slow. Great power rivalries, Asian nationalism and historic conflicts have created obstacles to cooperation. Nevertheless, a beginning has been made through the activities of organizations such as the Southeast Asia Treaty Organization (SEATO), the UN Economic Commission for Asia and the Far East (ECAFE), and the Asian Productivity Organization (APO).

SEATO, a military alliance for the common defense of the area, is also a channel for economic cooperation among its members. The United States fulfills its Treaty obligations under Article III mainly through bilateral programs with the Asian members, Thailand, Pakistan, and the Philippines. A.I.D provides project assistance within the SEATO framework to the Asian treaty members for projects having benefits for more than one member country. The SEATO Graduate School of Engineering in Bangkok gives postgraduate courses for engineers from all regional members. Other SEATO members are increasing their support. The SEATO Council meeting in May 1965 will consider ways of establishing the School on a more permanent basis. The Cholera Research project in East Pakistan, under the technical direction of the U.S. National Institutes of Health, will continue investigations to increase knowledge of cholera and make possible more effective control of this disease. The Aviation Meteorological Telecommunications project, funded to completion in FY 1965, will be operational between Manila and Bangkok by December 31, 1966.

For some years the Asian members of the ECAFE have studied and recommended ways of increasing regional cooperation. The outstanding example of a successful regional cooperative venture is the development of the Lower Mekong River, which flows through and along the borders of four countries of the region -- Vietnam, Laos, Thailand and Cambodia. More than half of the regional assistance for FY 1966 is proposed for investigations into possible methods of developing the Mekong River. These investigations are being administered by the ECAFE-sponsored Mekong Coordination Committee. They require, and to date have received, the close collaboration and joint financial support of the four historically antagonistic riparian countries. The Mekong's great long-term potential for irrigation, power, flood control and navigation has attracted widespread international interest and support. Financial contributions and pledges for the Mekong Committee's investigations total about $52 million to date, including some $22 million from the riparian countries and $3.2 million from the United States. In FY 1966, the U.S. contribution will support two projects: (1) an economic and hydrologic systems analysis of the Mekong system; and (2) a cartographic inventory of the physical and social resources of the Basin. A Ford Foundation study team recommended such a Resources Inventory to collate and assemble basic physical and social knowledge of the Basin.

The Asian Productivity Organization (APO), supported by the United States since 1961, has come to the point where it has every prospect of becoming self-supporting. Direct A.I.D. financial support is being terminated during FY 1965. The APO is unique in Asia as an organization devoted to increasing industrial productivity, assisting private enterprise and promoting practical cooperation. A.I.D. will continue cooperation with APO by providing consultants and assisting specific activities.

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Almost half of regional assistance proposed for FY 1966 will finance other activities that can be carried out more effectively and economically on a regional basis than through bilateral programs. Examples include the training of democratic trade unionists from a number of Far East countries at the Asian Labor Education Center at Manila, regional technical seminars and conferences, and increased attention to facilitating the technical training of Asians within the region.

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BURMA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	15.2	-7.8	55.8	1.9	53.9
Loans	4.8	-	32.6	1.9	30.7
Grants	10.4	-7.8	23.3	-	23.3
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	8.5	0.3	48.7	0.5	48.2
Title I - (Total Sales Agreements)	(10.7)	(-)	(51.4)	(-)	(51.4)
Less: (Planned for U.S. Uses)	(2.6)	(-)	(10.8)	(-)	(10.8)
TITLE I - PLANNED FOR LOANS & GRANTS	8.1	-	40.6	0.5	40.1
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	2.1	-	8.1	-	8.1
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	6.0	-	32.5	0.5	32.0
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	5.0	-	5.0
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	0.4	0.3	3.1	-	3.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	-	5.0	5.5	-0.5
TOTAL ECONOMIC	23.7	-7.5	109.5	7.9	101.6
Loans	10.8	-	70.1	7.9	62.2
Grants	12.9	-7.5	39.5	-	39.5
MILITARY ASSIST. PROGRAM - (Chg. to App.)	10.7	8.0	63.2	-	63.2
(Additional Grants from Excess Stocks)	(1.7)	(0.6)	(9.9)	(-)	(9.9)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	10.7	8.0	63.2	-	63.2
Loans	-	-	-	-	-
Grants	10.7	8.0	63.2	-	63.2
TOTAL U.S. ECONOMIC AND MILITARY	34.4	0.5	172.7	7.9	164.8
Loans	10.8	-	70.1	7.9	62.2
Grants	23.6	0.5	102.7	-	102.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	3	-	99		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	33.3		
UN Tech. Ass't. (CY)	1.0	0.7	10.1		
UN Special Fund	-	0.8	5.0		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

INDONESIA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	35.3	7.4	286.1	16.4	269.7
Loans	16.9	-	60.6	16.4	44.2
Grants	18.4	7.4	225.5	-	225.5
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	86.4	34.3	315.1	1.3	313.8
Title I - (Total Sales Agreements)	(91.2)	(30.9)	(344.6)	(-)	(344.6)
Less: (Planned for U.S. Uses)	(9.1)	(3.1)	(50.5)	(-)	(50.5)
TITLE I - PLANNED FOR LOANS & GRANTS	82.1	27.8	294.1	0.7	293.4
104c - Grants for Common Defense	-	-	30.8	-	30.8
104e - Grants for Econ. Development	-	-	25.3	-	25.3
104e - Loans to Private Industry	4.5	1.5	22.5	-	22.5
104g - Loans to Governments	77.6	26.3	215.5	0.7	214.8
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	2.2	0.6	1.6
TITLE II - EMERGENCY RELIEF & ECON. DEV.	0.8	3.0	3.8	-	3.8
TITLE III - VOLUNTARY RELIEF AGENCIES	3.5	3.5	15.0	-	15.0
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	162.1	94.0	68.1
OTHER U.S. ECONOMIC PROGRAMS	0.2	0.2	68.1	44.8	23.3
TOTAL ECONOMIC	121.9	41.9	831.3	156.5	674.8
Loans	99.0	27.8	526.5	156.5	370.0
Grants	22.9	14.1	304.8	-	304.8
MILITARY ASSIST. PROGRAM - (Chg. to App.)	13.9	11.9 a/	82.4	-	82.4
(Additional Grants from Excess Stocks)	(3.2)	(0.2)	(6.3)	(-)	(6.3)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	13.9	11.9	82.4	-	82.4
Loans	-	-	-	-	-
Grants	13.9	11.9	82.4	-	82.4
TOTAL U.S. ECONOMIC AND MILITARY	135.8	53.8	913.7	156.5	757.2
Loans	99.0	27.8	526.5	156.5	370.0
Grants	36.8	26.0	387.2	-	387.2
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	6	25	676		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	1.7	1.4	13.5		
UN Special Fund	1.2	3.0	5.8		

a/ Under study to identify maximum availability for redistribution or recoupment.
Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

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PHILIPPINES

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.O. AND PREDECESSOR AGENCIES - TOTAL	0.7	-1.2	274.3	8.8	265.5
Loans	-1.8	-3.5	49.7	8.8	40.9
Grants	2.5	2.3	224.7	-	224.7
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	9.8	17.1	93.0	0.5	92.5
Title I - (Total Sales Agreements)	(-)	(11.4)	(47.0)	(-)	(47.0)
Less: (Planned for U.S. Uses)	(-)	(5.7)	(16.3)	(-)	(16.3)
TITLE I - PLANNED FOR LOANS & GRANTS	-	5.7	30.7	0.5	30.2
104c - Grants for Common Defense	-	-	7.8	-	7.8
104e - Grants for Econ. Development	-	-	3.1	-	3.1
104e - Loans to Private Industry	-	1.7	8.0	0.2	7.8
104g - Loans to Governments	-	4.0	11.8	0.3	11.5
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	0.5	-	0.5
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	1.1	1.1	-	1.1
TITLE III - VOLUNTARY RELIEF AGENCIES	9.8	10.3	60.7	-	60.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	3.9	-	160.7	62.1	98.6
OTHER U.S. ECONOMIC PROGRAMS	77.4	2.5	859.6	117.3	742.3
TOTAL ECONOMIC	91.8	18.4	1,387.6	188.7	1,198.9
Loans	2.1	2.2	336.9	188.7	148.2
Grants	89.7	16.2	1,050.7	-	1,050.7
MILITARY ASSIST. PROGRAM - (Chg. to App.)	23.7	19.7	315.6	-	315.6
(Additional Grants from Excess Stocks)	(3.4)	(0.9)	(53.7)	(-)	(53.7)
OTHER MILITARY ASSISTANCE	-	-	132.7	-	132.7
TOTAL MILITARY	23.7	19.7	448.3	-	448.3
Loans	-	-	-	-	-
Grants	23.7	19.7	448.3	-	448.3
TOTAL U.S. ECONOMIC AND MILITARY	115.5	38.1	1,835.9	188.7	1,647.2
Loans	2.1	2.2	336.9	188.7	148.2
Grants	113.4	35.9	1,499.0	-	1,499.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	18.7	-	79.7		
UN Tech. Ass't. (CY)	0.7	0.7	7.1		
UN Special Fund	1.5	3.0	7.0		
Int'l. Finance Corp.	4.4	-	4.4		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

AFRICA

AFRICA

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FY 1966 PROGRAM

Country	Type of Assistance (Thousands of Dollars)			
	Total	Development Loans	Technical Cooperation & Development Grants	Supporting Assistance
TOTAL	$218,000–318,000	$100,000–200,000	$92,000	$26,000
Congo (Leopoldville)	20,355	—	1,355	19,000
Ethiopia	26,717 – 31,717	23,000– 28,000	5,717	—
East Africa				
Kenya	10,873 – 13,373	6,000– 8,500	4,873	—
Tanzania	11,922 – 12,922	7,000– 8,000	4,922	—
Uganda	5,740 – 9,740	2,000– 6,000	3,740	—
Regional	3,475	—	3,475	—
Liberia	12,478 – 13,478	5,000– 6,000	7,478	—
Nigeria	49,256 – 79,256	29,000– 59,000	20,256	—
Tunisia	17,521 – 34,021	16,000– 32,500	1,521	—
Other Loan Programs	12,000 – 54,000	12,000– 54,000	—	—
Algeria	1,425	—	1,425	—
Burundi	127	—	127	—
Ghana	1,035	—	1,035	—
Guinea	5,402	—	4,402	1,000
Malawi	1,788	—	1,788	—
Mali	985	—	985	—
Morocco	1,079	—	1,079	—
Sierra Leone	2,196	—	2,196	—
Somali Republic	3,421	—	3,421	—
Sudan	3,431	—	3,431	—
Zambia	1,497	—	1,497	—
Africa & Malagasy Union States (UAM)	8,199	—	7,199	1,000
Cameroon	(1,561)	—	(1,561)	(—)
Central African Republic	(510)	—	(510)	(—)
Chad	(705)	—	(705)	(—)
Dahomey	(400)	—	(400)	(—)
Gabon	(270)	—	(270)	(—)
Ivory Coast	(116)	—	(116)	(—)
Malagasy Republic	(795)	—	(795)	(—)
Mauritania	(100)	—	(100)	(—)
Niger	(513)	—	(513)	(—)
Rwanda	(370)	—	(370)	(1,000)
Senegal	(250)	—	(250)	(—)
Togo	(784)	—	(784)	(—)
Upper Volta	(825)	—	(825)	(—)
Regional US/AID Africa	1,265	—	1,265	—
Regional	9,813	—	8,813	1,000

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AFRICA REGIONAL SUMMARY

Introduction

A.I.D.'s FY 1966 program in Africa concentrates on helping the African nations -- most of them new -- bolster their independence with economic growth for orderly political evolution. The setting is turbulent, complicated by political tensions, economic difficulties, internal unrest aggravated by Communist pressures, and demands for financial and other resources at a time when the position of the former metropoles has declined. These conditions aggravate indigenous problems, such as a great lack of skilled men and capital; political inexperience; disparate distribution of resources and national borders; low living standards, and widespread disease.

The program proposed for FY 1966 continues to be directed largely toward basic economic development. This follows from A.I.D.'s approach to Africa -- that long-term social and economic progress will help provide the conditions necessary for African stability and their participation as responsible members of the international community.

Political Developments

In the last year, rebellion in the Congo, military mutinies in East Africa and a coup in Zanzibar, mass movement of refugees in Central Africa and the Sudan reflected the grave internal security problems besetting some nations in Africa. While several states made quiet constructive progress in relative political harmony, others now face the divisive pressures of contending, often radical, elements in power struggles.

Communist influence is clearly discernible in some of these unstable situations which offer fertile ground for future meddling. A related trend is the growing sense of frustration and disillusionment as a result of the gap between expectations and accomplishments in the post-independence years. Communist attempts to take advantage of these conditions in Africa are illustrated by the expansion of Communist presence and aid, which has intensified partly as a result of competition between the Soviets and Communist China. While total free world aid declined from $1.7 billion to $1.2 billion between 1962 and 1964, Communist aid offers doubled in the same period, increasing from about $200 million in FY 1962 to $400 million last year with major increases coming from Communist China.

The situation in the Congo has exacerbated the split between moderate and radical African leaders, led to military intervention in the civil war, and worsened African relations with the West. Another major sore spot is the increasing hostility and tension toward Portugal vis-a-vis Angola and Mozambique and toward South Africa for its apartheid and other policies. The pending World Court decision on South Africa's administration of the Trust Territory of Southwest Africa will be important, possibly leading to an increased flow of refugees and incursions across national boundaries.

The problems now confronting Africa do not eclipse, however, the real progress of the past year, illustrating the Africans' determination to manage their own affairs. Important steps were taken toward regional cooperation in the UN Economic Commission for Africa (ECA) and the Organization for African Unity (OAU). Progress was also manifest in the positive measures taken for social and political change, for example, the installation of a multiracial government in Zambia and significant reform measures adopted in Morocco, Ethiopia and elsewhere. In Nigeria, crises which threatened the breakup of the federation at the 1964 general election as well as a widespread labor strike were amicably resolved. "Africanization" continued to reshape the European pattern of education to Africa's own needs. Among others, Nigeria is moving to a more balanced functional curriculum of technical and professional training suited to the needs of a young and rapidly developing country.

Economic Developments

Economic developments in Africa last year reflected the results of a variety of attempts to raise low living standards and to shift from a basic extractive-export production pattern. Further per capita GNP growth was achieved by a number of African countries. Tunisia continued to invest one-fourth of its GNP, while Nigeria and Sudan invest 15% of theirs.

The growth prospects of many African states are clouded by several increasingly acute problems stemming largely from their manifold needs and the urge to push ahead rapidly. Perhaps the most serious is the strain on government revenue and budgetary capacity as a result of the general drive for improved social services and energetic, tangible development strides. Most countries' development expenditures, including available foreign resources, have been used to build economic and social infrastructure, such as transportation, power and educational facilities. In addition to the immediate budgetary drain caused by the capital costs of these projects, they also entail heavy recurrent operating costs and their contributions to government revenues may take years to

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materialize. Even for direct revenue-producing infrastructure projects, such as transportation or power, operating costs may exceed direct income for the first few years.

Second, balance-of-payments problems are increasing substantially. Reserves built up from sales of basic commodities after World War II are depleted. Lower prices of primary products cost 15 African countries an average annual net "loss" from 1958 to 1962 of about $350 million, equivalent to 10% of annual export earnings. Although the volume of these exports continues to grow and some commodity prices have improved, the relatively unfavorable terms of trade restrict the ability of the African countries to pay for increased imports needed for development. Several countries are faced with impending losses of foreign exchange due to changes in French aid and the withdrawal of U.K. and French military forces. The flow of private capital has also fallen short of expectations. During FY 1964 assistance from other free world countries continued to decline. At the same time, debt-service costs have been increasing rapidly, amounting in some cases to one-fourth or one-third of export earnings. These developments have led to a series of International Monetary Fund (IMF) standby agreements and consultations to help conserve foreign exchange.

Third, the already thin layer of managerial and administrative capability in the African states has been made thinner still by the loss of skilled minorities from several states, as well as ex-metropole businessmen, government officials and technicians. While little immediate relief is in sight, African countries are responding with longer-term solutions to the need for managerial and technical skills. New schools and increased school enrollments reflect the great stress on post-independence expansion of such education. For example, Somalia increased the number of secondary schools by 25% last year. Kenya's secondary schools and pupils tripled from 1954 to 1963 and the total number of Tanganyikan students in secondary education rose by about 70% from 1961 to 1963. Some African countries tightened their policies on overseas scholarships so that, despite the wide range of foreign training offers, more students in the future will be completing their secondary and university education at home, prepared to move into positions where their training can be put to immediate use.

Despite these difficulties, many African countries continue to make concrete economic progress. There were indications that new oil and other mineral resource exploitation may provide considerable hope for industrialization and export earnings in a number of countries. Libyan oil revenues, non-existent in 1960, have been estimated at $75 million in 1963 and may more than double in 1965. Recent oil discoveries in Nigeria have brought production there to five million tons in 1964 and it is expected to reach 23 million tons by 1968. Exports of other forms of Africa's mineral wealth -- phosphates, copper, diamonds, iron, and bauxite -- have also been expanding.

In the past decade, over-all agricultural production in Africa has increased 34% or 8% per capita. The increase in food production, however, is currently not keeping up with population growth.

Some striking aspects of Africa's quest for economic independence are in mobilizing local resources. Self-help efforts with aid donor support have produced additional development banks, better investment codes, stronger tax collection systems and more savings drives. Nigeria, Tunisia and others have endeavored to finance their development by non-inflationary means, relying as much as possible on domestic sources when faced with assuming previous metropole responsibilities. Many African countries have improved budget methods and raised taxes to meet increasing needs.

A variety of efforts has been instituted to accelerate economic progress through cooperative community programs in agriculture, building farm-to-market roads, village schools, and many other facets of rural development. One technique found in the Malagasy Republic, Morocco and Senegal represents a joint venture between the government and farmers to promote cooperatives, construct schools and first aid posts, and lay the foundation for mass participation in economic and social development.

Regional Economic Cooperation

Some major steps were taken last year toward regional economic cooperation, many through the efforts of the ECA. Perhaps the best augury was the founding of the African Development Bank sooner and more smoothly than had been anticipated. It reflects a healthy spirit of economic cooperation. Capital subscriptions, as well as governors and directors, are exclusively African. Capitalized at $250 million, the Bank Agreement was ratified by the two dozen African countries that made initial payments. The Bank will lend to private firms as well as to the governments and will be equipped to help African states prepare projects in bankable form. It plans to provide technical assistance to complement and assure the success of development credits for regional projects. The Bank's future appears highly promising as a catalyst for regional economic cooperation and for mobilizing additional development capital from both domestic and foreign sources.

Planning for regional cooperation is continuing. Four West African countries (Guinea, Ivory Coast, Liberia, Sierra Leone) are now discussing a possible free trade zone and cooperation in industry, agriculture and communications. Cooperation in developing some of Africa's large river basins -- Chad, Senegal, Niger -- is in sight.

A common market among 11 West African countries -- initially in textiles, chemicals and metallurgical products -- is under consideration. A customs union is in effect among Cameroon, Central Africa Republic, Chad, and Congo (Brazzaville). Efforts are in process to obtain coordination of industrial development in other parts of the continent.

U.S. Assistance Program for FY 1966

Against this background of need, progress, and instability, A.I.D. proposes in FY 1966 a total program for Africa of $218 million, approximately 8% more than estimated obligations in FY 1965. Programs in Africa totaled $315 million in 1962, $261 million in 1963, and $202 million in 1964. Much greater stress is placed on development assistance in FY 1966. Supporting Assistance amounts to only 12% of the total. The FY 1966 request for $92 million for Technical Cooperation is $6 million above the estimated FY 1965 program and constitutes 42% of the total program for Africa. Almost half the request -- $100 million -- is for Development Loans -- an increase of 25% above the estimated FY 1965 level.

The distribution of these amounts of aid to individual African countries takes into account four main factors: (a) the size and importance of the country in the African scene and its interest to the United States; (b) the country's development potential in terms of material and human resources; (c) the firmness and realism of the country's economic policies, development plans, and self-help efforts (including administrative capacity); and (d) the availability of aid from other donors.

In Nigeria and Tunisia the combination of political stability, development potential, realistic development planning, and self-help efforts continues to justify a major U.S. capital and technical assistance effort tied to the specific objectives of their development plans in concert with other free world donors. Both of these countries have received long-term U.S. development commitments, and other free world assistance is substantial, especially in Nigeria. $66.8 million or 31% of the FY 1966 aid request for Africa is for these two countries which have about one-fourth of the population of the U.S.-aided African countries.

There are six other countries where economic prospects are basically good and which have taken some steps toward realizing their potential, but where a variety of factors have set practical limits on the rate at which development can proceed, and therefore on the level of U.S. aid. These countries are Ethiopia, Liberia, Morocco, Kenya, Tanzania, and Uganda. For historical and other reasons, the United States is in the best position to help Liberia and Ethiopia. In most of the other countries, aid from other sources is relatively higher. $71 million or 33% of the FY 1966 request is for these six countries which have slightly less than 30% of the population of all U.S.-aided countries in Africa.

In Guinea, U.S. assistance is turning slowly away from general balance-of-payments support to a program designed to help this mineral-rich country move toward more concerted economic development.

In the Congo (Leopoldville), unsettled conditions require a program directed primarily toward immediate financial support and stabilization and the restoration of essential service in areas where security conditions permit, rather than toward future economic development. Although the development prospects of the Congo will be good once stability is achieved, this focus on immediate problems is expected to continue to be a dominant feature of the Congo program in FY 1966.

For the remaining 22 countries, the goal of economic growth is as essential as for the 11 countries discussed above. But for a variety of reasons the amount of U.S. development assistance is much smaller. Some of these countries are small in population or area, some have meager resources which limit development possibilities, others have such abundant resources that they can finance most of their own development costs. Most of them receive relatively large help from other free world countries; some others are receiving substantial aid promises from Communist sources. In a few countries, some of which have excellent development prospects, present circumstances greatly limit the practical scope for effective U.S. cooperation in the basic development process and restrict U.S. programs to those few specific activities where cooperative action has proved possible. Limited programs in these countries serve to establish a U.S. identification with their development aspirations or, in a few cases, to maintain contact with the people until conditions improve. These 22 countries have slightly more than one-third of the population of the 32 African countries for which A.I.D. plans programs in FY 1966. Aid to them is estimated to amount to about $30 million or approximately 14% of the total for Africa.

Though these groupings help to explain the relative magnitudes of aid, they are not hard and fast categories. Circumstances may change, requiring some changes in the forms or amounts of aid.

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New contingency requirements may arise, either in the countries listed above or in other areas such as Libya or in southern Africa, particularly in the countries now approaching independence.

Technical Cooperation

The FY 1966 program plan for aid to Africa stresses continued heavy reliance on technical assistance as the basic means to meet the main African problems of lack of skilled manpower to plan and administer their economies, lack of the necessary institutional framework for effective development of available resources, and simple lack of knowledge about resources and their best uses. Technical assistance, therefore will account for over 40% of the total of A.I.D. dollar programs in Africa for FY 1966 -- a much higher proportion than for other regions in the world-wide A.I.D. program. Technical assistance activities for 1966 will give new emphasis to the following features to help meet those problems which have become most evident in experience to date:

1. The lack of capable operating and management personnel at high technical levels, long a major problem in Africa, is becoming more acute as pressures for speedy "Africanization" increase. In some cases the establishment of infrastructure is outpacing the supply of technicians and managers. One promising source of increase in the supply of such people, especially below very top levels, is in the large number of African students receiving college-level training abroad -- estimated at 7,000 in the United States alone, with a much greater number in Europe. Most of these students are not A.I.D.-financed and there are no clear-cut plans for their future employment. We are proposing a joint effort with the African countries to help move these students back into jobs for which they qualify. For positions requiring more experience, qualified Americans will be furnished directly where possible under "salary-topping" arrangements.

2. The inability of African countries to meet their internal budgetary and investment problems points up the need for help in the form of tax advisors and consultants on credit programs, to improve revenue and savings devices.

3. More resource and sector studies are planned to give countries a better idea of their actual mineral and agricultural potentials and whether present and future trade and market trends make it economically desirable to exploit them.

4. There is clear need for additional measures to attain a higher degree of security and stability as a prerequisite to development progress. Development prospects and priorities are increasingly affected by internal turbulence within the African countries, and by Communist penetration efforts. This will require increased U.S. programs in public safety, civic action, youth activities and similar people-reaching fields in countries where these problems are most acute.

Of the $92 million proposed for technical assistance for FY 1966, approximately $85 million will be required to cover the continuing costs in FY 1966 of projects which have been started in previous years. Of this latter amount, $19.7 million (23%) is proposed for Nigeria and Tunisia and $30.8 million (36%) for the other six countries discussed in individual country statements below -- Liberia, Ethiopia, Congo, and the three East African states. $26.1 million (31%) is planned for the remaining 24 countries while $8.4 million (10%) is intended for regional activities.

Within this total of $85 million about $23.5 million (28%) is planned for education and training activities, with priority to secondary, vocational and higher education. The same amount will be used in agriculture and natural resources, with approximately 50% of this amount proposed for projects in extension and training in agricultural skills. $9.7 million (11%) is proposed for activities in the fields of public safety and administration, over half for assistance in developing civilian police forces in countries facing internal security problems and the balance for assistance in public administration. The remaining $28.3 million is distributed among activities such as public health, transportation and community development.

The balance of the proposed program, or $7 million, will be used along the new lines of technical assistance emphasis outlined above, reflected both in new projects, including a stepped-up program of feasibility studies, and through significant changes in current projects. Actual proposals in these categories total some $18 million for which, in many cases, practical details are still being worked out. Amounts and timing may change as the complete implementation plans are developed, and some may not prove desirable or feasible at all.

Development Loans

For FY 1966, an increased input of capital project loans to meet the investment requirements of African countries is forecast. A development loan level of $100 million is proposed, compared with $80 million expected to be approved in FY 1965 and $79.6 million approved in FY 1964. 68% of the $100 million total is proposed for loans to Nigeria, Tunisia and Ethiopia. The increase in volume of lending activity forecast is mainly due to the fact that several large loan proposals which have been under review for some time are expected to reach the action stage in FY 1966.

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Up until now, there has been heavy stress, both in the countries' development planning, and in U.S. support of such planning, on economic and social infrastructure projects, including such fields as educational facilities and transportation and power. The initial emphasis on these projects reflected the political imperatives accompanying independence, and the need for trained manpower at all levels. While more projects of this kind are desirable, many urgent needs are now being met and directly productive capital projects must be stressed in order to provide an earlier payoff in economic and budgetary terms. This calls for more emphasis on industrial development, including both large industries and small ones serving local needs, properly related to the resources of the countries, and continuation of work on essential economic infrastructure such as an adequate transportation net, electric power, and communications needed to support the development of productive industries and a market economy for agricultural crops.

This trend is manifested in part in the FY 1966 capital project program although the full effect of this shift cannot be expected until later years. Possible loans during FY 1966 include such industrial projects as fertilizer plants and support for a truck assembly plant, as well as such essential economic infrastructure projects as highway maintenance equipment, railway construction, power development and facilities to ensure the safety of civil aviation. A program loan tied to U.S. procurement may also be needed to assist Tunisia to finance its need for U.S. commodities

Supporting Assistance

For FY 1966 the amount of aid required in special support situtions in Africa is expected to decline to $26 million from $34.5 million in FY 1965 and $48 million in FY 1964, the decline being made possible by the planned shift of the Moroccan program to one concentrating on development and by Libya's improved financial situation. Such aid is now contemplated only for Congo (Leopoldville) to continue the stabilizing and rehabilitation effort there, for Guinea, in recognition of that country's severe economic difficulties and to ease its transition to resumption of development progress, and to Rwanda for temporary balance-of-payments support, and for activities related to southern African refugees. The continuing instability and other uncertainties in parts of the African continent may also give rise to urgent new requirements to meet foreign policy needs.

P.L. 480 Programs

P.L. 480 has proved an extremely useful and flexible tool for promoting economic growth in Africa. In 1964, programs amounted to approximately $153 million, of which $45 million was in Title I and IV sales, and the balance almost equally divided between Titles II ($55 million) and III ($53 million). The forecast for FY 1966 is a total of $146 million. In the coming year we expect to continue concessional sales and grants of surplus U.S. farm products in substantial amounts in Morocco, Tunisia, Algeria, Congo (Leopoldville) and Guinea. In the three North African countries, Food for Work projects are providing jobs for hundreds of thousands of unemployed workers on soil conservation, reforestation and irrigation projects and are stimulating construction of roads, schools and medical facilities. The food programs for Algeria will be kept under continuing review.

Military Assistance

It remains the policy of the United States to refrain from contributing to any arms race in Africa and to discourage the use of scarce resources for military prestige. However, the maintenance of internal security is a major problem, one which will demand increasing attention in the near future as both internal and external extremist elements attempt to capitalize on the natural frustrations and difficulties attendant upon independence. Therefore, assistance to civilian public safety forces in Africa is supplemented by military assistance in 11 countries. These programs are largely in training and for civic action, under which local military forces are used on worthwhile civilian development projects. Grants of military equipment are made to a few countries, and other equipment is furnished on a sales credit basis.

Other Major Trends

1. Increasing effort in regional activity: Several African regional institutions, notably the ECA and the African Development Bank demonstrate realistic, imaginative development activities to meet common problems and link country economies. U.S. help to these institutions will be especially useful during the formative period while they are establishing their policies and sorting out their priorities.

2. Closer Coordination with Other Free World Aid Sources: Aid reductions by some of the principal donors (notably France and the United Kingdom), the continuing disparity in aid terms among Western donors, African vulnerability to short-term high-interest supplier credit offers and opportunities for joint action on specific projects all make better coordination imperative. The primary need is to engage other donors in broader range analyses of the entire economic prospects and potential development of particular countries. A.I.D. expects to employ a variety of techniques: consultative groups under IBRD or

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or other international organization leadership; DAC reviews; direct consultations with other principal donors; and coordination with the IMF on short-run economic problems, particularly on fiscal and monetary policies.

3. Continued Stress on Private Sector Activity: Shortage of local capital, fears of instability, unfamiliarity of U.S. investors with investment opportunities in Africa, combined with reluctance by some countries to take advantage of possibilities available in the private sector impede development progress in many African countries. On the positive side, though most external investment in Africa is European, total American private investment has increased from $664 million in 1957 to $1,423 million at the end of 1963, and U.S. investment guarantee agreements are now in force with 21 African countries. A new program of housing guaranties is getting under way. Private investment codes have been adopted by many of these African States. A.I.D. is assisting in stimulating indigenous as well as external private investment by providing technical assistance to investment promotion offices, industrial planning, training managerial personnel, feasibility studies and through certain types of capital project loans.

Congo (Leopoldville) - GENERAL ECONOMIC DATA

BASIC DATA

Population (millions - mid-1964)	15.6	Life Expectancy (years)	38
Annual Growth Rate (percent)	2.3	People per Doctor	63,400
Density per Square Mile	17		
		Literacy Rate (percent)	50
Area (1,000 square miles)	906	Pupils as % of Population ..... (Primary & Secondary)	12
Agricultural Land as % of Area	22		
GNP Per Capita (dollars)- 1963	80		

	1960	1961	1962	1963	1964(Est.)
PRODUCTION TRENDS					
Agricultural Prod. Index (1952-54=100)	119	92	81	85	86
Index per Capita	104	79	68	70	69
Cassava (1,000 MT)	7,406	5,924	5,924	6,073	6,221
Copper, smelter prod. (1,000 MT)	302	295	296	271	280
INTERNATIONAL TRADE ($ millions)[a]					
Total Exports (f.o.b.)	568[b]	350	323	308	315
Total Imports (f.o.b.)	298[b]	240	198	193	215
Trade Balance	+270	+110	+125	+115	+100
GOLD & FOREIGN EXCHANGE ($ millions)[c] .. (End of year)	63	15	12	32	51(June)
COST OF LIVING INDEX (1961=100) ..... (Leopoldville)	n.a.	100	161	258	374(9 mos)

a - Exchange receipts and expenditures; excludes secession provinces for 1961-64.
b - 1959 data; 1960 data not available. Includes former Ruanda-Urundi.
c - Official holdings.
n.a. - Not available.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	1.2	1.6	1.4
Supporting Assistance	20.0	15.0	19.0
Total A.I.D. Assistance	21.2	16.6	20.4

U.S. Objectives and Assistance Policy

U.S. long-range objectives in the Congo are to help create and maintain a unified, viable independent nation capable of sustaining a reasonable rate of economic and social progress. While these objectives have continuing validity, nearly four years of rebellion and insurgency in the Congo have forced the United States, in coordination with the UN and other donor nations, to address as more immediate priorities: the strengthening of internal security machinery; the restoration of fundamental economic controls and training of the Congolese for self-rule.

1964 was again a year of drama, frustration and paradox in the Congo. Barely one year after the reintegration of Katanga, local rebellions broke out in Kwilu Province and the Eastern Congo. Sparked by tribal disputes, dissatisfaction with provincial and central governments, ineffective administration, and related causes, the eastern revolt spread, ultimately engulfing the whole Northeastern Congo, including the major city of Stanleyville. Chinese Communist elements, working with dissident Congolese in neighboring Burundi and Congo (Brazzaville), lent ill-concealed support to the revolt.

The central government, with U.S. and Belgian military aid and using mercenaries, won back much of the lost territory, but, at year's end, still clearly lacked the capability to maintain order in the provinces and the administrative resources to govern them. Furthermore, the insurgent forces again threatened to prolong the rebellion.

To build up internal security, the United States participates with other nations and the UN in a coordinated program for the Congolese police. Priority is assigned first to intensive training of leadership cadres, then to improvement of the technical services supplemented with material aid in communications and vehicle equipment. The joint efforts with the police forces are in turn coordinated with the multilateral assistance being furnished the Congolese National Army.

U.S. efforts to improve public administration capability fall into two categories. Because qualified trained Congolese are lacking, the United States and other donors are supporting a major UN program for technical and operating personnel to meet immediate needs, calling for over 1,400 UN technicians in the Congo plus a 400-man Nigerian police detachment. For the longer run, the United States assists selected training institutions which prepare the Congolese to take over responsibility from the expatriate staff.

Comprehensive support to the economy is carried out within the framework of the economic stabilization program.

Achievement, Self-Help, the Role of Other Donors

Although prospects for order and stability in the Congo in 1965 are not bright, the nation made unexpectedly good progress during 1964 in the vital sector of economic stabilization toward which much of the U.S. effort has been directed. The beneficial results of the monetary reform introduced under Prime Minister Adoula by the International Monetary Fund (IMF) with strong U.S. encouragement were apparent throughout 1964 despite mounting expenditures by the Congolese government in its efforts to combat the rebellion. The IMF continues its advisory role in fiscal and monetary matters and is providing operational personnel in cooperation with the UN to staff key financial institutions. The Congolese leaders deserve credit for adopting the program despite considerable pressures to open wide the public coffers to support military and political activities. After the monetary reforms, the developed areas responded positively to the impetus of the currency devaluation, a continuing flow of U.S. imports, and the UN-led technical assistance in improving economic coordination and financial discipline. Prices gradually stabilized and even declined in some cases. Foreign exchange reserves rose steadily during the first half of 1964, and 1964 exports exceeded the 1963 level. Cumbersome import procedures were streamline by removing certain less-essential government controls. Other important measures were adoption of a realistic budget, limitations on deficit financing by the government, and central bank controls over inflationary expansion of private bank credit. While it now appears that 1964 will conclude with deficit financing kept within manageable limits, continued insurgency threatens the progress made in economic stabilization by creating new demands for inflationary budget expenditures and by discouraging domestic production.

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During 1964, the United States has made a substantial effort to broaden the base of Western support for the Congo, and in particular has pressed for increased Belgian aid. Belgium has stepped up its military aid, and has made some progress in enlarging and improving its technical assistance, notably in the provision of 50 police technicians. Additional Belgian aid measures for the Congo are currently awaiting resolution of problems arising from the liquidation of certain chartered companies of the Belgian colonial regime and the distribution of their assets between the Congolese Government and Belgian private investors. Belgian technical assistance, covering approximately 2,000 technicians, costs nearly $18 million. Belgium also expended $49 million in 1963 to service pre-independence loans to the Congo Belge under its guaranty. Other major sources of direct aid to the Congo include Germany, United Kingdom, France and the European Economic Community (EEC); 11 countries, in addition to the United States contributed to the UN Fund for the Congo in 1964.

FY 1966 Program

The FY 1966 program continues to address the key problems of stabilization, internal security, and administrative capacity. The magnitude of U.S. aid to the Congo will continue to provide leverage sufficient to encourage the Government to maintain necessary monetary and fiscal discipline.

The FY 1966 import support requirements are estimated presently at $19 million in Supporting Assistance, and $15 million under P.L. 480 Title I programs. The proposed $34 million permits continuation of the stabilization program assuming a reasonable level of internal security. This level does not provide for new development investment or for major economic dislocations owing to intensified rebellion. A shift from the present stabilization objective to one of furthering renewed economic growth depends on substantial improvement in political and security conditions, which U.S. policy is striving to achieve. Local currency generated under the Supporting Assistance-financed commodity import program is used for budget support; the need to secure U.S. concurrence in counterpart releases to finance the budget provides a valuable source of influence over Congolese fiscal policies. P.L. 480-generated currencies are used for internal security purposes and for urgently needed public works projects, particularly the repair and rehabilitation of the transportation network.

In FY 1966, $5 million is again requested from Contributions to International Organizations funds for a designated contribution ($4 million) to support UN technicians in fields of special interest to the United States, and an undesignated contribution of $1 million in matching funds to be pooled with the contributions of other donors for the over-all technical assistance program in the Congo.

In FY 1966, $1.4 million is requested for Technical Cooperation/Development Grant purposes mainly for a public safety project which represents the U.S. contribution to a multinational cooperative effort to train and equip Congolese police forces. A language teaching project will contribute to the establishment of English-teaching programs in line with the Congo's intentions to make English an official second language. Other proposed Technical Cooperation/Development Grant activities include labor union training, and continued assistance to the National School of Law and Administration -- a public administration school receiving multilateral assistance -- and for specialized training in the United States of Congolese civil servants.

Congo (Leopoldville)

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			*	-	*	*	67.3	67.0	37.8	19.8	192.1	-	192.1
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			*	-	*	*	67.3	67.0	37.8	19.8	192.1	-	192.1
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL			*	-	*	0.1	8.2	16.5	37.2	21.8	83.7	-	83.7
Title I - (Total Sales Agreements)			(-)	(-)	(-)	(-)	(-)	(12.2)	(30.6)	(22.4)	(65.2)	(-)	(65.2)
Less: (Planned for U.S. Uses)	*No Programs Prior to FY 1954.*		(-)	(-)	(-)	(-)	(-)	(1.3)	(3.1)	(3.4)	(7.8)	(-)	(7.8)
TITLE I - PLANNED FOR LOANS AND GRANTS			-	-	-	-	-	10.9	27.5	19.0	57.4	-	57.4
104c - Grants for Common Defense			-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development			-	-	-	-	-	10.9	27.5	-	38.4	-	38.4
104e - Loans to Private Industry			-	-	-	-	-	-	-	3.4	3.4	-	3.4
104g - Loans to Governments			-	-	-	-	-	-	-	15.7	15.7	-	15.7
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.			-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...			-	-	-	-	7.6	4.0	6.3	-	17.9	-	17.9
TITLE III - VOLUNTARY RELIEF AGENCIES			*	-	*	0.1	0.6	1.6	3.4	2.8	8.4	-	8.4
TITLE IV - DOLLAR CREDIT SALES			-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	-	-	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS			-	-	-	-	-	-	-	-	-	-	-
TOTAL ECONOMIC			*	-	*	0.1	75.5	83.5	75.0	41.6	275.8	-	275.8
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			*	-	*	0.1	75.5	83.5	75.0	41.6	275.8	-	275.8
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)			-	-	-	-	-	-	0.1	4.8	6.2	-	6.2
(Additional Grants from Excess Stocks)			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(*)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE			-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			-	-	-	-	-	-	0.1	4.8	6.2	-	6.2
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			-	-	-	-	-	-	0.1	4.8	6.2	-	6.2
TOTAL ECONOMIC AND MILITARY			*	-	*	0.1	75.5	83.5	75.1	46.4	282.0	-	282.0
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			*	-	*	0.1	75.5	83.5	75.1	46.4	282.0	-	282.0

* Less than $50,000.

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

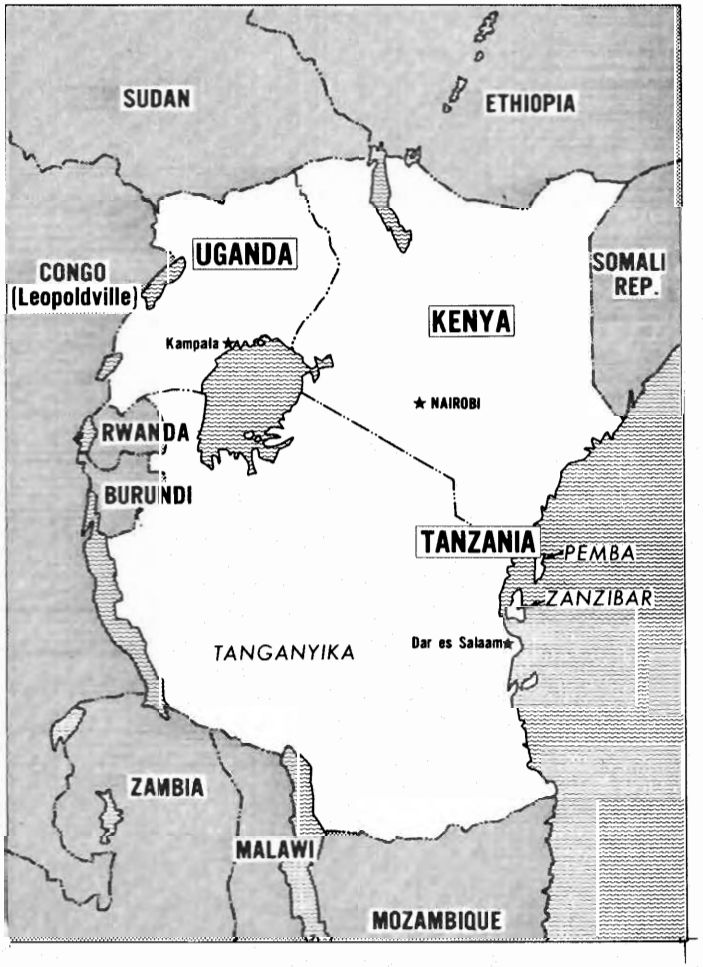
	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	-	-	122.7 a/
UN Tech. Ass't. (CY)	0.1	0.7	1.0
UN Special Fund	1.4	7.9	9.3
EEC Dev. Fund	12.3	0.2	14.6

SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

a/ Includes $30.0 million loaned to Belgian Government for Congo.

East Africa (Kenya, Tanzania & Uganda) - Basic Data



Item	Unit	Total East Africa	Kenya	Tanzania[a]	Uganda
POPULATION (mid-1964)	Millions	26.8	9.1	10.3	7.4
Annual Growth Rate	Percent	2.5	3.0	2.1	2.5
AREA	1,000 Sq. Miles	681	225	363	93
Population Density	Per Sq. Mi.	39	40	28	80
AGRICULTURAL LAND	% of Area	29	10	45	12
Agricultural Land per Capita.	Acres	5	2	10	1
GROSS NATIONAL PRODUCT (1963)*					
Total GNP	$ Millions	2,024	787	707	530
Per Capita GNP	Dollars	77	89	70	74
LIFE EXPECTANCY	Years	n.a.	43	35	n.a.
INHABITANTS PER DOCTOR	Number	13,100	11,200	15,900	12,700
LITERACY RATE	Percent	15-20	20-25	5-10	20-25
PUPILS AS PERCENT OF POPULATION (Primary & Secondary)	Percent	8	11	6	8
ELECTRIC POWER PER CAPITA	KWH per Yr.	45	53	20	69
INTERNATIONAL TRADE (1963)[b]					
Exports	$ Millions	576	197	203	176
Imports	"	511	233	163	115
Trade Balance	"	+65	-36	+40	+61
Main Exports	Item	Coffee Sisal Cotton	Coffee Sisal Tea	Sisal Cotton Coffee	Coffee Cotton Copper

* - Converted at $2.80 per East African Pound.

a/ Composed of Tanganyika and Zanzibar.
b/ Includes trade among the East African countries.
n.a. - Not available.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	7.7	14.7	17.0
Kenya	(3.3)	(4.4)	(4.9)
Tanzania	(2.2)	(5.2)	(4.9)
Uganda	(2.2)	(2.4)	(3.7)
East Africa Regional	(-)	(2.7)	(3.5)
Development Loans	5.8	2.3-3.0	15.0-22.5
Kenya	(-)	(0.5)	(6.0-8.5)
Tanzania	(3.9)	(0.7)	(7.0-8.0)
Uganda	(0.4)	(0-0.7)	(2.0-6.0)
East Africa Regional	(1.5)	(1.1)	(-)
Total A.I.D. Assistance	13.5	17.0-17.7	32.0-39.5
Kenya	(3.3)	(4.9)	(10.9-13.4)
Tanzania	(6.1)	(5.9)	(11.9-12.9)
Uganda	(2.6)	(2.4-3.1)	(5.7-9.7)
East Africa Regional	(1.5)	(3.8)	(3.5)

U.S. Objectives and Assistance Policy

A major U.S. objective in the East African countries of Kenya, Tanzania, and Uganda is to help maintain and strengthen responsible African Governments as members of the free world community. Strengthening of cooperation and integration within the region and attainment of harmonious relations between Africans, Asians and Europeans are expected to contribute to this objective. The continuation of ties with the West, while minimizing the influence of the Communist bloc, especially in sensitive fields, is a related U.S. objective.

During the past year several developments, including the decline of British influence, the advance of Communist influence, internal political instability, and the interplay of forces for and against East African regional cooperation have complicated or jeopardized the achievement of these objectives.

Following revolution by the African majority against the ruling Arab minority in Zanzibar which was successfully penetrated by the Communists, thus providing another foothold for infiltration into East and Central Africa, Zanzibar was united with Tanganyika to from the United Republic of Tanzania. While it is hoped that this union may serve to diminish Communist influence in the area, a well-organized and liberally-financed Communist thrust has led to acceptance of economic assistance by East African countries and military assistance in the case of Tanzania, as well as the presence of many Communist missions. Intensification of the Communist efforts stems in part from the increased competition between the Soviets and the Chinese Communists as well as from the possibilities for subversion in the region, whereas East African acceptance of Communist aid reflects the strong desire to adopt a posture of non-alignment and to speed development programs.

Another significant political development last year was the decline of British influence in East Africa, which occurred much more rapidly than had been forecast. While prompt U.K. response to requests for assistance in quelling army mutinies early this year served to maintain the present moderate African leadership, this also resulted in African embarrassment, followed by the early departure of U.K. security forces and led to reliance on other non-African sources for aid in this sensitive field. Rapid Africanization of police and military took place concurrently with expulsion of some British officers. While the United Kingdom has retained a role in Kenya and Uganda, her help is less acceptable to Tanzania. East Africans are increasingly unwilling to seek security assistance from the United Kingdom as indicating neocolonialist dependence and influence. These developments have led to increased U.S. assistance efforts, which are expected to continue in 1966. In the economic sphere the United Kingdom is still the largest donor, and the United States will continue to cooperate with the British and other Western donors to meet the current situation most effectively and achieve more effective coordination of aid.

Despite internal insecurity, growing Communist involvement and declining British influence, there are hopeful elements in the situation. The East African countries have considerable economic potential, including varied agricultural, mineral and scenic resources. They have a common market and a common currency, and they share jointly operated transport, communications, financial, educational and other services. Many of the leading political figures strongly desire to remain genuinely non-aligned. The governments are committed to speeding development.

They face many fundamental economic and social problems. Tribal rivalries must be reconciled before national unity can be achieved. Economic and social frictions continue among the Africans, Asians and Europeans. Unemployment has become a growing problem, especially in Kenya, where it constitutes a serious threat to the

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stability of the present government. Only 6% of the population works for wages; the Africans still are predominately engaged in subsistence agriculture; European and Asian minorities dominate industry and commerce. All three countries are deficient in skilled indigenous technical, administrative and management personnel, both in government and in the private sectors, a situation complicated by the departure of many British and Asians. Ways must be found to increase the effectiveness of the productive elements of the economy.

In order to help bring solutions to some of those fundamental problems, the proposed U.S. assistance addresses the basic priority needs of economic development -- namely, strengthening of the institutional structures in agriculture, education and government (both national and local) -- with increased emphasis on income-producing activities in agriculture and industry together with necessary transport improvements. It also addresses current problems affecting development, including greater attention to internal security requirements.

Achievement, Self-Help, the Role of Other Donors

GNP is currently about $77 per capita and is increasing at an annual rate in excess of 3%. Bolstered by fairly favorable prices for coffee, sisal, and other primary products during the past year, East African countries have improved their export earnings and strengthened their economies. Due to heavy reliance on these commodities, however, they remain vulnerable to wide fluctuations in export earnings and, therefore, are endeavoring to diversify agriculture and expand industrial development and tourism, which has shown a sharply rising trend over the past several years.

The potential for industrial development is considerable. East Africa has a wide range of agricultural and industrial raw materials, fishery, forestry, and power resources that could be more intensively developed. In contrast to most tropical African areas, East Africa has a supply of semi-skilled workers, largely among the Indian population. If political stability can be assured and regional cooperation enhanced, the potential for sustained economic progress appears promising.

All three East African governments are earnestly attempting to develop their economies and raise living standards. The leaders frequently have urged the people to work hard and participate in the nation-building process. All three countries have growing cooperative movements. They have improved their tax systems and increased tax revenues. Most tax sources already have been tapped, and tax rates appear to be about as high as possible without destroying economic initiative. In mid-1964 Uganda passed "The Foreign Investments Protection Act," which should act as a stimulant to private investment.

All three countries have committed themselves to development programs based on well-designed development plans which call for substantial participation by private enterprise and maximum financing from internal sources.

In the three-year period from FY 1963 through FY 1965 actual expenditures for external assistance to East Africa are estimated at slightly under $500 million, more than two-thirds being supplied by the U.K. Government. The U.S. portion represents about 10%, international agencies 6%, West Germany 4%, Communist countries 4% and others, especially Israel, 6%.

Total foreign assistance expenditures in East Africa are estimated to have increased from a level of about $140 million in FY 1963-64 to about $200 million in FY 1965 and are expected to rise in FY 1966 as new loans are drawn down. The International Development Association (IDA), West Germany, the United States and the Communist countries accounted for most of the substantial increase in FY 1965, while U.K. disbursements remained at the same level.

FY 1966 Program

The U.S. assistance program in the three East African countries, including regional projects, will require Technical Cooperation/-Development Grant obligations of $17.0 million in FY 1966, compared with an estimate of $14.7 million in FY 1965. The proposed program continues important technical assistance in education, public administration and agriculture and, in addition, gives greater emphasis to public safety and youth activities as sensitive areas where instability and Communist penetration have particular significance.

Education projects receive the bulk of A.I.D. resources in both the regional and individual country programs. In order to help break the main bottleneck in the education system, A.I.D. has joined the British Government for the past several years in supplying teachers to fill vacancies in the East African Secondary schools. This project has been highly successful, with over 600 teachers from the United States and the United Kingdom, enabling the secondary school system to triple the number of graduates. Since 1961, A.I.D. has been providing the teachers under a contract with Columbia University Teachers College. This activity is now being transferred to the Peace Corps. This assistance, combined with advisory assistance in teacher training, will

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expand and improve secondary education, while East Africa progressively provides its own teachers and teacher trainers.

On the higher education level, the United States is one of the several Western countries assisting the University of East Africa. The U.S. contribution has included capital assistance to the University, and a limited number of U.S. faculty.

Other aid to education has included staff for schools and colleges, technical advice in educational administration and planning and teacher training and participant training for faculty and administrative personnel. Under A.I.D. contracts, the University of West Virginia is providing instructors for agricultural colleges in each country, and the University of Massachusetts is providing staffing for a comprehensive secondary demonstration school for girls in Uganda.

Training for the public service is a highly important component in A.I.D. activities in each of these newly independent countries.

Aid is being provided to the East African countries in agriculture, where we are assisting in a gradual increase in production of cash crops to take the place of subsistence farming. An effective field extension service is being developed through the training of agricultural employees and administrators and by improving and expanding the farm training centers. We are helping to stimulate the growth of cooperatives and credit unions and to encourage diversification of agriculture through increased production of crops and livestock for which an adequate local or export market exists.

The January 1964 mutinies in Tanganyika, Kenya and Uganda demonstrated the urgent need for more reliable security forces. A.I.D. plans to provide assistance in the public safety field in the form of advisors, equipment, and training to the national police forces, complementing assistance from other free world donors, especially in Kenya and in Tanzania, as a means of providing an alternative to current Communist training for the Tanzania army.

In Kenya, A.I.D. is preparing to provide assistance in the public safety sector. A.I.D. also is reviewing with the Tanzania Government a request for police assistance. Assistance is also being given the Kenya National Youth Service in a program to provide work and training for up to 10,000 of the large and potentially volatile mass of young, jobless Kenyans.

Effective regional cooperation can provide increased efficiencies and broaden markets for all three countries. A.I.D. is assisting the East African Common Services Organization (EACSO) to improve essential services in transport and communications to the entire East Africa area during the difficult transition between predominantly expatriate and predominantly African staffing. Two groups of EACSO participants are now in the United States training in middle and higher level management, and A.I.D. is currently developing an in-service training program for additional personnel.

FY 1966 Development Loans are estimated at $15 million. Possible projects include roads in Kenya and Tanzania, financial assistance to development corporations in Uganda and Tanzania, and educational, water and livestock projects in Kenya and Uganda.

KENYA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	4.8	3.2	16.2	-	16.2
Loans	2.2	-	2.2	-	2.2
Grants	2.6	3.2	14.0	-	14.0
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	0.8	0.4	10.0	-	10.0
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	0.6	-	8.6	-	8.6
TITLE III - VOLUNTARY RELIEF AGENCIES	0.2	0.4	1.4	-	1.4
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	0.1	0.1	-	0.1
TOTAL ECONOMIC	5.6	3.7	26.3	-	26.3
Loans	2.2	-	2.2	-	2.2
Grants	3.4	3.7	24.1	-	24.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	5.6	3.7	26.3	-	26.3
Loans	2.2	-	2.2	-	2.2
Grants	3.4	3.7	24.1	-	24.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	47	47		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	14.0		
UN Tech. Ass't. (CY)	0.3	0.4	1.1		
UN Special Fund	-	1.6	4.8		

TANZANIA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	8.7	6.0	19.7	0.1	19.6
Loans	6.9	3.9	12.7	0.1	12.6
Grants	1.8	2.1	7.0	-	7.0
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	3.1	1.7	15.9	-	15.9
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	2.8	0.4	13.8	-	13.8
TITLE III - VOLUNTARY RELIEF AGENCIES	0.3	1.3	2.1	-	2.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.3	1.5	2.1	-	2.1
TOTAL ECONOMIC	12.1	9.2	37.7	0.1	37.6
Loans	6.9	3.9	12.7	0.1	12.6
Grants	5.2	5.3	25.0	-	25.0
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	12.1	9.2	37.7	0.1	37.6
Loans	6.9	3.9	12.7	0.1	12.6
Grants	5.2	5.3	25.0	-	25.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	88	88		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	0.8	0.8	2.9		
UN Special Fund	-	2.4	2.4		
Int'l. Dev. Association	-	18.6	18.6		
Int'l Finance Corp.	-	1.9	4.7		

UGANDA

U.S. Fiscal Years - Millions of Dollars

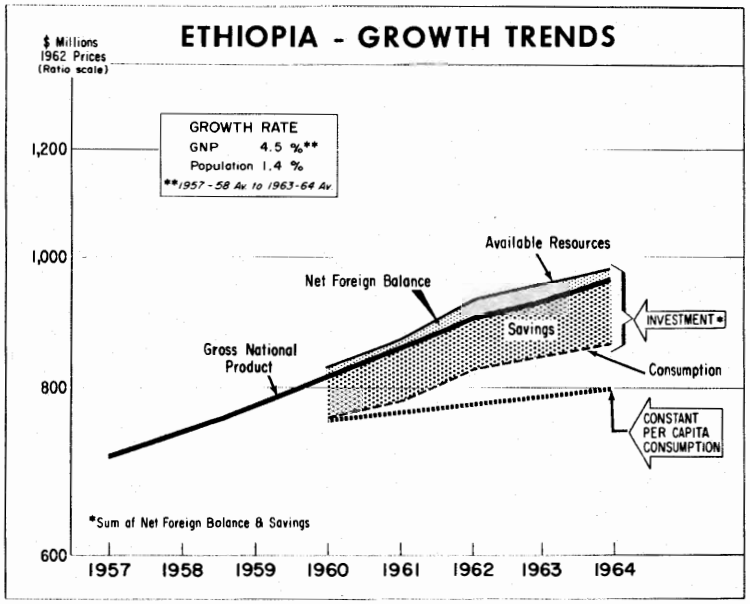
PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	6.9	2.5	13.8	-	13.8
Loans	4.4	0.4	4.8	-	4.8
Grants	2.5	2.1	9.0	-	9.0
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	0.1	0.2	1.1	-	1.1
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	0.4	-	0.4
TITLE III - VOLUNTARY RELIEF AGENCIES	0.1	0.2	0.7	-	0.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	*	*	-	*
TOTAL ECONOMIC	7.0	2.7	14.9	-	14.9
Loans	4.4	0.4	4.8	-	4.8
Grants	2.6	2.3	10.1	-	10.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	7.0	2.7	14.9	-	14.9
Loans	4.4	0.4	4.8	-	4.8
Grants	2.6	2.3	10.1	-	10.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	16	16		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	8.4		
UN Tech. Ass't. (CY)	0.3	0.3	1.0		
UN Special Fund	-	0.7	2.2		

* Less than $50,000

Ethiopia - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	19.9
Annual Growth Rate *(percent)*	1.4
Area *(1000 square miles)*	457
Population Density per square mile	44
Agricultural Land as % of Total Area	60
Percent of Population in Agriculture	90
Life Expectancy *(years)*	n.a.
People per Doctor	76,300
Literacy Rate *(percent)*	5
Pupils as Percent of Population *(Primary & Secondary)*	2



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)** a/	815	855	900	925	960
Per Capita GNP *(dollars)*	43	45	46	47	48
Investment as percent of GNP	9	10	11	12	12
Domestic Savings as % of Investment	83	84	74	75	82
Net Foreign Balance as % of GNP	1	2	3	3	2
Agricultural Prod. Index *(1952-54 = 100)*	115	118	118	121	123
Index per Capita	104	104	104	103	105
Teff (Bread Grain) (1,000 MT)	1,540	1,610	1,490	1,510	1,600
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	76	79	84	90	110
Coffee	(38)	(38)	(43)	(45)	(60)
Total Imports *(c.i.f.)*	84	90	103	111	115
Trade Balance	-8	-11	-19	-21	-5
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	53	54	62	62	78(Sept.)
COST OF LIVING INDEX *(1958 = 100)*	91	91	94	96	n.a.

CENTRAL GOVERNMENT FINANCES* (FY Ending July 7)	– Million Dollar Equivalents – 1963	1964	1965(Budget)
Total Expenditures	120.3	126.2	129.6
(Defense Expenditures)	(20.3)	(22.2)	(26.6)
(Capital Outlays)	(37.7)	(32.1)	(23.1)
Total Domestic Revenues	86.9	106.0	109.7
As percent of GNP	9.3%	10.8%	10.7%
Deficit (–) or Surplus (+)	-33.4	-20.2	-19.9

* Converted at 2.484 Ethiopian dollars per U.S. dollar.

a/ FY ending September 10.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	0.7	0-3.0	23.0-26.0
Technical Cooperation	4.5	5.7	5.7
Total A.I.D. Assistance	5.2	5.7-8.7	28.7-31.7

U.S. Objectives and Assistance Policy

Ethiopia, the oldest independent country in Africa, has emerged in recent years as an influential advocate for stability and moderation in Africa. The establishment in Addis Ababa of the headquarters of the UN Economic Commission for Africa (ECA) and of the Organization of African Unity (OAU) exemplifies Ethiopia's prominent role in African affairs. Various elements in the country realize that Ethiopia's newly won position cannot be maintained if the country is unable to demonstrate leadership and progress in its domestic affairs. Ethiopia's leadership for moderation in Africa can be supported by an acceleration of its economic and social development. This is the objective of U.S. assistance policy. **Another U.S. interest is to maintain the vital Kagnew military communications facility.**

Economically, Ethiopia is a poor nation. Per capita GNP, at less than $50, is among the lowest in Africa. Only about 4,000 of its 20 million people have had any education beyond secondary level. The literacy rate is only 5%. Debilitating diseases are prevalent. On the other hand, Ethiopia has a fertile soil with abundant rainfall over much of its land area, and no serious population pressures exist. The country's water resources have great potential for power and irrigation. Its livestock resources, consisting of 25 million head of cattle and as many sheep and goats, are among the largest in Africa. With proper exploitation, large quantities of farm and ranch products could be produced and processed both for domestic market and for export to nearby markets. In addition, there are opportunities for the establishment of light industries to produce a wide range of goods which are currently imported.

Since the mid-1950's, some fundamental structural changes have been taking place in Ethiopia, e.g., the establishment of economic and educational institutions, the inception of trade unionism, the evolution toward a meaningful parliamentary body, and steps toward decentralization of authority. Through our A.I.D. program, we are continuing to assist these changes and to help in developing institutions such as Haile Selassie I University, which will provide leadership to a steady and rational development of the country.

U.S. economic assistance proposed for FY 1966 will be directed toward continuing to help Ethiopia in its efforts to meet the country's basic economic and social needs for sound growth and national cohesion. While continuing to assist in developing human resources and in maintaining internal security, A.I.D. plans to give more emphasis to activities having immediate economic benefit--particularly in agriculture and industry. Further assistance to appropriate development in civil aviation, education, and electric power is under consideration.

Through bilateral and multilateral discussions and by other means the United States will continue to encourage other free world donors, international organizations (particularly the IBRD and certain of the other UN Specialized Agencies) and private foundations to assist in the orderly and progressive development of Ethiopia. In addition, the United States will encourage the Ethiopian Government to undertake constructive reforms to broaden the country's institutional base and to establish the preconditions for more rapid progress.

Achievement, Self-Help, the Role of Other Donors

Present-day political exigencies, coupled with an awareness of the need for economic and social advances, have stimulated the Ethiopian Government to seek a more rapid pace of development. Recently it has taken a number of actions to improve the country's institutional base.

Agrarian reform legislation passed in July 1964 is designed to improve the lot of the tenant farmer by reducing and defining maximum financial obligation to landlords. It also gives the farmer greater security against removal from the land he farms. This initial legislation is considered a hopeful portent for other needed land reforms.

In the agricultural sector, the budget of the Ministry of Agriculture more than doubled between 1963 and 1965, but is still considered inadequate to finance the required expansion of needed agricultural services. In the past year the Ministry of Agriculture has been successfully carrying out a policy of decentralization of agricultural administration to the provincial level.

Another important measure was the adoption of the "Monetary and Banking Proclamation" in July 1963, which removes banking from the exclusive province of the government and for the first time opens it up to the private sector. This legislation also set a more realistic level for currency backing, thus providing flexibility for expansion of the money supply. An investment law was passed in September 1963 to encourage private foreign investment in Ethiopia. The Government Planning Board established an agency to undertake feasibility studies for investment projects.

Ethiopia has responded constructively to requests that it bear a greater share of local costs and now pays all local costs of technical assistance projects except direct support costs of U.S. technicians.

From 1952 through 1963, U.S. aid amounted to nearly 60% of all economic and technical assistance extended to Ethiopia by foreign governments and international organizations. This proportion is now decreasing as the Ethiopian Government draws down credits from France, the United Kingdom, and Germany, as well as recent loans from the IBRD and IDA. In addition, smaller donors such as Israel, Sweden, and the Netherlands are increasing their assistance programs in Ethiopia.

FY 1966 Program

Development grant assistance of about $5.7 million is proposed for FY 1966. While A.I.D. will continue to emphasize human resource development in FY 1966, concentrating efforts in the areas of education, public health (including malaria eradication), and public safety, the level of U.S. assistance in education and public health will decline steadily as phase-out targets for these projects are met and the Ethiopian Government takes them over. Possible new projects include joint Ethiopian-U.S. efforts in agricultural planning, extension, marketing, and livestock development; technical assistance in industrial development; and technical assistance and training in radio broadcasting.

Development Loan assistance of $23-$26 million is under consideration for FY 1966. Of this amount $23 million is proposed for a loan in late FY 1966 to finance some of the engineering and construction costs of the Finchaa River Dam, a hydroelectric project that will serve the Addis Ababa area, and $2 million is under consideration for Haile Selassie I University.

A loan of $1 million for air navigational aids is also contemplated. A recent study conducted by the Federal Aviation Agency points up the need for additional airway communications facilities, airport lighting and runway/taxi-way improvements in the interest of increased efficiency of operations and safety at the four major airports and for improvements of 22 minor air fields. This assistance would strengthen Ethiopia's civil aviation system, which has received substantial U.S. aid in the past.

Requirement for U.S. surplus agricultural foodstuffs are limited largely to programs of emergency famine relief and assistance to needy people through the voluntary agencies. The need for cotton however, continues.

U.S. military assistance will continue to help Ethiopia build an effective military establishment for its own security and also contribute to international peace-keeping operations.

Ethiopia

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.2	20.8	4.9	6.7	4.6	38.4	6.3	9.5	4.5	96.8	2.2	94.6
Loans	-	-	-	-	0.5	-	29.1	-	3.8	0.7	34.2	2.2	32.0
Grants	-	1.2	20.8	4.9	6.2	4.6	9.3	6.3	5.6	3.8	62.6	-	62.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	*	*	*	2.7	3.2	3.0	2.0	3.0	0.6	14.5	0.1	14.4
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.9)	(-)	(0.9)	(-)	(0.9)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(0.2)	(-)	(0.2)	(-)	(0.2)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	-	-	0.7	-	0.7	-	0.7
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	0.2	-	0.2	-	0.2
104g - Loans to Governments	-	-	-	-	-	-	-	-	0.5	-	0.5	-	0.5
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	-	-	2.5	2.9	2.8	1.5	-	0.4	10.1	-	10.1
TITLE III - VOLUNTARY RELIEF AGENCIES	-	*	*	*	0.2	0.2	0.2	0.5	0.9	0.2	2.3	-	2.3
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	1.4	-	1.4	0.1	1.3
EXPORT-IMPORT BANK LONG-TERM LOANS	2.7	-	9.8	-	-	-	-	-	-	-	12.5	9.2	3.3
OTHER U.S. ECONOMIC PROGRAMS	0.8	0.1	-	-	-	-	-	0.5	2.3	3.4	7.1	0.5	6.6
TOTAL ECONOMIC	3.5	1.3	30.6	4.9	9.4	7.7	41.4	8.8	14.8	8.5	130.9	12.0	118.9
Loans	3.1	-	9.8	-	0.5	-	29.1	-	5.9	0.7	49.2	12.0	37.2
Grants	0.4	1.3	20.8	4.9	8.9	7.7	12.3	8.8	8.8	7.8	81.7	-	81.7
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	13.5	8.8	5.2	7.0	6.0	10.9	10.9	11.6	82.8	-	82.8
(Additional Grants from Excess Stocks)	(-)	(-)	(0.5)	(0.8)	(0.3)	(1.2)	(4.6)	(2.1)	(0.8)	(3.2)	(14.0)	(-)	(14.0)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	5.9	-	-	5.9	-	5.9
TOTAL MILITARY	-	-	13.5	8.8	5.2	7.0	6.0	16.8	10.9	11.6	88.7	-	88.7
Loans	-	-	-	-	-	-	-	-	-	-	-	-	-
Grants	-	-	13.5	8.8	5.2	7.0	6.0	16.8	10.9	11.6	88.7	-	88.7
TOTAL ECONOMIC AND MILITARY	3.5	1.3	44.1	13.7	14.6	14.7	47.4	25.6	25.7	20.1	219.6	12.0	207.6
Loans	3.1	-	9.8	-	0.5	-	29.1	-	5.9	0.7	49.2	12.0	37.2
Grants	0.4	1.3	34.3	13.7	14.1	14.7	18.3	25.6	19.7	19.4	170.4	-	170.4

• Less than $50,000.

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

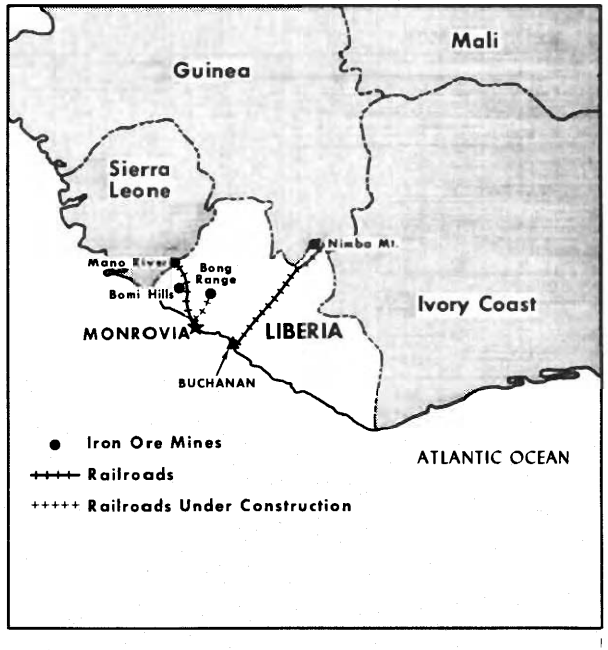
ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	-	23.5	51.9
UN Tech. Ass't. (CY)	0.9	1.0	6.8
UN Special Fund	-	-	1.4
Int'l. Dev. Association	13.5	-	13.5

SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	114

Liberia - GENERAL ECONOMIC DATA



BASIC DATA

Population (millions - mid-1964)	1.0	Life Expectancy (years)	n.a.
Annual Growth Rate (percent)	1.0	People per Doctor	12,600
Density per Square Mile	23		
		Literacy Rate (percent)	5-10
Area (1,000 square miles)	43	Pupils as % of Population	7
Agricultural Land as % of Area	20	(Primary & Secondary)	
GNP Per Capita (dollars) - 1963	170		

	1960	1961	1962	1963	1964(Est.)
PRODUCTION TRENDS					
Agricultural Prod. Index (1952-54=100)	116	105	110	112	112
Index per Capita	107	96	100	101	100
Rice, Paddy (1,000 MT)	148	132	135	180	180
Rubber Exports (1,000 MT)	48	41	44	40	40
INTERNATIONAL TRADE ($ millions)					
Total Exports (f.o.b.)	77	66	68	90E	120
Iron Ore	(32)	(32)	(33)	(60)E	(90)
Total Imports (c.i.f.)	84	102	132	120E	100
Trade Balance	-7	-36	-64	-30	+20
SHORT-TERM DOLLARS (end of year; $ mill.)	17	22	13	22	n.a.
RUBBER EXPORT PRICE INDEX (1958=100)	137	105	102	91	89(10 mos)

E - Estimate.
n.a. - Not available.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	7.4	6.0	5.0- 6.0
Technical Cooperation	6.5	7.3	7.5
Total A.I.D. Assistance	13.9	13.3	12.5-13.5

U.S. Objectives and Assistance Policy

Liberia, with its long relationship with the United States and its primary reliance upon U.S. help and private investment for its economic growth and stability, is an influence for moderation in African councils. U.S. private investment is the second largest in all of Africa. U.S. military rights at Robertsfield and the Port of Monrovia have potential importance. The only VOA transmitter station in Africa is located in Liberia, and we also are establishing a large communication facility there.

Therefore, it is in the interest of both Liberia and the United States that Liberia make reasonable progress toward social and economic development in order to preserve and expand influence in Africa and to assure continued political stability.

The U.S. assistance program seeks to: (a) assist Liberia in achieving the institutional changes, basic reforms, and improvements of budgetary processes necessary for progress toward broader development: (b) demonstrate that an African country devoted to private enterprise can become responsive to the needs of its people and can grow and develop economically and socially: and (c) assure the continuation of a stable government which will play a constructive role in Africa.

Economic Situation. Despite a favorable resource base and rapid progress for several years through 1963, Liberia is less developed than many newly independent African countries. The large inflow of foreign capital which supported a high rate of economic development prior to 1963 has since been greatly reduced because the "tooling up" process in the iron ore industry was completed, and further contractor credits were prohibited and commercial bank borrowing limited because of Liberia's inability to service additional medium and short-term debt. Therefore, the pace of progress has slowed seriously and GNP is believed to have actually declined in 1964. Investment is expected to increase somewhat in 1965-66 as a result of construction projects financed by past A.I.D. funds, West German, and World Bank loans, but will not approach the high level of 1961.

Before 1963 the Government of Liberia had made excessive use of expensive contractor credits based on overly optimistic estimates of iron ore and rubber earnings. As a result, debt service obligations mounted rapidly and by 1963 Liberia faced an acute budget crisis. With the help of the International Monetary Fund (IMF) the Government relieved the budgetary situation by stretching out its large foreign debt and taking other measures. However, payments on the debt still absorb about one-fourth of total Liberian Government revenues. This leaves very little money for developmental purposes, and severely restrains the effectiveness of an aid program. Prospects are for a serious budgetary situation until the late 1960's.

Achievement, Self-Help, the Role of Other Donors

Liberia's most striking economic features are its rich natural resources, and the large influx of foreign capital, technicians, and managers to develop those resources. Since World War II, new private foreign direct investment in Liberia, principally in iron ore production, has totaled an estimated $450 million and has contributed to government domestic revenues which rose from less than $1 million before World War II to approximately $39 million in 1964, as well as employing many Liberians. The increase in export earnings from $28 million in 1950 to an estimated $120 million in 1964 can be attributed largely to production resulting from this foreign investment. The country has additional mineral resources and substantial, virtually untapped timber and agriculture resources, although investment may continue to level off.

Liberia's physical resources appear adequate to support a satisfactory growth rate over the next decade, but its social and political development face many challenges. Administrative capacity and skills are not now adequate to meet the demands of a growing country. The tribal groups comprising the bulk of the population are nearly all illiterate, are not well integrated into the national life, and will contribute little to development until education and training permit them to. Liberia's limited supply of motivated, trained manpower and the level of its institutions prevent a greater use of capital and new techniques and require the help of numerous foreign technicians and managerial specialists.

The Government of Liberia has recognized the seriousness of the current financial, manpower, and administrative deficiencies, has instituted a series of corrective measures, and is satisfactorily performing under the IMF agreement of 1963. A central planning agency, assisted by a Harvard Advisory Group financed by the UN Special Fund, has begun the formulation of a development budget based upon priorities. A new budget system has been adopted, technical assistance has been sought and utilized in increasing income taxes and import duties, and a new Department of Commerce has been created to promote industrial development.

Despite these improvements, the situation still is far from satisfactory. Discussions between U.S. and Liberian officials have taken place in recent months to consider what additional measures may be required to overcome Liberia's difficulties more effectively, and in turn to provide the basis for a renewed development effort which the United States can support. If the Government of Liberia takes appropriate measures along these lines it is hoped that the budgetary situation will be sufficiently improved by FY 1966 to permit the Government to provide adequate support of the proposed U.S. program. If they cannot, we will review our activities to determine a program appropriate to the Government of Liberia's capabilities. The Liberian Government has been urged to exercise more care in formulating developmental priorities and to impose strict controls on expenditures to assure that scarce funds will be used for only the most essential projects. The need to take positive steps to increase government revenues also has been stressed, including better enforcement of the tax provisions of agreements with major concessionaires, as was the need to reschedule the government debt at an appropriate time.

Liberia also receives economic and financial assistance from other sources, principally the IMF, which in 1963-64 provided drawing rights totaling approximately $8.4 million; the IBRD, which has approved a $3.25 million loan for road construction; and the West German Government, which has provided assistance totaling nearly $14 million over a four-year period including loans for road construction, development bank capitalization, and airport improvement, and grant assistance for an inventory of forest resources. Smaller amounts of assistance are made available by Sweden, Yugoslavia, Republic of China, United Kingdom, Israel, and Italy. It is hoped that a DAC meeting planned for 1965 will stimulate interest of other countries in helping Liberia.

FY 1966 Program

The proposed total magnitude of A.I.D. assistance to Liberia in FY 1966 is $12.5-13.5 million comprised of $7.5 million for Technical Cooperation/Development Grant activities and $5-$6 million of Development Loans. The total compares with $13.8 million and $13.3 million in the Fiscal Years 1964 and 1965, respectively.

The principal emphasis of the FY 1966 program will be directed to:

1. Enhancing the effectiveness of key Liberian agencies and departments concerned with development priorities, public works administration, internal security, budgeting expenditure control, and tax administration;

2. Developing a consensus among the Government, its principal creditors, potential donors, and the IMF, on the nature and seriousness of the Government's financial and administrative problems and possible joint action to alleviate them;

3. Studying feasibility of possible capital projects which might be proposed when Liberia's budgetary situation permits it to support them adequately;

4. Improving the quality of teaching, curricula, and administration in the Liberian educational system and selected institutions engaged in the development of Liberia's human resources; and

5. Encouraging the maintenance and improvement of the conditions and institutions to support increases in productive private investment.

Two Development Loans are also proposed -- one, already under consideration, to extend the Robertsfield's runway and improve its inadequate air navigational facilities, and the other, expected to arise from the feasibility study mentioned above, for the construction of two badly needed access roads to open up now isolated interior areas of potentially rich forestry and farm land.

A P.L. 480 program of approximately $1.3 million is contemplated for FY 1966. This will be comprised of: (a) $1.0 million for a new Title IV program which will provide sales proceeds badly needed for development projects; and (b) $0.3 million for a continuing Title III program to provide school lunches for nearly half (30,000) of Liberia's elementary school students and supplementary nourishment for babies and their mothers.

Liberia

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	1.1	7.7	2.3	6.4	5.5	6.2	10.6	36.2	12.2	88.3	0.2	88.1
Loans	-	-	-	-	3.2	-	-	-	28.4	7.4	39.0	0.2	38.8
Grants	-	1.1	7.7	2.3	3.2	5.5	6.2	10.6	7.8	4.8	49.3	-	49.3
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.1	*	*	0.2	0.3	0.4	3.0	3.0	3.3	10.3	0.1	10.2
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.1	*	*	0.2	0.3	0.4	0.1	0.2	0.4	1.7	-	1.7
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	2.9	2.8	2.9	8.6	0.1	8.5
EXPORT-IMPORT BANK LONG-TERM LOANS	-	10.4	15.0	-	7.3	0.9	40.8	-	4.5	-	78.8	23.7	55.1
OTHER U.S. ECONOMIC PROGRAMS	6.8	1.1	-	-	-	-	-	0.5	1.6	2.2	12.2	-	12.2
TOTAL ECONOMIC	6.8	12.7	22.7	2.3	13.9	6.7	47.4	14.1	45.3	17.7	189.6	24.0	165.6
Loans	6.8	10.6	15.0	-	10.5	0.9	40.8	2.9	35.7	10.3	133.4	24.0	109.4
Grants	-	2.1	7.7	2.3	3.4	5.8	6.6	11.2	9.6	7.4	56.2	-	56.2
MILITARY ASSISTANCE PROGRAM - (Chg. to Appr.)	-	-	1.1	-*	*	0.3	0.3	0.4	1.2	0.7	5.1	0.3	4.8
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(*)	(*)	(*)	(*)	(0.1)	(-)	(0.1)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	1.1	-*	*	0.3	0.3	0.4	1.2	0.7	5.1	0.3	4.8
Loans	-	-	1.0	-*	-	0.3	*	-	-	-	1.2	0.3	0.9
Grants	-	-	0.1	-	*	-	0.3	0.4	1.2	0.7	3.9	-	3.9
TOTAL ECONOMIC AND MILITARY	6.8	12.7	23.8	2.3	13.9	7.0	47.7	14.5	46.5	18.4	194.7	24.3	170.4
Loans	6.8	10.6	16.0	-*	10.5	1.2	40.8	2.9	35.7	10.3	134.6	24.3	110.3
Grants	-	2.1	7.8	2.3	3.4	5.8	6.9	11.6	10.8	8.1	60.1	-	60.1

*** Less than $50,000.** Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	-	3.2	3.2
UN Tech. Ass't. (CY)	0.4	0.4	3.9
UN Special Fund	-	1.0	2.0

SINO-SOVIET BLOC ASSISTANCE

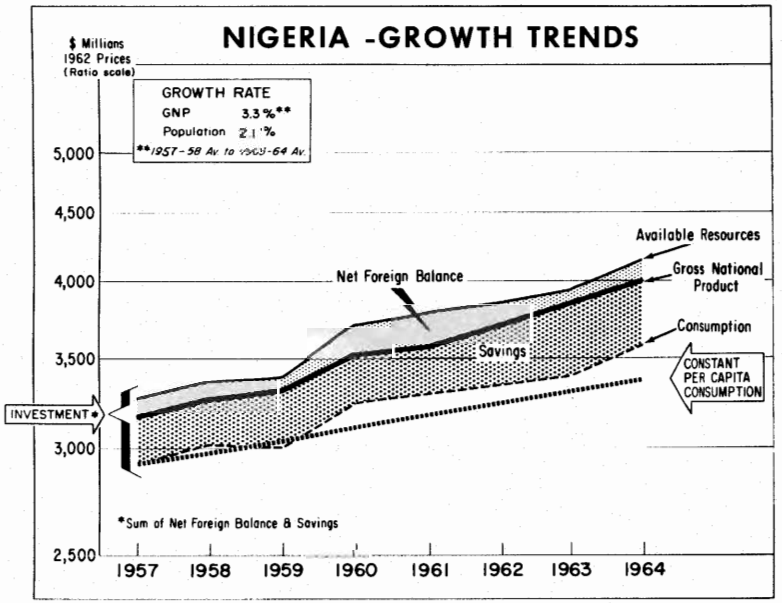
1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Nigeria - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	43-50*
Annual Growth Rate *(percent)*	2.2-2.5*
Area *(1000 square miles)*	357
Population Density per square mile	119
Agricultural Land as % of Total Area	24
Percent of Population in Agriculture	75
Life Expectancy *(years)*	n.a.
People per Doctor	27,100
Literacy Rate *(percent)*	20
Pupils as Percent of Population *(Primary & Secondary)*	7

* Estimated range pending study of 1963 census figure of 55.6 million. General economic data shown are based on pre-census series.



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)** a/	3,520	3,605	3,715	3,845	4,000
Per Capita GNP *(dollars)*	89	90	91	92	94
Investment as percent of GNP	13	14	14	14	14
Domestic Savings as % of Investment	58	61	71	83	73
Net Foreign Balance as % of GNP	5	5	4	2	4
Agricultural Prod. Index *(1952-54 = 100)*	126	124	129	131	136
Index per Capita	109	105	108	107	109
Sorghum and Millet (1,000 MT)	3,300	3,200	3,300	3,400	3,540
Crude Oil Exports (1,000 MT)	846	2,219	3,368	3,695	5,200
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	475	486	472	531	615
Peanuts and Peanut Oil	(79)	(104)	(108)	(121)	(125)
Total Imports *(c.i.f.)*	604	623	568	581	715
Trade Balance	-129	-137	-96	-50	-100
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	508	470	381	318	264(Sept.)
COST OF LIVING INDEX *(1958 = 100)*	111	118	122	122	123

CENTRAL GOVERNMENT FINANCES* b/ (FY Ending March 31)	– Million Dollar Equivalents – 1963	1964 (Rev. Bud.)	1965(Budget)
Total Expenditures	470	482	566
(Defense Expenditures)	(24)	(40)	(48)
(Capital Outlays)	(163)	(140)	(166)
Total Domestic Revenues	398	372	405
As percent of GNP	10.7	9.6	9.8
Deficit (–) or Surplus (+)	-72	-110	-161

* Converted at $2.80 per Nigerian pound.

a/ FY beginning April 1.

b/ Consolidated statement of Central and Regional Government Finances.

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Technical Cooperation	14.2	17.7	20.3
Development Loans	31.4	35.5	29.0-59.0
Total A.I.D. Assistance	45.6	53.2	49.3-79.3

U.S. Objectives and Assistance Policy

The United States provides Nigeria with major development support to assist it to continue developing as a strong, united and independent nation based on democratic principles, which provides moderate leadership and a sense of direction to other countries and groups within Africa. Nigeria is one of the eight countries in the world in which A.I.D. is conducting a general development program.

Nigeria has the largest population of any country in Africa. It has a substantial heritage of British political and economic institutions and has adopted a parliamentary form of government. Nigeria's leaders are attempting to build a cohesive nation uniting diverse regions and peoples into a federal system based on democratic precepts, providing for toleration of minorities, safeguards for individual rights, and a serious commitment to the rule of law. The national elections held in December 1964, the first since independence, demonstrate the severe divisions Nigeria seeks to overcome, but they also reaffirm Nigeria's determination to adhere to constitutional and democratic processes. In the economic realm also, Nigeria relies heavily on private initiative, both domestic and foreign, to spur growth, and looks to the West for development support.

Nigeria is playing a constructive leadership role in Africa. It has taken an active and positive role in international conferences on vital issues affecting peace and stability in Africa and the World. Nigeria also took a strong position supporting the U.S. decision to participate in rescuing hostages from the Congo. It has provided troops for Tanzania and the Congo, and police forces for the Congo.

Nigeria's well-balanced resource base offers prospects for significant progress under its soundly conceived six-year economic development plan. Its resources comprise an industrious people, a diversified and productive agriculture, varied forest products, significant deposits of oil and natural gas, such other minerals as coal and tin, and good potential for hydroelectric power, industry, and fisheries.

U.S. assistance policy is to support the Nigerian Development Plan, and to take a leadership role in obtaining similar support from other free world countries. The major element in this strategy is the commitment by the United States to provide aid of $225 million during the Plan period (1962-68), subject to the development of projects meeting A.I.D. or Ex-Im Bank criteria and the availability of funds. To date, about $100 million has been obligated against this commitment. International institutions and other free world donors have also made substantial commitments, and are being pressed to supply the remainder of the $900 million in foreign assistance required to carry out the Plan. The Plan projects public and private investment of $3.3 billion.

Achievement, Self-Help, the Role of Other Donors

The broad goal of Nigerian planning is to bring the country as rapidly as possible to a position of self-sustaining economic growth -- hopefully not later than the end of the Third or Fourth six-year National Plans -- in the 1980's. The present Plan calls for an annual growth rate of 4% and an investment rate of 14% of GNP. Although performance under the Plan has been commendable, the achievements thus far have fallen somewhat short of the targets set, and growth rates would need to approach the 5% level in the remaining years of the Plan to compensate for the slower growth at the start of the Plan.

Nigeria's GNP rose by about 4% in 1964, the amount estimated in the Plan. There were continuing increases in production of petroleum, cement, electric power and agricultural commodities. Nigerian farmers are able to raise nearly all the food required for domestic consumption and, in addition, produce a wide range of agricultural commodities for export. Exports rose 16% to over $600 million. Although gold and foreign exchange reserves continued to decline in 1964, increases in petroleum exports should ease balance-of-payment difficulties by 1966. Internal prices remained fairly steady, although recent wage increases are expected to push prices up in 1965. Government domestic revenues have increased by one-third since 1960, but larger increases are needed to meet rising recurrent costs and development plan goals for capital investment.

The output of Nigeria's educational system is increasing, and its direction and emphasis is being changed. A.I.D. is assisting in

in this by providing the services of contract staff members (over 150 in 1964) to assist Nigerian educational institutions, as well as by providing advice through its direct hire staff. Altogether, A.I.D.-assisted institutions graduated 390 teachers in FY 1964. More important than the quantitative output are the changes in direction and emphasis. For example, the Aiyetoro Comprehensive Secondary School, offering vocational and commercial courses as well as the conventional academic program, has been so successful that this new concept of secondary education will soon be applied to other schools in Western Nigeria. Plans were approved for the Federal Advanced Teacher College, which has now admitted its third class, to become the College of Education of the University of Lagos. At the University of Nigeria, which has grown to 2,500 students in four years, the concept of gearing university education to Nigerian development needs is being successfully pioneered. The Adult Education Center of the University -- the first in Nigeria -- will be completed early in 1965. A.I.D. advisors, by the end of 1964, had assisted in the training of almost 1,500 agricultural assistants and superintendents in four schools in the three regions of Nigeria. In the Western and Northern regions alone, these graduates work as extension agents with about 900 village committees and have a potential influence over 125,000 individual farmers.

Significant progress has been achieved in Nigeria's fisheries industry which is important because it contributes protein to the diet. With A.I.D. assistance, the Western Nigerian Cooperative Fisheries Association established a fish dock near Lagos, including unloading facilities, cold stores and ice making equipment. Largely due to the efforts of a U.S. advisor, fresh fish marketing through this facility has grown from nothing to 12,000 lbs. per week during the first six months of operation. In the Eastern Region, production of chickens increased to 200,000 in a four-year period, resulting in a 50% decrease in egg prices.

In 1963 private industrial projects representing a total investment of $76 million were placed in operation -- two-thirds of this amount is estimated to have come from foreign investors. Within the past year, two U.S. firms, Indian Head Mills and the Business and Industry Development Company, have placed projects in operation. Also in the past year an Industrial Development Center at Enugu in the Eastern Region has begun to assist small Nigerian entrepreneurs with guidance from three industrial development advisors.

In some areas Nigeria is doing well in self-help; in others improvement is needed. The maintenance of a relatively free economy results in a good climate for foreign and domestic private investment. Domestic savings are relatively low, about 11% of GNP, but the government is active in efforts to increase savings and channel them into productive investment. Revenues have been increased by raising customs duties and sales taxes and reorganizing the collection of income taxes. The Nigerian Government is contributing at least 20% of the cost of A.I.D. capital projects and is financing all recurrent costs. Steps must still be taken by Nigeria to use less short-term contractor financing restrain deficit financing and credit, and curtail increases in recurrent expenditures in order to make more funds available for investment. Public sector investment was only 62% of the target during the first two years of the Plan.

Significant amounts of capital assistance have been pledged by other free world sources, notably in connection with the $208 million Niger Dam project, which has been the focal point of aid coordination by the IBRD Consultative Group. Prospects for total non-U.S. assistance over the Plan period (1964-68) in terms of expenditures are estimated at $148 million from the IBRD and its affiliates, $143 million from the United Kingdom, $25 million from Italy and $126 million from Germany and others, or a total of $442 million. Technical assistance is also being furnished by the UN, the United Kingdom, Germany, the Ford Foundation, and others. Despite these large amounts of aid from free world sources, Nigeria's domestic financing of capital expenditures for the 1962-68 Plan is well ahead of the external financing. The Nigerian portion is now projected at 61% of total financing as compared with 50% called for by the Plan.

FY 1966 Program

The A.I.D. program planned for FY 1966 includes **$29-$59 million** in Development Loans and $20.3 million for Technical Cooperation.

The Development Loan program for FY 1966 will be individual projects contained in the development plan. **Loans are expected for airports, roads, and water supply systems.** In FY 1963 a loan was made for the Ibadan Water Supply. FY 1964 loans were for the Calabar-Ikom road, construction equipment for the Niger Dam, telecommunications engineering services, the Port Harcourt Comprehensive School, and teacher training schools in Northern Nigeria. In FY 1966 several feasibility studies are also planned for possible future projects, such as parts of the Federal road system and water supply projects.

The Technical Cooperation program will continue to place primary emphasis on education, particularly vocational and teacher training, agriculture, and industry.

Over half the total FY 1966 Technical Cooperation program is concentrated in the priority area of education. The goal of the Nigerian Government is to train 140,000 men and women in professional and technical skills by 1970, a substantial upward revision based on recent studies of the needs for trained manpower. Nigeria plans to train sufficient teachers to provide primary education for all children in the South and 25% of the children in the North by 1970, and to teach an additional 130,000 more secondary students. The A.I.D. program is devoted, therefore, to teacher training, secondary education, agricultural education, technical and vocational training, professional education at the university level, communications media, and testing and guidance. Aid will continue to the Federal Advanced Teacher College, Olunloyo College of Education, and Kano Teacher Training College. Teacher training will be expanded in the North by an additional loan to construct teacher training facilities and by the provision of technical services by an American university. University contract assistance will continue for two comprehensive secondary schools in the South which are models for a concept of education new to Nigeria. Agricultural schools are being expanded throughout the country. Assistance to the Technical College at Ibadan will continue. American university staffs at four of the five universities will continue, with emphasis placed on agriculture, veterinary medicine, engineering, and business and public administration. The University of Nigeria will continue to be assisted to develop along the lines of an American land grant college. Many of these projects are being assisted by Peace Corps Volunteers, over 500 of whom are teaching in Nigeria, and A.I.D. operating technicians. It is expected that the number of the latter will increase in the near future as Nigeria's administrative requirements outstrip the availability of trained administrators. During FY 1965, A.I.D. requested Education and World Affairs to re-evaluate the A.I.D. educational program in Nigeria in the light of experience and current manpower requirements.

Another high priority in Nigeria development planning and in A.I.D. assistance is agriculture, which engages the large majority of the population and receives 30% of our Technical Cooperation aid. The Nigerian goal is to increase production of agricultural commodities by about 45% by 1972 in order to feed the rapidly growing population, improve diets, and increase exports. The A.I.D. agricultural program in Nigeria is designed primarily to develop Nigerian manpower and institutions which will plan and carry out agricultural development programs, and secondarily to improve the use of available agricultural educational institutions, upgrade extension services, conduct research on food grains and other crops, improve livestock and range management techniques, explore water resources, and assist in soil conservation, distribution and marketing, and agricultural credit. A.I.D. is assisting the agricultural colleges of the University of Nigeria, Ahmadu Bello University, and the University of Ife in planning facilities, selecting equipment, and developing curricula and research programs, and is furnishing personnel to teach until enough qualified Nigerians are available to fill the staff positions. When the agricultural facilities are fully established and staffed, each institution will take in 100 students a year for a four-year degree course. In addition to the need for substantial increases in university graduates with specialized skills in agriculture, there is a large demand for people with "less than degree" training to fill sub-professional positions in the Ministries of Agriculture. A.I.D. is supporting the non-degree level institutions of the regional governments by furnishing technicians, teaching materials, equipment and some construction assistance to five schools of agriculture, 13 farm training institutes, and one veterinary training center. A thorough long-range study of the needs of Nigerian agriculture and an evaluation of the A.I.D.-Nigerian agricultural development programs are being made. The survey will place emphasis on ways to increase investment in productive agriculture.

Recognizing the importance of developing domestic production and stimulating internal and external trade, A.I.D. is assisting industrial development in Nigeria through a contract for the promotion of foreign private investment and by giving technical assistance to two regional centers for the development of private indigenous industry. With the help of the A.I.D. Housing Team, industrial housing projects for low and medium income groups have been constructed in the residential area of Port Harcourt and are under construction elsewhere. A.I.D. also will continue to supply housing and financial advisors to the Eastern Nigeria Housing Corporation. Pursuant to an A.I.D.-financed feasibility survey, two savings and loan associations have been opened in the Eastern Region, and more are planned.

Nigeria

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

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL			1.9	0.1	1.6	2.2	13.0	20.8	26.4	45.0	111.1	0.6	110.5
Loans			-	-	0.8	-	3.0	-	12.0	31.4	47.2	0.6	46.6
Grants			1.9	0.1	0.8	2.2	10.0	20.8	14.5	13.6	63.9	-	63.9
SOCIAL PROGRESS TRUST FUND			-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL			0.1	*	*	0.1	0.1	0.2	0.3	0.6	1.4	-	1.4
Title I - (Total Sales Agreements)	*No Programs Prior to FY 1953.*		(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS AND GRANTS			-	-	-	-	-	-	-	-	-	-	-
104c - Grants for Common Defense			-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development			-	-	-	-	-	-	-	-	-	-	-
104e - Loans to Private Industry			-	-	-	-	-	-	-	-	-	-	-
104g - Loans to Governments			-	-	-	-	-	-	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.			-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...			-	-	-	-	-	-	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES			0.1	*	*	0.1	0.1	0.2	0.3	0.6	1.4	-	1.4
TITLE IV - DOLLAR CREDIT SALES			-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS			-	-	-	-	1.3	2.0	-	-	3.3	0.9	2.4
OTHER U.S. ECONOMIC PROGRAMS			0.2	-	-	-	-	2.0	2.7	4.8	9.6	0.2	9.4
TOTAL ECONOMIC			2.2	0.1	1.6	2.3	14.4	25.0	29.4	50.4	125.4	1.7	123.7
Loans			0.2	-	0.8	-	4.3	2.0	12.0	31.4	50.7	1.7	49.0
Grants			2.0	0.1	0.8	2.3	10.1	23.0	17.5	19.0	74.7	-	74.7
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)			-	-	-	-	-	*	*	0.2	0.4	-	0.4
(Additional Grants from Excess Stocks)			(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE			-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY			-	-	-	-	-	*	*	0.2	0.4	-	0.4
Loans			-	-	-	-	-	-	-	-	-	-	-
Grants			-	-	-	-	-	*	*	0.2	0.4	-	0.4
TOTAL ECONOMIC AND MILITARY			2.2	0.1	1.6	2.3	14.4	25.0	29.4	50.6	125.8	1.7	124.1
Loans			0.2	-	0.8	-	4.3	2.0	12.0	31.4	50.7	1.7	49.0
Grants			2.0	0.1	0.8	2.3	10.1	23.0	17.5	19.2	75.1	-	75.1

*** Less than $50,000.** Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	13.5	30.0	71.5
UN Tech. Ass't. (CY)	1.5	1.5	4.5
UN Special Fund	3.3	2.5	13.6
Int'l. Finance Corp.	-	2.2	2.2

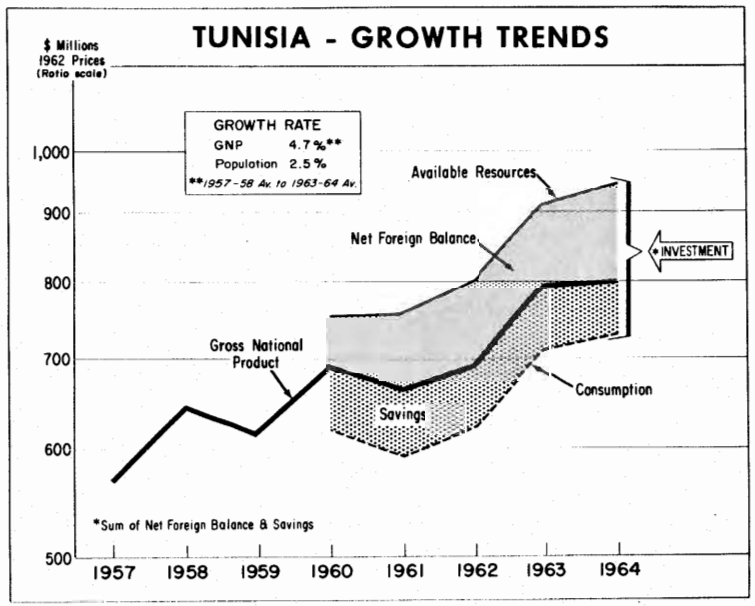
SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	-
1964 (Calendar Year)	-
Cumulative Thru 1964	-

Tunisia - GENERAL ECONOMIC DATA

BASIC DATA

Population *(millions – mid-1964)*	4.6
Annual Growth Rate *(percent)*	2.5
Area *(1000 square miles)*	48
Population Density per square mile	95
Agricultural Land as % of Total Area	40
Percent of Population in Agriculture	75
Life Expectancy *(years)*	n.a.
People per Doctor	9,200
Literacy Rate *(percent)*	25-35
Pupils as Percent of Population *(Primary & Secondary)*	14



	Calendar Years 1960	1961	1962	1963	1964 Est.
GROWTH INDICATORS					
Total GNP *(in 1962 prices; $ millions)*✱	690	665	690	793	800
Per Capita GNP *(dollars)*	165	155	157	176	174
Investment as percent of GNP	19	24	26	25	27
Domestic Savings as % of Investment	54	44	37	41	38
Net Foreign Balance as % of GNP	9	14	17	15	17
Agricultural Prod. Index *(1952-54=100)*	131	81	96	129	116
Index per Capita	110	66	77	101	89
Olive Oil (1,000 MT)	125	34	45	96	86
Mining Production Index (1958=100)	91	82	81	90	100
INTERNATIONAL TRADE *($ millions)*					
Total Exports *(f.o.b.)*	120	110	116	125	130
Phosphate (Rock & Fertilizer)	(21)	(24)	(22)	(25)	(28)
Total Imports *(c.i.f.)*	191	211	216	222	240
Trade Balance	-71	-101	-100	-97	-110
GOLD & FOREIGN EXCHANGE *(end of year – $ millions)*	97	77	68	73	42(Sept.)
COST OF LIVING INDEX *(1958=100)*	95	98	95	97	100

CENTRAL GOVERNMENT FINANCES✱ (FY Ending December 31)	– Million Dollar Equivalents – 1962	1963	1964 (Rev. Bud.)
Total Expenditures	265	288	309
(Defense Expenditures)	(19)	(17)	(17)
(Capital Outlays) a/	(116)	(135)	(142)
Total Domestic Revenues	186	192	208
As percent of GNP	27.0%	23.0%	24.4%
Deficit (–) or Surplus (+)	-79	-96	-101

✱ Converted at .420 dinars per U.S. dollar.

a/ Includes capital expenditures of "Work Relief Program."

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PROGRAM SUMMARY

(In millions of dollars)

	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Development Loans	20.2	8.0-24.5	16.0-32.5
Technical Cooperation	1.5	1.5	1.5
Contingency Fund	-	0.3 a/	XXX
Total A.I.D. Assistance	21.7	9.8-26.3	17.5-34.0

a/ Programmed thru 12/31/64.

U.S. Objectives and Assistance Policy

U.S. aid to Tunisia is based on the fact that it has a stable, efficient, popularly based government dedicated to social and economic development, that is basically pro-Western, and that serves as a demonstration to the Arab and African world of social and economic progress in cooperation with the Free World. Tunisia has eschewed the more radical methods of economic development. Her external policies are determined by enlightened self-interest rather than any predetermined doctrinaire position.

In her drive for social and economic development, Tunisia is handicapped by limited natural resources. Nevertheless, a top layer of capable and relatively well-trained administrative cadre produced a ten-year Development Perspective, 1961-1970, and a Development Plan for the first three years. The Plan calls for a substantial self-help effort which has been successfully articulated to the people.

U.S. support for Tunisian development is designed to accelerate the country's progress and demonstrate that such progress can be achieved through responsible and pragmatic policies. Tunisia is one of the eight countries to which A.I.D. extends general development support. Recognizing that the objectives which the United States shares with Tunisia can be met only if considerable amounts of outside aid are provided, the United States Government made a commitment in July 1962 to support Tunisia's Three-Year Development Plan up to a level of $180 million. The Plan called for total investments of approximately $785 million, a 60% increase over the 1960-62 average. Half of this investment was to come from Tunisia's own resources. The U.S. commitment to the Plan was designed to supply about half of total external help or one-fourth the investment estimated by the Plan. U.S. assistance emphasizes loans for high-priority projects. It also provides for some commodity imports, an extensive input of "Food for Peace" commodities, and the technical assistance necessary to insure the effectiveness of the full range of U.S. assistance.

Achievement, Self-Help, the Role of Other Donors

Recent accomplishments range from considerable strides in agricultural diversification, school enrollment, and housing to appreciable foreign investments in certain key sectors and adherence to politically unpopular wage and price restraints. A large-scale program to diversify and intensify agriculture is under way with special emphasis on tree fruits, nuts and early market vegetables in response to Europe's growing demands. With U.S. aid, nurseries were set up which now distribute annually 2.5 million trees and 50 million vegetable short stock. The food processing industry is expanding simultaneously and is earning additional foreign exchange. Tunisia has also succeeded in attracting private and semi-private investment for some key sectors: the Swedes set up a phosphate plant; the Italians built an oil refinery; and commercial oil and gas strikes have already resulted from concessions granted to a number of companies.

It was realized by the U.S. and Tunisian Governments at the time of the commitment that the Three-Year Plan was overambitious in terms of investment targets and would probably involve a stretch-out of the $180 million U.S. commitment. Nevertheless the Tunisians managed to push gross investment to 26% of GNP from 1962 through 1964, thus essentially attaining the Plan's investment targets. GNP, however, did not increase according to the Plan, and would have been far below the Plan's anticipated 6% annual growth rate had there not been a bumper crop in 1963. The average growth of only 3%-4% per year for the 1960-64 period is attributed to Tunisia's heavy emphasis on investments which provide long-run rather than immediate economic returns, e.g., heavy concentration on dams and irrigation.

The high level of investment also increased demands for imports, which, together with poor crops in 1961 and 1962 and fluctuations in French aid, resulted in rapid deterioration in Tunisia's balance of payments and a sharp decline in foreign exchange reserves. The latter reached a critical level by the fall of 1964 -- gross reserves declined from $73 million at the beginning of the year to $42 million as of September 30 and net reserves fell far more sharply. Tunisia immediately sought IBRD and International Monetary Fund (IMF) assistance. As recommended by

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the IMF, the Government devalued the dinar by 20% and took other stabilizing measures such as price and wage controls, thereby becoming eligible for an IMF standby credit of $14.2 million.

Tunisia has publicly stated its intentions to take any necessary additional steps to strengthen its financial and economic position. It has stretched out the existing Three-Year Plan and delayed issuing the new Four-Year Plan in order to adjust the type and level of investments to meet these problems. Indications are that the new plan will heavily emphasize investment in more immediately productive activities with a cutback in housing and infrastructure investment.

Tunisia has made progress in its efforts to attract external assistance from a wide variety of sources through the IBRD consultative group, the UN, and its bilateral contacts. Between 1961 and 1964 about $150 million in non-U.S. aid was committed to Tunisia, including about $48 million from Communist countries. Roughly two-thirds of these commitments consisted of project assistance. Only France ($20 million) and Kuwait ($11.2 million) provided any large amounts of non-project or balance-of-payments support.

Of even greater importance for Tunisia's longer-term development are her trade relations which are undergoing fundamental change causing considerable strain on the economy. France has terminated the preferential treatment previously accorded to Tunisian exports of wheat, wine and citrus. Tunisia is now engaged in discussions concerning some type of association with the European Economic Community (EEC).

FY 1966 Program

In order to determine future levels and types of aid, the United States, in October 1964, began a comprehensive study to review Tunisian progress under the initial Three-Year Plan, projections for future growth in the forthcoming Four-Year Plan, and the internal and non-U.S. external resources likely to be available. The preliminary findings of the study are encouraging with regard to Tunisia's long-term prospects.

The proposed FY 1966 program will concentrate its efforts on those areas which, given the experience of the Three-Year Plan, offer the best opportunities for accelerating production, increasing domestic revenues, and improving the balance-of-payments position of Tunisia.

As in the past, Development Loans will comprise the major component of U.S. assistance and are expected to total $16.0-32.5 million in FY 1966. The best development prospects appear to be in phosphates, chemicals, tourism, and fruit and vegetable production and processing. Depending upon the results of economic and technical feasibility studies and the availability of alternate sources of financing, possible FY 1966 Development Loans might be for phosphate expansion and development banks. In addition, a program loan to finance commodities essential to the Tunisian economy may be necessary to maintain Tunisia's progress in view of the current balance-of-payments deficit and shortage of foreign exchange reserves. The United States Government will continue its efforts to have the IBRD Consultative Group address itself to Tunisia's requirements for non-project aid.

The Food for Peace program, excluding Title I, is expected to total about $20 million at CCC prices. P.L. 480 foodstuffs enable the Government of Tunisia to continue a variety of important social and economic projects which otherwise would not be possible given its limited budgetary resources. $3 million of Title II commodities will be used in a school lunch program; $14 million of foodstuffs will supplement cash wages paid to 150,000 otherwise unemployed workers engaged in labor-intensive development projects. Additional foodstuffs valued at $3 million will be made available under Title III to international voluntary agencies for relief programs to chronically needy people.

Title I sales are difficult to estimate because their level is related to severe swings in Tunisian food production stemming from vagaries of North African weather. Sales might approximate $6 million.

Technical Cooperation is expected to remain in FY 1966 at 1.5 million. The areas of concentration will remain the same including agricultural production (especially from existing facilities), soil and water conservation, manpower improvement through education and training, and stimulation of private investment. Agriculture is still the key sector with good potential for increasing productivity through better use of existing facilities and land-use change. U.S. technical assistance to date has made substantial contributions in increasing and diversifying agricultural production including fruits and vegetables, livestock and poultry and water resources development.

Tunisia's professional and technical manpower problem was made acute when more than 80% of the 250,000 French living in the country at the time of independence in 1958 departed. Considerable amounts of U.S. assistance, both in the form of Development Loans for facilities and technical assistance for training have been provided in support of Tunisia's large program in training

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and education. In agricultural education, the United States Government has supported the development of vocational agricultural schools and is financing the construction and the staffing of a land grant type Agricultural College under contract with Texas A & M. A variety of aid projects is designed to increase trained manpower in business and industry including: (a) participant training program in the fields of engineering, petrochemicals, business administration, and accounting; (b) an automotive mechanics school at Ariana; and (c) construction and provision of interim staff for the School of Economics and Business Administration in the University of Tunis. However, the problem of developing skilled managerial and operating personnel remains one of the chief bottlenecks to increasing productivity and this shortage is increasing as new productive facilities are added. Consequently, efforts will be made to accelerate training programs, to provide for more participant training and to consider the provision of key operating personnel. Finally, the U.S. assistance program will continue its efforts to encourage and help the Tunisian Government to stimulate Tunisian private enterprise. Efforts have included Development Loans to an industrial and an agricultural development bank which in turn made sub-loans to private individuals. An investment guarantee agreement has been signed. A new activity involves visits to Tunisia by groups of private U.S. businessmen under a participating agency agreement with the Small Business Administration to investigate investment opportunities and promote joint venture investment with private Tunisian businessmen. The Government of Tunisia has responded to this idea and has financed the cost of the most recent visit of American businessmen.

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Tunisia

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

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PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS											REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	POST-WAR RELIEF PERIOD	MARSHALL PLAN PERIOD	MUTUAL SECURITY ACT PERIOD					FOREIGN ASSISTANCE ACT PERIOD			TOTAL 1946-1964		
	1946-1948	1949-1952	1953-1957	1958	1959	1960	1961	1962	1963	1964			
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	-	-	8.5	20.6	25.9	45.6	36.8	28.2	24.4	20.5	210.6	2.1	208.5
Loans	-	-	2.5	5.3	4.4	23.4	10.0	12.4	23.3	20.2	101.5	2.1	99.4
Grants	-	-	6.0	15.3	21.5	22.2	26.8	15.8	1.1	0.3	109.1	-	109.1
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-	-	-	-	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	0.2	9.1	6.6	7.2	11.5	70.0	17.7	35.2	22.5	179.8	0.2	179.6
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)	(-)	(15.3)	(5.7)	(12.6)	(4.5)	(38.1)	(-)	(38.1)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)	(-)	(3.1)	(0.9)	(1.3)	(0.4)	(5.7)	(-)	(5.7)
TITLE I - PLANNED FOR LOANS AND GRANTS	-	-	-	-	-	-	12.2	4.8	11.3	4.1	32.4	0.2	32.2
104c - Grants for Common Defense	-	-	-	-	-	-	-	-	-	-	-	-	-
104e - Grants for Economic Development	-	-	-	-	-	-	7.6	-	-	-	7.6	-	7.6
104e - Loans to Private Industry	-	-	-	-	-	-	1.5	-	2.5	0.9	4.9	-	4.9
104g - Loans to Governments	-	-	-	-	-	-	3.1	4.8	8.8	3.1	19.8	0.2	19.6
TITLE II - ASS'T FROM OTHER COUNTRY SALES AGRMT'S.	-	-	-	-	-	-	-	-	-	-	-	-	-
TITLE II - EMERGENCY RELIEF AND ECON. DEVELOP...	-	-	8.4	6.4	7.0	11.3	57.2	12.2	21.9	16.9	141.3	-	141.3
TITLE III - VOLUNTARY RELIEF AGENCIES	-	0.2	0.7	0.2	0.2	0.2	0.6	0.7	2.0	1.5	6.1	-	6.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-	-	-	-	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-	-	1.7	0.5	-	2.6	4.8	0.6	4.2
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-	-	-	0.3	0.6	0.9	1.8	-	1.8
TOTAL ECONOMIC	-	0.2	17.6	27.2	33.1	57.1	108.5	46.7	60.2	46.5	397.0	2.9	394.1
Loans	-	-	2.5	5.3	4.4	23.4	16.3	17.7	34.6	26.9	131.0	2.9	128.1
Grants	-	0.2	15.1	21.9	28.7	33.7	92.2	29.0	25.6	19.6	265.9	-	265.9
MILITARY ASSISTANCE PROGRAM - (Chg. to App.)	-	-	-	-	1.3	1.5	2.7	2.3	5.7	1.6	19.4	1.7	17.7
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)	(-)	(0.1)	(0.1)	(0.2)	(*)	(0.4)	(-)	(0.4)
OTHER MILITARY ASSISTANCE	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	1.3	1.5	2.7	2.3	5.7	1.6	19.4	1.7	17.7
Loans	-	-	-	-	1.3	1.5	*	*	-	*	3.3	1.7	1.6
Grants	-	-	-	-	-	-	2.7	2.3	5.7	1.6	16.1	-	16.1
TOTAL ECONOMIC AND MILITARY	-	0.2	17.6	27.2	34.4	58.6	111.2	49.0	65.9	48.1	416.4	4.6	411.8
Loans	-	-	2.5	5.3	5.7	24.9	16.3	17.7	34.6	26.9	134.3	4.6	129.7
Grants	-	0.2	15.1	21.9	28.7	33.7	94.9	31.3	31.3	21.2	282.0	-	282.0

* Less than $50,000. Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

ASSISTANCE FROM INTERNATIONAL AGENCIES

	FY 1963	FY 1964	FY 1946-64
IBRD - World Bank	-	7.0	7.0
UN Tech. Ass't. (CY)	0.5	0.4	2.8
UN Special Fund	1.5	3.1	8.1
Int'l. Dev. Association	5.0	-	5.0
Int'l. Finance Corp.	3.5	-	3.5

SINO-SOVIET BLOC ASSISTANCE

1963 (Calendar Year)	2
1964 (Calendar Year)	-
Cumulative Thru 1964	48

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Other Africa - Basic Data

COUNTRY	POPULATION		AREA		GNP	TRADE		HEALTH & EDUCATION	
	TOTAL (1964)	ANNUAL GROWTH RATE	TOTAL	AGRICULTURAL LAND	PER CAPITA (EST.)	TOTAL EXPORTS (1963)	MAIN EXPORTS	PEOPLE PER DOCTOR	LITERACY RATE
	MILLIONS	PERCENT	1,000 SQUARE MILES	PERCENT OF AREA	DOLLARS	$ MILL.	ITEM	PERSONS	PERCENT
Algeria	10.8	2.5	920	19	185	680E	Petroleum	6,610	5-10
Burundi	2.8	3.0	11	79	40	10	Coffee	58,650	n.a.
Cameroon	4.4	1.0	183	35	92	140	Cocoa, coffee	23,450	5-10
Central African Rep.	1.3	1.8	238	6	90	17	Cotton,coffee	39,720	5-10
Chad	3.2	2.5	496	41	55	23	Cotton	60,940	5
Congo (Brazzaville)	1.0	2.6	132	n.a.	150	42	Wood and products	18,860	20
Dahomey	2.2	2.8	45	17	70	13	Palm products	26,970	5
Gabon	0.5	0.3	103	1	200	74	Wood, petroleum	7,470	5-10
Ghana	7.4	2.5	92	22	226	305	Cocoa	17,860	25
Guinea	3.5	3.0	95	n.a.	60	55	Alumina	28,700	10
Ivory Coast	3.7	2.3	125	n.a.	196	230	Coffee, cocoa	23,870	20
Malagasy Republic	6.0	2.7	228	62	90	82	Coffee, vanilla	9,400	30-35
Malawi	4.0	3.0	46	30	33	30	Tobacco, tea	44,150	5-10
Mali	4.5	2.0	465	n.a.	65	34	Livestock, peanuts	42,860	5
Mauritania	0.8	1.4	419	1	135	30	Livestock	30,360	1-5
Morocco	13.1	3.0	171	42	173	384	Phosphate rock	10,430	10-15
Niger	3.3	2.7	489	11	75	20	Peanuts	64,250	5
Rwanda	2.9	2.6	10	63	40	4	Tin ore	191,300	n.a.
Senegal	3.5	2.7	76	28	200	110	Peanuts	20,950	5-10
Sierra Leone	2.2	1.9	28	81	100	81	Diamonds, iron ore	15,840	10
Somali Republic	2.0	1.2	246	34	45	25	Bananas, livestock	27,040	5
Sudan	13.1	2.8	967	12	100	226	Cotton	32,260	10
Togo	1.6	3.0	22	42	75	18	Cocoa, coffee	47,740	5-10
Upper Volta	4.7	1.9	106	18	45	8	Livestock	77,200	5-10
Zambia	3.6	3.0	288	41	153	361	Copper	13,800	20-25

E - Estimate.
n.a. - Not available.

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OTHER AFRICAN PROGRAMS BY COUNTRY

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(In thousands of dollars)

Country	TOTAL ECONOMIC ASSISTANCE			Development Loans			Technical Cooperation			Supporting Assistance			Contingency Fund			Other Programs		
	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed	FY 1964 Actual	FY 1965 Estimated	FY 1966 Proposed
Other Loan Programs	-	28,200-37,300	12,000-54,000	-	28,200-37,300	12,000-54,000	-	-	-	-	-	-	-	-	-	-	-	-
Algeria	1,252	975	1,425	-	-	-	903	975	1,425	349	-	-	-	-	-	-	-	-
Burundi	484	466	127	-	-	-	484	466	127	-	-	-	-	-	-	-	-	-
Ghana	1,196	1,274	1,035	-	-	-	1,196	1,274	1,035	-	-	-	-	-	-	-	-	-
Guinea	9,935	10,969	9,402	-	-	-	2,735	4,509	4,402	7,200	6,460	5,000	-	-	-	-	-	-
Libya	5,680	217	-	-	-	-	880	217	-	4,800	-	-	-	-	-	-	-	-
Malawi	1,850a/	2,100	1,788	-	-	-	1,850a/	2,100	1,788	-	-	-	-	-	-	-	-	-
Mali	3,001	1,260	985	1,100	-	-	1,246	1,260	985	655	-	-	-	-	-	-	-	-
Morocco	18,159	10,875	1,079	2,300	-	-	859	875	1,079	15,000	10,000	-	-	-	-	-	-	-
Sierra Leone	1,156	2,000	2,196	-	-	-	1,156	2,000	2,196	-	-	-	-	-	-	-	-	-
Somali Republic	3,655	4,138	3,421	-	-	-	3,655	4,138	3,421	-	-	-	-	-	-	-	-	-
Sudan	2,499	3,048	3,431	-	-	-	2,499	3,048	3,431	-	-	-	-	-	-	-	-	-
Zambia	-	1,205	1,497	-	-	-	-	1,205	1,497	-	-	-	-	-	-	-	-	-
African & Malagasy Union States (UAM)	20,341	7,537	8,199	10,800	-	-	9,514	6,037	7,199	27	1,500	1,000	-	-	-	-	-	-
Cameroon	(1,458)	(1,168)	(1,561)	-	-	-	(1,458)	(1,168)	(1,561)	-	-	-	-	-	-	-	-	-
Central African Republic	(1,125)	(395)	(510)	-	-	-	(1,125)	(395)	(510)	-	-	-	-	-	-	-	-	-
Chad	(587)	(585)	(705)	-	-	-	(587)	(585)	(705)	-	-	-	-	-	-	-	-	-
Congo (Brazzaville)	(2,940)	(60)	-	(2,700)	-	-	(240)	(60)	-	-	-	-	-	-	-	-	-	-
Dahomey	(534)	(506)	(400)	-	-	-	(534)	(506)	(400)	-	-	-	-	-	-	-	-	-
Gabon	(797)	(188)	(270)	-	-	-	(797)	(188)	(270)	-	-	-	-	-	-	-	-	-
Ivory Coast	(6,160)	(193)	(116)	(5,000)	-	-	(1,160)	(193)	(116)	-	-	-	-	-	-	-	-	-
Malagasy Republic	(754)	(745)	(795)	-	-	-	(754)	(745)	(795)	-	-	-	-	-	-	-	-	-
Mauritania	(152)	(80)	(100)	-	-	-	(125)	(80)	(100)	(27)	-	-	-	-	-	-	-	-
Niger	(2,257)	(529)	(513)	(1,800)	-	-	(457)	(529)	(513)	-	-	-	-	-	-	-	-	-
Rwanda	(530)	(1,886)	(1,370)	-	-	-	(530)	(386)	(370)	-	(1,500)	(1,000)	-	-	-	-	-	-
Senegal	(2,140)	(75)	(250)	(1,300)	-	-	(840)	(75)	(250)	-	-	-	-	-	-	-	-	-
Togo	(497)	(551)	(784)	-	-	-	(497)	(551)	(784)	-	-	-	-	-	-	-	-	-
Upper Volta	(410)	(576)	(825)	-	-	-	(410)	(576)	(825)	-	-	-	-	-	-	-	-	-
Regional USAID Africa	232	1,189	1,265	-	-	-	232	1,189	1,265	-	-	-	-	-	-	-	-	-
Regional	11,411	9,611	9,813	-	-	-	11,411	8,111	8,813	-	1,500	1,000	-	-	-	-	-	-

a/ Includes obligations for Zambia

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OTHER AFRICAN PROGRAMS

The eight major country programs described above comprise 74% of A.I.D. funds for Africa. The remainder of the total program is allocated to: (a) smaller programs in 24 other African countries; and (b) encourage and facilitate cooperation among countries through African regional organizations. For FY 1966, approximately $38.6 million (42%) of Technical Cooperation/Development Grant funds; $12-$54 million (12%) of Development Loans; and $6 million (23%) of Supporting Assistance is proposed for the 24 additional country programs. $8.8 million of Technical Cooperation/Development Grant funds is planned for regional activities.

Other country programs include three -- Guinea, Morocco and Sudan -- designed to contribute substantially to growth and to press actively for better development policies -- and 21 countries where the amount of U.S. economic assistance is much smaller for a variety of special reasons.

In Guinea, U.S. assistance during the past few years was designed to permit and encourage disengagement from excessive reliance on Communist aid, and was extended largely as general balance-of-payments support. Guinea has moved away from its close Communist ties, U.S. aid policy is shifting to concentrate more on specific development goals. Guinea has excellent bauxite deposits and other resources, but faces a continuing severe foreign exchange shortage until these resources are developed. There is a severe shortage of skills in all fields. There was virtually no Western assistance to Guinea in the first few years following its attainment of independence in 1958. As the only Western donor now giving appreciable assistance to Guinea, the United States in its technical assistance program in FY 1966 will emphasize industrial and vocational training and agricultural development including small-scale processing industries (e.g., palm oil and starch). Development Loans will be considered for telecommunications equipment, civil aviation navigational aids, and assistance for a truck assembly plant. Reflecting Guinea's continued balance-of-payments problem, a commodity import program will also be continued during FY 1966 but it is expected to be at a reduced level.

In Morocco, the aid program through FY 1965 was primarily general balance-of-payments aid financed from Supporting Assistance in connection with U.S. base facilities. The program is now shifting to more specific economic development support. Morocco has ample development prospects but has encountered problems of development planning and management. While other free world donors, especially France, contribute a major share of Morocco's external resource requirements, the United States is financing activities in a number of priority areas, including agriculture, light industries in the private sector, and manpower training programs. A development loan for aircraft overhaul and maintenance facilities use is under consideration for FY 1966. No Supporting Assistance is now planned for FY 1966.

In Sudan, the largest country in area in Africa, recent political changes make the future course uncertain, but the United States proposes to continue to give selective assistance to develop the country's considerable economic resources, to encourage continued reliance on private investment and realistic governmental economic planning, and to reduce dependence on cotton as a source of foreign exchange. Technical Cooperation in FY 1966 will be concentrated on agricultural development and education and training to develop sorely lacking industrial, agricultural and administrative skills.

Because of its size, location, and resources, Algeria is potentially one of the more powerful countries of Africa. French aid, though diminishing, continues large, and Communist aid has been substantial. U.S. assistance programs have made a major contribution to averting mass starvation and helping stave off internal chaos following the mass withdrawal of French nationals and the demobilization of Algerian soldiers to swell civilian unemployment. Most U.S. assistance is in the form of P.L. 480 foodstuffs valued at roughly $30 to $35 million per year at world market prices. Some of this food is distributed by U.S. voluntary agencies to feed almost 4 million needy people as well as to supply school lunch programs and child feeding stations. Work-relief programs using P.L. 480 Title II foodstuffs employ some 100,000 people for reforestation, soil conservation, and public works, with tools and technical guidance supplied by A.I.D. Other A.I.D.-financed assistance is limited to some medical assistance and participant training. The program for Algeria is kept under continuing intensive review.

In Ghana, the economic situation is characterized by serious fiscal difficulties, heavy concentration on government ownership of industry, increasing authoritarianism, and discouragement of domestic private investment. Still, the rich natural endowment of the country and the pro-Western sentiments of much of the population give some grounds for hope of future constructive economic and political development. The small A.I.D. program for FY 1966, aimed at maintaining some U.S. contact and influence, particularly with rural population, includes projects in agricultural education and extension, land use, and water development.

There are 18 smaller or less-populous countries -- 11 former French states Chad, Central African Republic, Dahomey, Gabon,

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Ivory Coast, Malagasy Republic, Mali, Mauritania, Niger, Senegal, and Upper Volta; the former French UN Trust Territories of Cameroon and Togo; the former Belgian Trust Territory of Rwanda; the former British colonies of Sierra Leone, Zambia (Northern Rhodesia) and Malawi (Nyasaland) and the Somali Republic (composed of the former Italian and British portions of Somaliland) -- where the great bulk of external aid requirements is met by other free world donors, principally the former colonial powers, except in the cases of the Somali Republic and Mali where assistance from other free world donors has in recent years been overshadowed by substantial aid programs from Communist countries. Most of these countries belong to the Union of African and Malagasy States for Economic Cooperation (UAMCE). In these countries, U.S. assistance is designed to augment development assistance from other free world sources in such a manner as to maintain an identity with these countries' development and other aspirations.

These countries lack skilled manpower, and education, particularly of the vocational and technical type, and this field is a major concentration of our technical assistance program. For example, a center for training Africans to operate, repair and maintain heavy equipment has been established with A.I.D. assistance in Togo at which nationals of other French-speaking tropical African countries are being trained. Other vocational training projects exist in Dahomey, Gabon, Mali and Niger.

A second area of priority attention in these predominantly rural countries has been increased production and diversification of agriculture through agricultural education and extension projects and through the establishment of agricultural cooperatives and credit institutions.

Other projects directed to specific country development problems include: assistance in economic research and statistics development in Sierra Leone, cocoa disease control in Cameroon; measles inoculation in several West African countries; civil aviation assistance and highway improvement in Chad; and telecommunications assistance in Upper Volta and Dahomey.

A number of capital projects are currently being undertaken in these countries, many in the field of transportation, and several of them in concert with other free world donors. Thus in Cameroon, the United States has contributed $9.2 million to the construction of the Trans-Cameroon Railroad to give access to markets for the agricultural areas of Cameroon, Chad and the Central African Republic, while other free world sources have provided $26.8 million to this same project. Highway equipment loans, and Technical Cooperation assistance for farm-to-market roads, highway maintenance and construction, and civil aviation, have been extended to several countries. This emphasis on transportation will continue in FY 1966.

Under present circumstances no FY 1966 program is foreseen for Congo (Brazzaville) and only a small public safety and road maintenance project in Burundi.

Regional Projects

The Regional Projects Program continues to be directed primarily toward Africa's need for trained manpower. Some 70% of Technical Cooperation funds requested for regional projects in FY 1966 will be devoted to education and nearly all of this will be for scholarships at either American or African institutions.

In the current academic year (1964-1965), 819 students are receiving undergraduate and graduate training at American colleges and universities through the A.I.D.-financed African Scholarship Programs of the American Universities and African Graduate Fellowship Program. Over the next two or three years, this total will rise to almost 1,000 per year, after which the number should diminish at a rate of 200-250 per year. In view of the urgency of African needs for qualified personnel, special emphasis is being placed upon early return by students to their countries after attainment of the first degree so that they may assist their countries as quickly as possible. Under the continuing Regional Education Grants program, A.I.D. is now financing some 700 students studying at ten different African colleges, and a marked increase in both the number of students and the number of participating African schools is anticipated in FY 1966. Training currently provided at the American University of Beirut accounts for 126 more African students with a comparable number planned for in FY 1966.

Another area of regional concentration and cooperation with A.I.D. assistance is in agriculture. A rinderpest control campaign sponsored by the Commission for Technical Cooperation in Africa (CCTA) is assisted financially by the European Economic Community (EEC) and member countries concerned, as well as by the United States. Thus far more than 17 million cattle have been inoculated in the nine countries concerned. In East Africa, a Regional Insect Control Program is supplementing African efforts to reduce locust infestations to the lowest point in recent history.

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Continuing projects in the health field include vaccine and technical assistance for a measles immunization program to reach a million children one to six years old, administered through the Health Training Center of the regional organization for coordination of the campaign against endemic diseases (OCCGE). The original version also referred to smallpox vaccine, but did not indicate to what countries or organizations this was provided.

In response to the growing role of the UN Economic Commission for Africa (ECA) in Africa's economic development and its sponsorship of regional telecommunications, transportation and industry, A.I.D. plans to provide assistance in feasibility and engineering studies in the planning of these projects. Assistance has also been considered for the recently-organized African Development Bank, to provide training in the United States for several of its junior professional staff, to help select U.S. personnel to serve on the Bank's staff on a "salary-topping" basis, to provide technical advice through short-term consultants, to assist as needed in feasibility studies and to consider loan financing for capital projects recommended by the Bank, preferably those of regional scope. For the Institute of Economic Development and Planning, ECA-sponsored but now independent, we plan to provide scholarships for up to 35 participants for short-term specialized courses, to make available one or two U.S. experts to conduct short-term courses and to locate qualified U.S. personnel to serve as full-time instructors on the Institute's permanent staff.

In addition to the above activities, $1 million of Supporting Assistance funds is requested to continue a project for screening and training refugees from southern Africa and from the Portuguese territories in Angola and Mozambique.

ALGERIA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	1.8	1.2	3.3	-	3.3
Loans.....	-	-	-	-	-
Grants.....	1.8	1.2	3.3	-	3.3
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	78.7	52.8	146.0	-	146.0
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	64.7	29.7	100.6	-	100.6
TITLE III - VOLUNTARY RELIEF AGENCIES...	14.0	23.1	45.4	-	45.4
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	80.5	54.0	149.3	-	149.3
Loans.....	-	-	-	-	-
Grants.....	80.5	54.0	149.3	-	149.3
MILITARY ASSIST. PROGRAM - (Chg. to App.).	-	-	-	-	-
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	80.5	54.0	149.3	-	149.3
Loans.....	-	-	-	-	-
Grants.....	80.5	54.0	149.3	-	149.3
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	156	143	301		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	20.5	80.5		
UN Tech. Ass't. (CY).....	0.2	0.4	0.6		
UN Special Fund.....	1.2	3.1	4.3		
EEC Dev. Fund.....	-	-	20.4		

BURUNDI

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	*	0.5	0.5	-	0.5
Loans.....	-	-	-	-	-
Grants.....	*	0.5	0.5	-	0.5
SOCIAL PROGRESS TRUST FUND.....	-	-	-	-	-
FOOD FOR PEACE - TOTAL.....	1.5	0.5	5.5	-	5.5
Title I - (Total Sales Agreements)....	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)....	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS...	-	-	-	-	-
104c - Grants for Common Defense.....	-	-	-	-	-
104e - Grants for Econ. Development..	-	-	-	-	-
104e - Loans to Private Industry.....	-	-	-	-	-
104g - Loans to Governments.....	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S...	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV..	0.6	*	2.5	-	2.5
TITLE III - VOLUNTARY RELIEF AGENCIES...	0.9	0.5	3.0	-	3.0
TITLE IV - DOLLAR CREDIT SALES.....	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS.....	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS.....	-	-	-	-	-
TOTAL ECONOMIC.....	1.5	1.0	6.0	-	6.0
Loans.....	-	-	-	-	-
Grants.....	1.5	1.0	6.0	-	6.0
MILITARY ASSIST. PROGRAM - (Chg. to App.).	-	-	-	-	-
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY.....	-	-	-	-	-
Loans.....	-	-	-	-	-
Grants.....	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY.....	1.5	1.0	6.0	-	6.0
Loans.....	-	-	-	-	-
Grants.....	1.5	1.0	6.0	-	6.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY).....	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank.....	-	-	4.8		
UN Tech. Ass't. (CY).....	0.4	1.3	1.7		
UN Special Fund.....	-	1.1	1.1		
EEC Dev. Fund.....	1.1	2.2	4.8		

* Less than $50,000

GHANA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	1.6	0.5	89.9	0.4	89.5
Loans	-	-	82.0	0.4	81.6
Grants	1.6	0.5	7.9	-	7.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	0.6	2.2	5.7	-	5.7
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	1.0	1.6	-	1.6
TITLE III - VOLUNTARY RELIEF AGENCIES	0.6	1.2	4.1	-	4.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	65.0	0.6	64.4
OTHER U.S. ECONOMIC PROGRAMS	0.7	0.8	2.0	-	2.0
TOTAL ECONOMIC	2.9	3.5	162.6	1.0	161.6
Loans	-	-	147.0	1.0	146.0
Grants	2.9	3.5	15.6	-	15.6
MILITARY ASSIST. PROGRAM - (Chg. to App.).	*	-	*	-	*
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	*	-	*	-	*
Loans	-	-	-	-	-
Grants	*	-	*	-	*
TOTAL U.S. ECONOMIC AND MILITARY	2.9	3.5	162.6	1.0	161.6
Loans	-	-	147.0	1.0	146.0
Grants	2.9	3.5	15.6	-	15.6
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	22	213		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	47.0		
UN Tech. Ass't. (CY)	0.9	0.8	3.6		
UN Special Fund	2.6	1.1	5.4		

* Less than $50,000

GUINEA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	12.2	7.0	27.6	-	27.6
Loans	3.1	-2.4	0.7	-	0.7
Grants	9.1	9.4	26.9	-	26.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	3.6	9.3	18.9	-	18.9
Title I - (Total Sales Agreements)	(4.7)	(12.2)	(22.6)	(-)	(22.6)
Less: (Planned for U.S. Uses)	(1.1)	(2.9)	(5.4)	(-)	(5.4)
TITLE I - PLANNED FOR LOANS & GRANTS	3.6	9.3	17.2	-	17.2
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	0.6	1.7	2.6	-	2.6
104g - Loans to Governments	3.0	7.6	14.6	-	14.6
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	1.7	-	1.7
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.3	0.6	0.9	-	0.9
TOTAL ECONOMIC	16.1	16.9	47.4	-	47.4
Loans	6.7	6.9	17.9	-	17.9
Grants	9.4	10.0	29.5	-	29.5
MILITARY ASSIST. PROGRAM - (Chg. to App.).	-	-	-	-	-
(Additional Grants from Excess Stocks).	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	16.1	16.9	47.4	-	47.4
Loans	6.7	6.9	17.9	-	17.9
Grants	9.4	10.0	29.5	-	29.5
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	122		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	0.4	0.3	1.0		
UN Special Fund	1.1	1.0	2.5		

MALAWI, ZAMBIA AND SOUTHERN RHODESIA

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	1.7	1.5	16.9	7.0	9.9
Loans	-	-	10.0	7.0	3.0
Grants	1.7	1.5	6.9	-	6.9
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	*	-	*	-	*
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	*	-	*	-	*
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.4	1.4	24.2	27.1	-2.9
TOTAL ECONOMIC	2.1	2.9	41.1	34.1	7.0
Loans	-	-	32.4	34.1	-1.7
Grants	2.1	2.9	8.7	-	8.7
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	2.1	2.9	41.1	34.1	7.0
Loans	-	-	32.4	34.1	-1.7
Grants	2.1	2.9	8.7	-	8.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	146.6		
UN Tech. Ass't. (CY)	0.3	0.3	1.1		
UN Special Fund	1.0	-	2.4		

MALI

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST 1946-1964	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964		
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	3.8	2.9	11.8	-	11.8
Loans	2.1	1.1	3.2	-	3.2
Grants	1.7	1.8	8.6	-	8.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	-	-	-	-	-
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	-	-	-	-	-
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-
TOTAL ECONOMIC	3.8	2.9	11.8	-	11.8
Loans	2.1	1.1	3.2	-	3.2
Grants	1.7	1.8	8.6	-	8.6
MILITARY ASSIST. PROGRAM - (Chg. to App.)	0.1	0.5	2.1	-	2.1
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	0.1	0.5	2.1	-	2.1
Loans	-	-	-	-	-
Grants	0.1	0.5	2.1	-	2.1
TOTAL U.S. ECONOMIC AND MILITARY	3.9	3.4	13.9	-	13.9
Loans	2.1	1.1	3.2	-	3.2
Grants	1.8	2.3	10.7	-	10.7
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	98		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	0.5	0.3	0.9		
UN Special Fund	-	-	2.0		
EEC Dev. Fund	17.2	0.7	33.0		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

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

MOROCCO

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	20.2	18.9	278.7	20.9	257.8
Loans	20.0	17.3	260.2	20.9	239.3
Grants	0.2	1.6	18.5	-	18.5
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	52.6	20.2	170.6	-	170.6
Title I - (Total Sales Agreements)	(7.7)	(-)	(21.9)	(-)	(21.9)
Less: (Planned for U.S. Uses)	(1.9)	(-)	(5.5)	(-)	(5.5)
TITLE I - PLANNED FOR LOANS & GRANTS	5.8	-	16.4	-	16.4
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	2.1	-	2.1
104g - Loans to Governments	5.8	-	14.3	-	14.3
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	35.3	5.1	101.7	-	101.7
TITLE III - VOLUNTARY RELIEF AGENCIES	11.5	15.1	52.5	-	52.5
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.8	0.9	1.7	-	1.7
TOTAL ECONOMIC	73.6	40.0	451.0	20.9	430.1
Loans	25.8	17.3	276.6	20.9	255.7
Grants	47.8	22.7	174.4	-	174.4
MILITARY ASSIST. PROGRAM - (Chg. to App.)	6.1	3.7	21.7	-	21.7
(Additional Grants from Excess Stocks)	(1.2)	(0.1)	(2.5)	(-)	(2.5)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	6.1	3.7	21.7	-	21.7
Loans	-	-	-	-	-
Grants	6.1	3.7	21.7	-	21.7
TOTAL U.S. ECONOMIC AND MILITARY	79.7	43.7	472.7	20.9	451.8
Loans	25.8	17.3	276.6	20.9	255.7
Grants	53.9	26.4	196.1	-	196.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	17		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	15.0	-	15.0		
UN Tech. Ass't. (CY)	0.7	0.8	3.1		
UN Special Fund	2.3	1.2	7.4		
Int'l. Finance Corp.	1.5	-	1.5		

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

SIERRA LEONE

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL..	2.4	1.1	5.6	-	5.6
Loans	-	-	-	-	-
Grants	2.4	1.1	5.6	-	5.6
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	0.5	1.0	2.1	-	2.1
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	-	-	-	-
TITLE III - VOLUNTARY RELIEF AGENCIES	0.5	1.0	2.1	-	2.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	10.2	10.2	-	10.2
OTHER U.S. ECONOMIC PROGRAMS	1.0	1.5	3.3	-	3.3
TOTAL ECONOMIC	3.9	13.8	21.2	-	21.2
Loans	-	10.2	10.2	-	10.2
Grants	3.9	3.6	11.0	-	11.0
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	3.9	13.8	21.2	-	21.2
Loans	-	10.2	10.2	-	10.2
Grants	3.9	3.6	11.0	-	11.0
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	-		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	0.3	0.3	1.1		

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

CONFIDENTIAL

SOMALI REPUBLIC

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	7.0	2.7	34.0	0.1	33.9
Loans	3.6	-	5.6	0.1	5.5
Grants	3.4	2.7	28.4	-	28.4
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	1.1	*	4.3	-	4.3
Title I - (Total Sales Agreements)	(-)	(-)	(-)	(-)	(-)
Less: (Planned for U.S. Uses)	(-)	(-)	(-)	(-)	(-)
TITLE I - PLANNED FOR LOANS & GRANTS	-	-	-	-	-
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	-	-	-	-	-
104e - Loans to Private Industry	-	-	-	-	-
104g - Loans to Governments	-	-	-	-	-
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	1.1	-	4.2	-	4.2
TITLE III - VOLUNTARY RELIEF AGENCIES	*	*	0.1	-	0.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	0.2	0.7	1.4	-	1.4
TOTAL ECONOMIC	8.3	3.4	39.7	0.1	39.6
Loans	3.6	-	5.6	0.1	5.5
Grants	4.7	3.4	34.1	-	34.1
MILITARY ASSIST. PROGRAM - (Chg. to App.)	-	-	-	-	-
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	-	-	-	-	-
Loans	-	-	-	-	-
Grants	-	-	-	-	-
TOTAL U.S. ECONOMIC AND MILITARY	8.3	3.4	39.7	0.1	39.6
Loans	3.6	-	5.6	0.1	5.5
Grants	4.7	3.4	34.1	-	34.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	23	-	86		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
UN Tech. Ass't. (CY)	1.3	1.1	3.9		
UN Special Fund	-	1.1	2.6		
EEC Dev. Fund	-	1.4	6.8		

* Less than $50,000

SUDAN

U.S. Fiscal Years - Millions of Dollars

PROGRAM	U.S. OVERSEAS LOANS AND GRANTS - NET OBLIGATIONS AND LOAN AUTHORIZATIONS			REPAYMENTS AND INTEREST	TOTAL LESS REPAYMENTS AND INTEREST
	1963	1964	TOTAL 1946-1964	1946-1964	
A.I.D. AND PREDECESSOR AGENCIES - TOTAL	5.4	1.9	68.3	-	68.3
Loans	3.8	-*	15.8	-	15.8
Grants	1.6	1.9	52.5	-	52.5
SOCIAL PROGRESS TRUST FUND	-	-	-	-	-
FOOD FOR PEACE - TOTAL	4.5	5.0	13.1	-	13.1
Title I - (Total Sales Agreements)	(6.0)	(6.6)	(17.2)	(-)	(17.2)
Less: (Planned for U.S. Uses)	(1.5)	(2.3)	(4.9)	(-)	(4.9)
TITLE I - PLANNED FOR LOANS & GRANTS	4.5	4.3	12.3	-	12.3
104c - Grants for Common Defense	-	-	-	-	-
104e - Grants for Econ. Development	1.5	1.0	3.7	-	3.7
104e - Loans to Private Industry	0.9	1.0	2.6	-	2.6
104g - Loans to Governments	2.1	2.3	6.0	-	6.0
TITLE I - ASS'T FROM OTHER COUNTRY AGRMT'S	-	-	-	-	-
TITLE II - EMERGENCY RELIEF & ECON. DEV.	-	0.7	0.7	-	0.7
TITLE III - VOLUNTARY RELIEF AGENCIES	-	*	0.1	-	0.1
TITLE IV - DOLLAR CREDIT SALES	-	-	-	-	-
EXPORT-IMPORT BANK LONG-TERM LOANS	-	-	-	-	-
OTHER U.S. ECONOMIC PROGRAMS	-	-	-	-	-
TOTAL ECONOMIC	9.9	6.9	81.4	-	81.4
Loans	6.8	3.3	24.4	-	24.4
Grants	3.1	3.6	57.0	-	57.0
MILITARY ASSIST. PROGRAM - (Chg. to App.)	*	*	0.1	-	0.1
(Additional Grants from Excess Stocks)	(-)	(-)	(-)	(-)	(-)
OTHER MILITARY ASSISTANCE	-	-	-	-	-
TOTAL MILITARY	*	*	0.1	-	0.1
Loans	-	-	-	-	-
Grants	*	*	0.1	-	0.1
TOTAL U.S. ECONOMIC AND MILITARY	9.9	6.9	81.5	-	81.5
Loans	6.8	3.3	24.4	-	24.4
Grants	3.1	3.6	57.1	-	57.1
OTHER ASSISTANCE					
SINO-SOVIET BLOC ASSISTANCE (CY)	-	-	22		
ASSISTANCE FROM INTERNATIONAL AGENCIES					
IBRD - World Bank	-	-	74.0		
UN Tech. Ass't. (CY)	0.9	0.8	4.9		
UN Special Fund	1.5	1.6	8.4		
Int'l. Dev. Association	-	-	13.0		
Int'l. Finance Corp.	-	0.7	0.7		

* Less than $50,000

Note: Military data for FY 1964 and cumulative through June 30, 1964 are estimates.

U.A.M. COUNTRIES IN AFRICA
Net Obligations and Loan Authorizations
(Millions of Dollars)

	Fiscal Year 1964						Cumulative Thru June 30, 1964					
	U.S. Overseas Loans and Grants						U.S. Overseas Loans and Grants					
	A.I.D.	Other Economic	Total Economic	Military	Total Economic and Military	Assistance from International Agencies	A.I.D.	Other Economic	Total Economic	Military	Total Economic and Military	Assistance from International Agencies
Total - 14 Countries	$19.1	$14.6	$33.7	$ 0.3	$34.0	$32.0	$68.8	$33.9	$102.7	$ 3.1	$105.8	$479.0
Cameroon	1.3	1.0	2.3	-	2.3	2.0	16.6	2.3	18.9	0.2	19.1	48.0
Central African Republic	1.1	*	1.1	-	1.1	1.8	2.1	*	2.1	-	2.1	15.2
Chad	0.6	*	0.6	-	0.6	3.4	1.9	0.1	2.0	-	2.0	28.7
Congo (Brazzavile)	2.9	-	2.9	-	2.9	3.7	4.6	0.2	4.8	-	4.8	21.0
Dahomey	0.5	0.7	1.2	-	1.2	3.0	3.8	3.7	7.5	0.1	7.6	19.5
Gabon	0.8	0.9	1.7	-	1.7	0.7	1.7	1.6	3.3	-	3.3	51.1
Ivory Coast	6.0	3.6	9.6	-	9.6	2.7	12.2	9.2	21.4	0.1	21.5	34.5
Malagasy Republic	0.7	0.6	1.3	-	1.3	4.5	2.2	1.1	3.3	-	3.3	58.3
Mauritania	0.2	0.7	0.9	-	0.9	1.3	1.8	1.0	2.8	-	2.8	79.8
Niger	2.1	0.5	2.6	-	2.6	2.9	6.3	0.7	7.0	0.1	7.1	28.1
Rwanda	0.5	-	0.5	-	0.5	0.1	0.5	0.8	1.3	-	1.3	4.9
Senegal	1.8	4.5	6.3	0.3	6.6	3.8	8.5	6.6	15.1	2.6	17.7	42.9
Toga	0.3	1.6	1.9	-	1.9	1.3	3.0	5.5	8.5	-	8.5	17.8
Upper Volta	0.3	0.5	0.8	-	0.8	0.8	3.5	1.1	4.6	0.1	4.7	29.2

NOTE: Sino-Soviet aid to these countries was nil prior to CY 1964. In CY 1964, three countries, Central African Republic, Congo (Brazzaville) and Senegal received communist commitments of economic aid amounting to $4 million, $34 million and $7 million respectively. U.S. military data are estimates.

* Less than $50,000.

ASSISTANCE
FROM OTHERS

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

FREE WORLD AID

During 1963 bilateral commitments by other developed free world nations and commitments by international agencies for economic development increased, while U.S. bilateral commitments declined.

As the table below shows, the U.S. bilateral share of the aid burden declined from 56% in 1962 to 49% in 1963 and total U.S. bilateral commitments (including A.I.D. assistance, Ex-Im Bank and P.L. 480) dropped from $4.7 to $4.0 billion. For the first time, U.S. bilateral aid is less than half of the assistance received by the less-developed nations.

When the U.S. share of multilateral aid is added to the bilateral aid, the U.S. share of the total aid effort by developed free world nations rises above 50%. However, even this figure (59.9%) compares favorably with the U.S. share of the total free world GNP.

AID RECEIVED BY DEVELOPING COUNTRIES

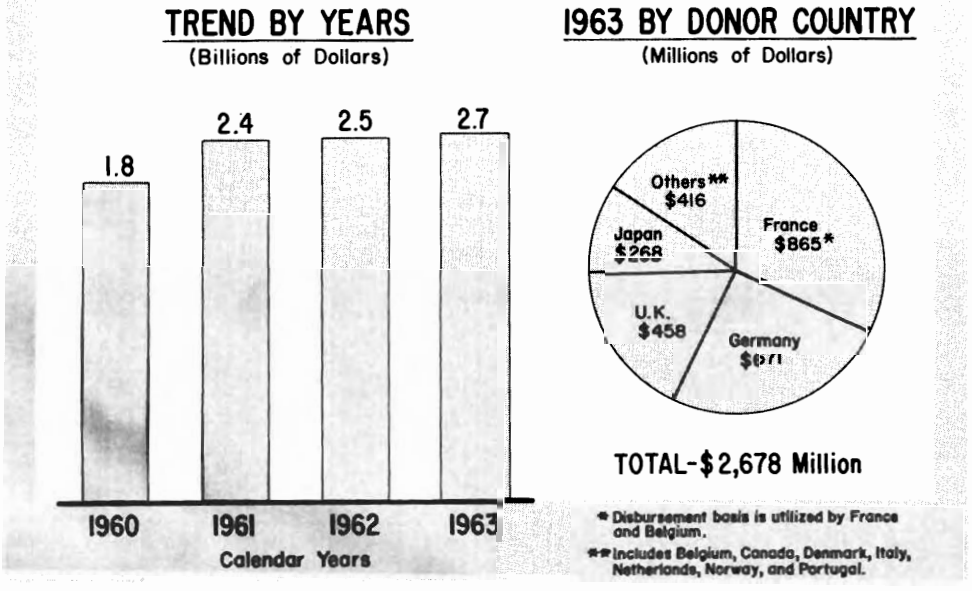
(Commitments of Grants and Loans of Over 5 Years' Maturity)

(In billions of dollars)

	1960		1961		1962		1963	
	Amt.	%	Amt.	%	Amt.	%	Amt.	%
United States	3.9	60.0%	4.4	54.3%	4.7	55.8%	4.0	49.4%
A.I.D. and Predecessors	(2.2)		(1.78)		(2.20)		(2.12)	
P.L. 480	(1.1)		(1.49)		(1.76)		(1.43)	
SPTF	(-)		(.12)		(.21)		(.05)	
Ex-Im Bank	(.6)		(1.01)		(.38)		(.28)	
Peace Corps and Others	(-)		(.02)		(.12)		(.09)	
Other DAC	1.8	27.7%	2.4	29.6%	2.5	29.7%	2.7	33.3%
Int'l. Agencies	.8	12.3%	1.3	16.0%	1.2	14.5%	1.4	17.3%
Total	6.5	100.0%	8.1	100.0%	8.4	100.0%	8.1	100.1%

The United States is persisting in its efforts: (1) to put more aid on a multilateral basis; (2) to improve coordination of bilateral aid; (3) to increase the share of the burden borne by other free world nations; and (4) to improve the terms on which aid is extended.

BILATERAL ASSISTANCE FROM OTHER D.A.C. COUNTRIES
Commitments of Grants and Loans



1. More Multilateral Assistance

Since 1960, multilateral assistance has increased at a more rapid rate than bilateral assistance and has represented an expanding share of total free world aid to developing countries. This trend is expected to continue. Total multilateral assistance commitments increased from $1.2 billion in 1962 to $1.4 billion in 1963. Commitments to developing countries from the World Bank and other international agencies[1] have risen from a total of $1 billion in 1962 to $1.2 billion in 1963. Gross disbursements rose from $544 million to $721 million in the same period. Commitments through the UN Technical Assistance programs, comprising the Special Fund, EPTA, UNICEF and other specialized agencies, have been well over $200 million per year.

1/ Includes the International Bank for Reconstruction and Development (World-Bank) and its affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC); the Inter-American Development Bank (IDB); the European Development Fund (EDF) and the European Investment Bank (EIB) of the European Economic Community (EEC).

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Source of Funds

The financial resources of these institutions are derived from subscriptions, contributions, earnings, and borrowings in private capital markets. The U.S. share of these resources ranges from 30% of World Bank subscriptions to 43% of the subscribed ordinary capital of the IDB. (The U.S. also contributes 68% of the subscribed resources of the IDB's Fund for Special Operations.) The other advanced nations' contributions range from 44% of World Bank subscriptions to 100% of the resources of the EEC development institutions. The United States does not participate in the funding of the EEC assistance programs nor do the other advanced nations subscribe to the IDB. However, Canada has agreed to provide $10 million, on soft terms, to be administered by the IDB, for financing projects in Latin America, and several other European countries have also announced their intention to make financial contributions.

Broader Programs

Recently, new measures such as the lengthening of loan maturities and grace periods by the World Bank in appropriate cases, and intensified support for agriculture; education and industry, have been instituted by the World Bank group in order to provide a greater degree of flexibility to its operations. Replenishment of IDA resources by more than $750 million has been agreed to and will permit an increased level of lending. A recommendation to increase the resources of the IFC is currently under consideration. The authorized ordinary capital resources of the IDB were increased, and a resolution recommending an expansion of the resources of the IDB's Fund for Special Operations is also being considered. As a result, the commitments of these multilateral financial institutions are expected to rise during the next several years and to continue to constitute an increasing proportion of total free world aid.

2. Improved Aid Coordination

Consortia

Consortia for aid to India and Pakistan meet under the sponsorship of the World Bank and comprise most of the Western European members of the DAC, plus Canada, Japan and the United States. The India Consortium has pledged $4,445 million of assistance for the first four years of India's Third Five-Year Plan. The Pakistan Consortium has made pledges totaling $1,819 million for the last four years of Pakistan's Second Five-Year Plan. Improvements in the terms and conditions of pledges by other bilateral members have recently been offered in these consortia. The Organization for Economic Cooperation and Development (OECD) sponsors consortia to assist the development of Greece and Turkey. Members have pledged about $475 million for the first two years of Turkey's Five-Year Plan and $93 million in 1963 for Greece.

In addition to assessing these countries' development plans and programs and to communicating pledges of assistance toward their fulfillment, the consortia provide the developing countries with an orderly basis for development planning and incentives for maximizing their own performance.

Consultative Groups

The World Bank sponsors less formal coordinating mechanisms -- consultative groups -- which discuss the development plans and financial problems of Colombia, Nigeria, the Sudan and Tunisia. It also administers the Indus Basin Development Fund. The DAC promotes country coordination and has held meetings on Thailand, the Congo (Leopoldville), East Africa, Somalia and regional meetings on countries in Latin America, the Middle East and West Africa. As indicated above, aid donors are putting increasing emphasis on the use of coordinating mechanisms.

3. Increased Efforts of Others

The bilateral aid commitments of the other DAC members increased by 50% from 1960 to 1963, rising from $1.8 billion to $2.7 billion. Their multilateral contributions, like ours, have fluctuated because of the various refinancing schedules of the international agencies. But their increasing support of multilateral programs is evidenced in their 52% sharing in the replenishment of IDA. There has also been a 26% increase, to $730 million, agreed to by the Common Market countries for the EEC Development Fund.

Last year, Canada began a new $50 million a year loan program adding to its existing grant and loan efforts. The Netherlands has recently announced a 20% increase in its aid budget. The United Kingdom has put increased priority on aid, elevating and centralizing the function in a new cabinet Ministry of Overseas Development.

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ASSISTANCE FROM OTHERS

4. Terms of Aid - Debt Burden

The United States is greatly concerned about the terms on which aid is being extended and the effect these terms will have on the future debt burdens of recipient countries. The accumulated public foreign debt of these countries now totals about $30 billion. Repayments amount to $5 billion per year, and have been growing at an annual rate of 15%. If annual servicing payments continue to grow at such a pace, the progress of development will be slowed, and gross foreign aid requirements will be increased.

There were some improvements in terms on loans committed in 1963. The new Canadian program will include lending on IDA-type terms which are significantly more liberal (50 years' maturity at 3/4% interest) than those provided by the United States.

British terms were also eased in 1963 for a number of countries, decreasing the average interest rate from 5.4% in 1962 to 4.8% and increasing the average maturity from 20.5 years in 1962 to 21.2 years in 1963. The new British policy of waiving interest during grace periods of as long as seven years has reduced 6% interest rates on 25-year loans to an effective rate of 3.5%. West German loan maturities increased on the average from 15.2 years to 18.5 years in 1963, while interest rates dropped slightly from 4.4% to 4.3%. In consortia, Germany has pledged some loans with 25-year maturities, including seven years' grace, at 3% interest.

COMMUNIST AID TO LESS-DEVELOPED COUNTRIES

Sharp Increase in 1964

New Communist economic aid in 1964 to the less-developed countries increased sharply above levels of the two previous years and reached the highest annual total since their aid program began nearly ten years ago. The Soviet Union, the East European countries and Communist China committed over $1.3 billion during this past year, mainly in the form of lines of credit for project construction, but including also commodity aid and hard currency grants. This figure compares with a level of about $350 million a year in 1962 and 1963 and exceeds the 1961 peak of $1.1 billion. Total economic aid credits and grants extended to date by Soviet bloc and Communist China are over $6.2 billion. Expenditures to date are estimated at over $2.0 billion, or roughly one-third of the cumulative commitments.

ESTIMATED COMMUNIST ECONOMIC AID TO THE LESS-DEVELOPED COUNTRIES

(In millions of dollar equivalents)

	1962	1963	1964	Cumulative Thru Dec. 1964
Credit and Grant Commitments	325	360	1,340	6,240
Expenditures	350	450	500	2,100

The major share of new Communist credits in 1964 was provided to countries in the Near East and South Asia region. The United Arab Republic (UAR) and India were the main recipients, together accounting for about half the $1.3 billion total. Pakistan received a credit of about $60 million from Communist China, partly for project aid and partly for commodity imports. Several other countries in the region, including Afghanistan, Iran and Ceylon received smaller new credits.

About $360 million, or nearly 30% of the total for the year, was provided to Africa, with several countries -- Central African Republic, Congo (Brazzaville), Kenya, Senegal, Tanzania and Uganda -- accepting Communist economic aid for the first time. Algeria was a particularly heavy recipient with credits of nearly $150 million.

As usual, the Soviet Union was the largest aid donor, accounting for some $800 million or roughly 60% of the 1964 total. The remainder was shared in nearly equal amounts by the East European

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countries and Communist China. The latter was especially active in Africa, partly perhaps as a result of competition with the Soviet Union, partly because of its desire to gain support in the Continent for diplomatic recognition, and partly because of the opportunities it sees for subversion and exploitation of current political and economic difficulties in the newly independent countries.

Included in the approximately $800 million of aid extended by the Soviet Union in 1964 were agreements to build three steel mills -- another large complex in India at Bokaro in Bihar State, and smaller plants in Algeria and the UAR. Most of the USSR's agreements were on their customary terms of 2-1/2% interest and 12 years for repayment of principal after project completion.

Chinese aid consisted largely of credits and technicians to build light industries of immediate productive impact -- textile mills, cigarette factories -- and roads and state farms as well as commodity credits for the import of Chinese goods. The Chinese also agreed to provide some grants in Pounds Sterling ans Swiss Francs to a number of African countries. Most Chinese credits are interest-free and carry generous grace periods and extended amortization schedules.

Communist countries also continued to extend substantial military assistance during the past year. Cumulative Communist military aid since 1955 totals well over $3 billion. Most of this aid has already been drawn down in the form of deliveries of aircraft -- primarily jet fighters, destroyers, patrol boats, artillery, tanks, tactical missiles and small arms.