

## EMERGENCY ASSISTANCE FOR A NEW IRANIAN GOVERNMENT

Aid Required

It is assumed for the purposes of this paper that there will be no net oil income during the first year we are assisting a new government.

Based on the latest evaluations of the elements involved, such as an applicable rate of exchange, capacity of Iran to absorb inflationary financing, and the anticipated volume of imports and exports, it is estimated that a total of \$60 million of foreign aid will be required for the first year. This would involve \$35 million new money in addition to the presently proposed United States economic aid to Iran.

It must be pointed out, however, that even the best estimate valid today would probably not be valid several months from now. The impact on the economy of the deficit financing now being undertaken by the government is particularly unpredictable.

Explanation of Estimate

It is calculated that Iran's budget deficit for the current year will total about 5.6 billion rials\* and that the Iranian Government can provide 2 billion rials of this by inflationary financing. This means that 3.6 billion rials or \$60 million of foreign aid is required. The problem is essentially one of assisting the Government budget and it is estimated that Iran's income and payments of foreign exchange will be just about in balance if \$60 million in foreign aid is provided.

Program

It will not be possible to work out the exact details of any program until the "new government" is actually consulted, since it is considered essential that it be an Iranian program. However, with due consideration for the criteria involved, the following program is suggested: for economic development projects, \$11 million; for TCA salaries and overhead, \$5 million; for consumer goods covering both defense support requirements and an economic development program, \$41 million.

Expenditure of Counterpart

Included in the Iranian budget are some 3.3 billion rials for

defense

\* Composed of an ordinary deficit of 1.3, an NIOC deficit of 1.8, and economic development requirements to which the Government is committed of 2.5 billion rials.

~~TOP SECRET SECURITY INFORMATION~~

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defense expenditures and 2,5 billion rials for economic development. A \$60 million aid program which involves 3,6 billion rials could be expended with emphasis on either of these two categories. A precedent has been established for both types of assistance and there are no legal barriers at present.

Source of Funds

This paper does not concern itself with the source of funds to be employed, since 1954 aid legislation has not yet been passed by the Congress and since it is assumed that decision to implement such a program will give sufficient priority to achieve appropriate allocations. Legal authority exists in current aid legislation to permit transfers of at least the amount of money required from other programs or sections to the proposed program.