

**FOREIGN OPERATIONS, EXPORT FINANCING, AND
RELATED PROGRAMS APPROPRIATIONS BILL, 1990**

JULY 18, 1989.—Committed to the Committee of the Whole House on the State of
the Union and ordered to be printed

Mr. OBEY, from the Committee on Appropriations,
submitted the following

REPORT

[To accompany H.R. 2939]

The Committee on Appropriations submits the following report
in explanation of the accompanying bill making appropriations for
foreign operations, export financing, and related programs for the
fiscal year ending September 30, 1990 and for other purposes.

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COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1969 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR 1966

Agency and item	New budget (obligational) authority, appropriation, 1966 (included in bill)	Budget estimates of new (obligational) authority, 1966	New budget (obligational) authority recommended in bill	Bill compared with new budget (obligational) authority, 1969	Bill compared with budget estimates of new (obligational) authority, 1966
(1)	(2)	(3)	(4)	(5)	(6)
TITLE I - MULTILATERAL ECONOMIC ASSISTANCE					
Contributions to International Financial Institutions.....	1,314,629,730	1,787,384,225	1,603,261,937	+ 288,632,307	-184,122,288
International organizations and programs.....	226,115,000	209,000,000	270,115,000	+ 44,000,000	+ 61,115,000
Total, contribution for Multilateral Economic Assistance.....	1,540,744,730	1,996,384,225	1,873,376,937	+ 332,632,307	-123,007,288
TITLE II - BILATERAL ECONOMIC ASSISTANCE					
Bilateral Development Assistance.....	3,112,448,270	3,112,388,000	4,005,710,000	+ 923,261,730	+ 923,122,000
Economic Support Fund/Special Assistance Initiatives.....	3,258,500,000	3,549,100,000	2,284,000,000	-974,500,000	-1,265,100,000
Total, Bilateral Economic Assistance.....	6,370,948,270	6,661,488,000	6,319,710,000	-51,238,270	-341,978,000
TITLE III - MILITARY ASSISTANCE					
Military Assistance.....	514,400,000	94,932,000	84,400,000	-428,000,000	-8,332,000
Foreign Military Credit Sales.....	4,272,750,000	5,027,000,000	4,664,404,194	+ 391,654,194	-362,595,806
Other.....	971,189,000	752,922,000	752,922,000	-218,267,000	
Total, Military Assistance Programs.....	5,758,339,000	5,874,854,000	5,503,726,194	-254,612,806	-371,127,806
TITLE IV - EXPORT ASSISTANCE					
Budget authority effect of Ex-Im limitations.....	695,000,000	100,000,000	615,000,000	-80,000,000	+ 515,000,000
Other.....	25,000,000	25,000,000	30,000,000	+ 5,000,000	+ 5,000,000
Total, export assistance.....	720,000,000	125,000,000	645,000,000	-75,000,000	+ 520,000,000
Total, all titles.....	14,390,032,000	14,657,926,225	14,341,813,151	-48,218,869	-316,113,094

SUMMARY OF THE TOTALS OF THE BILL

The Committee recommends a net total of \$14,841,813,181 in new budget authority.

Highlights of the bill include the following:

Multilateral economic assistance.....	\$1,878,876,937
Bilateral economic assistance.....	6,819,710,000
Military assistance	5,508,726,194
Export-Import assistance.....	645,000,000

COMMITTEE RECOMMENDATIONS

The Committee again has faced a tight budgetary circumstance in reaching its recommendations for fiscal year 1990. The President requested \$14.657 billion for fiscal year 1990. The request included no funding for the direct credit program of the Export-Import Bank, which received \$695 million last year. The Administration has since indicated its support for \$500 million for the Ex-Im direct credit program, including a \$100 million "War Chest".

In reaching agreement during the Budget Summit, the Administration agreed to a \$369 million cut in budget authority and a \$357 million cut in budget outlays in the Foreign Affairs function of the budget. These cuts, which are embodied in the Budget Resolution, are significantly more severe in budget outlays. The Committee has estimated that the outlay level corresponding to a cut of \$369 million in budget authority is \$205 million. However, the Budget Resolution outlay cut was approximately \$150 million deeper. As a result an outlay shortage for the function was created.

The Appropriations Committee allocated \$13.55 billion in discretionary budget authority and \$11.550 billion in discretionary budget outlays to the Foreign Operations Subcommittee. Available mandatory and discretionary funds for the Subcommittee totalled \$14.341 billion in budget authority and \$12.354 billion in outlays, which is in full compliance with the Budget Summit Agreement and the Budget Resolution.

The Committee decided to use the fiscal year 1990 budget request as the basis for its decision-making this year rather than using the fiscal year 1989 enacted amounts as a starting point. This decision reflected an effort to recognize new Administration initiatives. Requests for these initiatives totalled \$465 million. The Committee was able to provide \$398 million of that amount. This was done despite the fact that available budget authority for fiscal year 1990 increased only \$64 million over that in the fiscal year 1989 Act.

The result of funding the President's initiatives and meeting the budget authority and outlay squeeze created by the Budget Summit Agreement has been that many programs have been cut. The Committee however decided that a number of programs should be provided at the request level. These programs include: Peace Corps, International Peacekeeping, International Narcotics, Anti-terrorism Assistance, Disaster Assistance, Migration and Refugee Assistance, American Schools and Hospitals Abroad, Sub-Saharan Africa Development Assistance, the Southern Africa Development Coordination Conference, the Inter-American and African Development Foundations, the African Development Fund, and the Inter-American Development Bank Fund for Special Operations.

The Committee adjusted other requests to reflect several policy decisions. The Committee provided no new funding for the General Capital Increase of the World Bank or for paid-in capital for the Inter-American Development Bank. The Committee is unwilling to consider providing further funds for these accounts until commercial bankers, in accord with the Brady Plan, have demonstrated their willingness to admit that they have substantial levels of uncollectable bad loans in many Latin American and other debtor countries, and accordingly have substantially lowered contractual obligations for repayment of these loans. The Committee is unwilling to allow further blatant rerouting of taxpayer dollars through these institutions to commercial bankers who are refusing to pick up their fair share of the costs of the debt crisis.

The Committee provided \$595 million for the direct credit program of the Export-Import Bank including a \$110 million war chest, and \$20 million to initiate a leveraged interest subsidy program. The Committee also added \$5 million to the Trade and Development Program to assist American exporters by funding project feasibility studies. The Committee believes that the Migration and Refugee Account was requested at far too low a level to meet even already known needs, so an extra \$40 million was provided in the Emergency Fund for that purpose. The Committee also again substantially increased the very low request for the United Nations Children's Fund. Forty million dollars also was added for the International Fund for Agricultural Development. Finally, because of the global warming problem, the Committee added funds for the United Nations Environment Program.

These decisions still allowed the Committee to provide \$4.75 billion for military procurement programs, a cut of \$37 million or somewhat less than 1 percent from fiscal year 1989 levels. Funds provided for the Economic Support Fund (ESF) in fiscal year 1989 totalled \$3.258 billion. Equivalent amounts this year total \$3.262 billion, including \$2.145 for the new Economic Support Assistance (ESA), \$160 million for the Multilateral Assistance Initiative for the Philippines, \$20 million for the Anglo-Irish Accord, and \$18 million for deobligation/reobligation authority.

COMPARED WITH PRESIDENT'S REQUEST

The Committee recommendations when compared with the Fiscal Year 1990 request provides for a reduction of \$316,113,094 in total. The Committee recommendations for Titles I, II and III of the bill are \$836,113,094 below the Administration request. For development assistance accounts, the Committee recommendations provide for an increase of \$923,122,000. The Committee recommendation for Economic Support Assistance provides for a reduction of \$1,206,100,000. Because of a restructuring of the 1990/1991 authorization bill \$920,000,000 in Economic Support Assistance has been moved to the Development fund.

The Committee recommendation for all the military assistance programs provides for a reduction of \$371,127,806. The Committee has provided for the International Financial Institutions at a level of \$1,603,261,937, which is \$184,122,288 below the requested

amount. Funding for Export Assistance is \$48,218,869 above the amount requested by the Administration.

COMPARED WITH FY 1989 LEVEL

The Committee recommendation when compared with the fiscal year 1989 enacted level is a decrease of \$48,218,869 in mandatory and discretionary accounts. The Committee recommendation is an increase of \$140,599,131 in discretionary budget authority above fiscal year 1989 totals.

COMPARED WITH FY 1981 LEVELS

The Committee recommendation, when compared with fiscal year 1981 enacted level is reduction of \$1.193 billion, or 8 percent, when the Export-Import Bank is included in the numbers. Excluding the Bank, the Committee recommendation is an increase of \$4.805 billion or 54 percent above fiscal year 1981 levels.

CONFORMANCE WITH BUDGET SUMMIT

The "Budget Summit" negotiated in April 1989 between the Congress and the Administration in part contained an agreement on the level of funding for Function 150, International Affairs, of the federal budget for fiscal year 1990. The Committee's recommendation is in conformance with the funding level recommended in the "Budget Summit".

ITEMS OF SPECIAL INTEREST

HUMAN RIGHTS

The Committee held extensive hearings this year to look into the human rights situation in a number of countries that are receiving U.S. foreign assistance. These hearings elicited information and views of respected groups in the field of human rights as they relate to Asia, Africa, Latin America and the Middle East. We also heard regional representatives of the Department of State who responded to both outside witnesses and to questions by the Committee.

These hearings heightened the concern for the need to pay close attention to how countries that receive U.S. foreign assistance treat their own citizens. Although human rights cannot always be the only issues to be taken into consideration in providing U.S. foreign assistance, they certainly should not be relegated to a secondary consideration.

For better or for worse the U.S. often has more ability to influence countries receiving foreign assistance than non-aid recipients who may have equal or worse human rights problems. It is therefore a responsibility of the Congress to try to affect the human rights policies of aid recipients in a positive way. The Committee hearings and the specific cases cited during those hearings were a graphic example of the need to maintain and in fact increase pressure for human rights improvements around the world.

A number of concerns relating to human rights situations in specific countries are detailed under the "Country Issues" section later in this report.

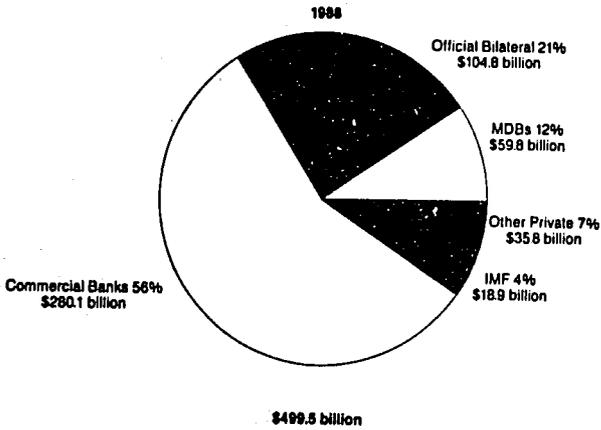
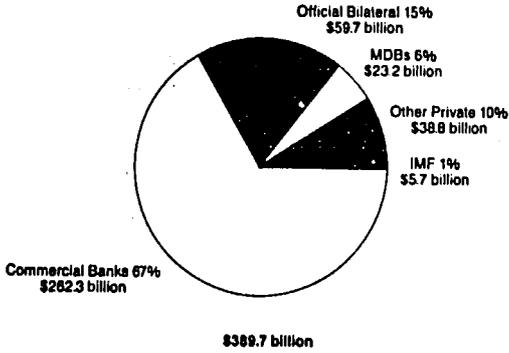
THIRD WORLD DEBT CRISIS

The Committee has recommended that no new funding be made available for the "hard loan windows" of the World Bank and the Inter-American Development Bank for fiscal year 1990. The Committee also has provided full funding for the new Enhanced Structural Adjustment Facility of the International Monetary Fund and the "soft-loan windows" of the World Bank and the Inter-American Development Bank. Both actions are consistent with the approach of the Committee encouraging solutions to the third world debt crisis which limit taxpayer liability to the maximum extent possible.

Debt Crisis Liability

The shift in liability for the debt crisis from the commercial banks to public taxpayers through international institutions and bilateral governmental lenders is of foremost concern to the Committee. Under the Baker Plan and during the adjustment period that preceded it, public funds were consistently being utilized to repay private commercial banks. This bailout of the banks and shifting of liability to taxpayers is best illustrated by Figure 1.

Figure 1
Baker Plan Countries
Estimated Total External Debt
1982



The data show that from 1982 to 1988 public taxpayer debt exposure in the Baker 17 countries increased from \$88.6 billion to \$183.5 billion or 107 percent. During the same period, commercial bank and other private debt exposure increased from \$301.1 billion to \$315.9 billion, or only 4.9 percent. Commercial banks during this six year period only lent an additional \$17.9 billion, about one fifth of the \$95 billion that was lent by public sources. The private lenders decreased their share of total debt exposure from 77 percent to 63 percent while public taxpayer financed exposure increased from 22 percent to 37 percent.

The Committee believes that this blatant rerouting of taxpayer dollars through the international financial institutions to third world debtor countries and back again as loan repayments to commercial bankers, who clearly lent far beyond the abilities of third world countries to repay, should be stopped. The Committee is unwilling to provide further funds until commercial bankers, in accord with the Brady Plan, have demonstrated their willingness to admit that they have substantial levels of uncollectable bad loans in many Latin American and other debtor countries, and accordingly have agreed to substantially lower the contractual obligations for repayment of their loans.

Speed Essential in Addressing Continuing Human Political Crisis

The Committee believes that time is of the essence in easing the debt crisis. Developing countries should be consumers of capital from industrialized countries. Yet, since 1984, public and private long-term debt and financial flows as reported by the World Bank, have been reversed. World Bank figures, adjusted in 1989 and listed in Table 1, show an outflow of these resources totaling \$38.1 billion in 1987 and estimated at \$43 billion for 1988.

TABLE 1.—PUBLIC AND PRIVATE LONG-TERM DEBT AND FINANCIAL FLOWS IN DEVELOPING COUNTRIES, 1982–1988

[In billions of U.S. dollars]

Long-Term Debt and Financial Flows	1982	1983	1984	1985	1986	1987	1988
Debt Disbursed and Outstanding.....	562.5	644.9	686.7	793.7	893.9	996.3	1,020.0
Disbursements.....	116.9	97.2	91.6	89.3	87.7	86.7	68.0
(From Private Creditors).....	84.6	65.0	58.9	57.8	50.8	48.5	50.0
Debt Service.....	98.7	92.6	101.8	112.2	116.5	124.9	131.0
Principal Repayments.....	49.7	45.4	48.6	56.4	61.5	70.9	72.0
Interest.....	48.9	47.3	53.2	55.8	54.9	54.0	59.0
Net Flows.....	67.2	51.8	43.0	32.9	26.2	15.8	16.0
Net Transfers.....	18.2	4.6	-10.2	-22.9	-28.7	-38.1	-43.0

These financial outflows to industrialized countries and the economic policy reforms urged by the IMF and the World Bank have placed the social fabric of the debtor countries under enormous stress.

There has been a decade of human despair in debtor countries. UNICEF reports that "it is the children who are bearing the heaviest burden of debt and recession in the 1980's." It says that "in many nations, development is being thrown into reverse, and that

for almost 900 million people, approximately one-sixth of mankind, the march of human progress has become a retreat. Throughout most of Africa and much of Latin America, average incomes have fallen by 10 to 25 percent in the 1980's. The average weight-for-age of young children, a vital indicator of normal growth, is falling in many of the countries for which figures are available. In the 37 poorest nations of the world, spending per head on health has been reduced by 50 percent, not 5 percent, 50 percent; and, on education by 25 percent over the last few years. And in almost half of the 103 developing countries from which information is available, the proportion of 6 to 11-year olds enrolled in primary school is now falling."

The Baker Plan Helped the Bankers but Not the Debtors' Ability To Pay

This social stress also is seen in the political world, particularly as Latin American leadership in country after country is weakened. Economic reforms have caused severe adjustment pains but have not provided sufficient economic growth. While the "Program for Sustained Growth" that Secretary Baker announced on October 8, 1985 aimed at growing out of the debt crisis, we find instead that external debt grew from \$1,051 billion in 1985 to \$1,300 billion in 1989. The ability of debtor countries to service their growing debt loads did not improve. The World Bank in its annual report stated "in the five years since 1982, no country involved in rescheduling its debt has significantly reduced its debt ratios. The trend is in the opposite direction."

The Baker Plan was a welcome change from the ideological rigidity of the prior Administration policy of Secretary Regan. However, the Baker Plan did not improve the prospects for debt repayment and it had significant negative social and political effects in developing countries. Nevertheless, the Committee recognizes that it did buy time, which the nine major American banks used to reduce their exposure in debtor countries from crisis proportions (287.7 percent of capital in 1982) to manageable proportions (108 percent of capital in 1988). As shown in Table 2, in Latin America alone the nine major American banks reduced exposure from 176.5 percent of capital to 83.6 percent.

TABLE 2.—EXPOSURE OF U.S. BANKS IN THE DEBTOR COUNTRIES

	End 1982	End 1986	End 1988
NINE MAJOR U.S. BANKS			
Percentage of bank capital in:			
Developing countries	287.7	153.9	108.0
Latin America.....	176.5	110.2	83.6
ALL OTHER U.S. BANKS			
Percentage of bank capital in:			
Developing countries	116.0	55.0	32.2
Latin America.....	78.6	39.7	21.8
Total bank capital (in billions of dollars):			
Nine major banks.....	\$29.0	\$46.7	\$55.8
All other U.S. banks.....	41.6	69.4	79.8

Source: Federal Financial Institutions Examination Council, "Country Exposure Lending Survey," April 25, 1983, April 24, 1987, and April 12, 1989.

These bank actions led William Seidman, chairman of the Federal Deposit Insurance Corporation in January, 1989 to state before the House Banking, Finance and Urban Affairs Committee that:

"Even in what surely could be considered a worse case scenario, each of the nine money center banks could write off 100 percent of their outstanding loans to these six (largest debtor) countries and, on an after tax basis, each of these banks would remain solvent."

Under the Baker Plan, the Committee witnessed growing loan reserves at money center banks and growing profit levels. But, it saw no new bank lending of consequence, and it saw no reduction of debt principal or interest for borrowers. The commercial banks have escaped largely unscathed during this phase of the debt crisis. Yet, U.S. manufacturers and farm exporters have carried the twin debt crisis burdens of less Third World export consumption and increased export competition.

Committee Supports Strengthened Brady Debt Reduction Approach but Believes Enforcement Mechanisms Are Necessary To Protect the Taxpayer

The Committee believes that the debt policy focus should now emphasize American foreign policy interests and American economic interests in recreating third world export markets for American farmers and manufacturers and in encouraging political stability in developing debtor countries. For that to happen two things must occur: (1) Latin American governments must do more to reform their economies, and (2) commercial bankers must quit stalling private debt reduction efforts in the false expectation that industrial country taxpayers will pick up the tab for the bankers own financial miscalculations. Latin American political leaders who support economic reforms must in turn be supported through debt reduction and relief actions or inevitably they will fall to more populist economic leaders less supportive of necessary adjustment programs.

The Committee believes that the Brady Plan is a significant step forward in addressing the debt crisis. It has changed the international discussion from solely a growth through increased debt emphasis, which was not working, to the current debt reduction emphasis, which has a far better chance of success. The plan, however, needs strengthening in order to adjust incentives so that banks which participate in internationally negotiated debt reduction schemes are rewarded and nonparticipants are not.

The Committee strongly believes that no debt reduction plan and no debt reduction bargaining structure should operate in such a way that commercial bankers who refuse to participate in debt reduction actions potentially benefit financially through the increased value of their country debt portfolios when that increased portfolio value occurs largely at the expense of other commercial bankers who have cooperated in resolution of the debt crisis and have accepted financial losses by participation in the debt reduction actions which in turn have improved the ability of debt ridden

countries to service their reduced debt. The Committee believes that concerted debt reduction is the only way of ensuring that all commercial bankers holding bad debts share proportionately in the pain of debt reduction, and in the benefits of the improved value of the remaining loan stocks. Clearly, such an approach is in the collective interest of all the banks and of the American taxpayers.

Consequently, the Committee believes that *all* banks which hold Third World debt to countries which are undertaking significant economic policy reform actions coordinated by the international financial institutions should share in the cost of debt reduction. The Committee does not believe that banks should be credited for providing new loans or recapitalizing interest on old loans as their contribution to or participation in a negotiated debt relief package—inasmuch as these actions simply continue to increase country debt burdens and do not truly contribute to solutions.

The Committee is determined that strong actions be taken to ensure the success of the Brady Plan. The Committee supports the Administration's new focus on debt reduction, but continues to be deeply concerned by the lack of any significant regulatory actions or actions by the World Bank or International Monetary Fund aimed directly at inducing commercial banks, which are unwilling to take part in debt reduction activities, to participate.

The Committee believes that there is a direct trade off between the need for taxpayer funds for Third World debtors and the amount of debt reduction agreed to by commercial banks. The more commercial bankers face up to their responsibility to recognize the reduced value of their third world loan portfolios the smaller the need is for substantially increased taxpayer resources to service that debt through international financial institutions. Further, to the extent that commercial debt reduction occurs, the ability of third world countries to service their public official debt is also improved.

Precisely because of the direct trade off between commercial bank debt reduction and the need for more public funding, and the potential improvement in public loan portfolios, the Committee believes that inducements for comprehensive bank participation in debt reduction are crucial. The use of public funds to partially guarantee some servicing of reduced debt loads is appropriate.

The Committee has a strong interest in the idea that the World Bank and International Monetary Fund would provide contingent guarantees for reduced interest payments to banks that participate in negotiated debt reduction packages, and that the Bank and the Fund would tolerate debtors' arrearages to the few recalcitrant banks which refuse to join the negotiated debt reduction packages. This policy would threaten non-participating banks with the distinct possibility of not getting paid by debtor countries, because the international financial institutions would no longer act as bill collectors for them.

The Committee also is sympathetic with the position of Congressman Jim Leach. He strongly pointed out the failure of the Federal Reserve Board to implement existing regulatory law in his comments to the Bretton Woods Conference on March 10, 1989.

I would like to express no sympathy for commercial bank *quid pro quos* of a regulatory forbearance nature. This is precisely what got the American thrift industry into trouble and it should not be tolerated for commercial banking. . . . The great scandal of the Federal Reserve Board in the last two decades has little to do with money supply decisions and a great deal to do with imprudent regulation which had the effect of precipitating imprudent lending decisions abroad.

The discretion of regulators is constrained by legal parameters. Here, the law is clear. Sections 905 and 908 of the International Lending and Supervision Act of 1983, which I authored, requires regulators to establish adequate levels of reserves against impaired foreign debt and stipulates that such reserves "shall not be considered as part of capital and surplus or allowances for possible loan losses for regulatory, supervisory, or disclosure purposes." The Fed has the legal obligation, whether it likes it or not, to go along with Treasury. Treasury, for its part, which through the OCC has dual responsibility for regulating national banks, lacks the option of giving in to the Fed.

The Committee also notes that the Chairman of the International Development, Finance, Trade and Monetary Policy Subcommittee has recently introduced a bill, H.R. 2757, "To amend the International Lending Supervision Act of 1983 and the Internal Revenue Code of 1986 to encourage commercial banks to participate in reducing the debt of highly indebted countries." A second bill, H.R. 2747, with a similar purpose also has been introduced.

The Committee is confident that creative international actions and domestic regulation can induce commercial bankers to voluntarily choose debt reduction alternatives to the direct benefit of American taxpayers. The Committee is reluctant to provide any new funding for the international financial institutions which might again be "roundtripped" into commercial bank coffers until such policies have been adopted.

Committee Concerned That Mexico Negotiations May Result in Too Little Debt Service Reduction at Too Great a Cost

The Committee has been closely following reports about the current negotiations on a debt relief package for Mexico. The Committee is concerned that in their enthusiasm to complete the first debt relief package implementing the Brady Plan concepts shortly after President Bush's first Economic Summit, the Administration, the IMF, and the World Bank will agree to a debt package with too small a reduction in debt service for Mexico at too high a cost in public taxpayer contributions. Any agreement on a Mexican package which failed to provide substantial enough long term debt service reductions, either through reduced interest bonds or deep discounted bonds, while committing too substantial a level of international financial institution resources, would have the very predictable political consequence of making future IMF funding increases impossible rather than only difficult to pass in the United States Congress.

The Administration is correct to push Mexico for major economic reform, but it also needs to redouble its efforts to push commercial bankers into admitting that they have large bad loan portfolios and into reducing the contractual obligations to repay substantial amounts of those bad debts. The levels of debt reduction which are necessary to recognize the reduced value of these loans is substantially higher than levels being discussed by the bankers in the Mexican debt negotiations at the time this report is being written.

The Committee further believes that the Mexican agreement should not allow individual banks to avoid their fair share of debt reduction costs by contributing significant amounts of new lending or recapitalization of interest. New lending and recapitalization of interest do not contribute to reducing debt servicing burdens. All banks should share equitably in debt reduction costs.

Not only does the Committee fear that the Mexican debt agreement may provide too rich a mix of public funding, and too small and short-term a debt service reduction for Mexico, the Committee also believes that a debt reduction package which even further insulates public taxpayers, through the inclusion of an insurance pool, from the risk of absorbing the liability of more commercial bank bad debt is advisable.

The Committee believes that it is prudent for the IMF and World Bank to create an insurance pool to cover potential interest rate guaranty losses if Mexico becomes unable to meet even its reduced debt service commitments to the banks after a debt relief agreement is reached. This insurance pool could be initially funded with monies contributed by the private commercial banks themselves. This device would thereby ensure that the private commercial lenders would first agree to substantial debt reduction, and then would contribute to an insurance pool guaranteeing payment of the reduced debt principal or interest. Should the insurance pool be drawn upon, the first funds would represent the private bank's contributions. Only, when those private contributions were exhausted would funds from the World Bank or IMF be drawn.

If the taxpayers, who did not participate in the creation of the debt crisis, are unable to escape the liabilities of it, the Committee does not believe that they should tolerate any agreement which allows individual banks, which bear partial responsibility for the crisis, to escape the financial consequences of debt reduction. Industrial countries through the IMF and the World Bank should not run the risk of being stuck in mid-stream, having assumed new financial liabilities that have not substantially or permanently enough improved the prospects for a debtor country and that allow some banks to escape losses.

Committee Recommendation

The Committee strongly supports Administration efforts to reform third world economic policies. The Committee also supports substantial debt reduction by commercial bankers reflecting the widely acknowledged reduced value of their bad loan assets.

The Committee commends Secretary Brady and Under Secretary Mulford for recognizing the need to move the debt strategy forward by proposing debt reduction in addition to economic reforms as the necessary policy focus. The Committee believes the debt strategy in

the "Brady Plan" needs to be further developed by achieving greater coordination with and cooperation from the Federal Reserve Board and other financial regulators, and by gaining full cooperation on debt reduction from the commercial bankers.

The Committee believes that failure to gain substantial enough debt reduction levels from commercial bankers risks (1) the loss of democracy in a number of debt crisis countries, (2) the loss of export markets for American products, and (3) the loss of any possibility of reducing illicit international drug production and trafficking due to increasing levels of poverty in Latin American countries brought on by economic crisis.

Until it becomes clear that substantial commercial bank debt reduction is occurring, in concert with economic reforms in third world countries, and in a manner which recognizes the tremendous human and political crisis in debtor countries and the need to protect taxpayer liability to the greatest extent possible, the Committee believes that it should not be throwing additional public funds into the hard loan windows of the World Bank or the Inter-American Development Bank. Consequently, the Committee has recommended no new funding for these accounts.

The Committee believes that this action should surprise no one inasmuch as last year the Conference Report on the fiscal year 1989 Foreign Assistance Appropriations Act stated:

The conferees are deeply concerned that (1) debt service requirements of lending institutions do not threaten the social gains and political stability of fragile democratic governments in a number of debtor nations; (2) developing countries' capital flows to industrial countries totalling \$30 billion annually are not decreasing; (3) current third world debt policies over the last five years, under relatively favorable world economic conditions, have been unable to result in progress toward improving the abilities of third world debtors to service their debt.

The conferees believe that a resolution of the debt crisis is crucial to the future development prospects of many third world countries. The conferees further believe that the Bank should provide stronger and more creative leadership in addressing this problem. Actions and proposals reaching far beyond current ineffective policies based primarily on growth and increased debt loads are clearly required. The conferees in considering future year contributions to the Bank will be reluctant to provide additional resources without greater efforts and progress in addressing and resolving the debt crisis.

House Banking, Finance and Urban Affairs Members Support No Funding for the General Capital Increase of the World Bank

The Committee further notes that the House Banking, Finance and Urban Affairs Committee report of June 27, 1989 to the Appropriations Committee also endorses providing no funding for the "hard loan window" of the World Bank.

The Enhanced Structural Adjustment Facility and the Soft Loan Windows of the World Bank and the Inter-American Development Bank

The Committee has received debt burden data from the Department of Treasury showing that countries eligible for funding through the International Development Association, the poorest countries in the world, have debt which is held on average 80 percent by official public creditors and 20 percent by private creditors. Other data from the Department of Treasury show that countries which are eligible under the debt forgiveness authority given the President under section 572 of the fiscal year 1989 Appropriations Act have debt which is held on average 75 percent by official public creditors and 25 percent by private creditors.

The Committee believes that the contribution to the Interest Subsidy Account of the Enhanced Structural Adjustment Facility (ESAF) is an appropriate way of continuing to provide the poorest countries of the world, those primarily in Sub-Saharan Africa, low cost economic adjustment and development funds that are directly tied to economic reform measures. Consequently, recognizing that private lending and debt plays relatively little role in these economies, the Committee has provided full funding for the Administration's request for the ESAF. Similarly, the Committee has provided full funding for the International Development Association and for the Fund for Special Operations of the Inter-American Development Bank.

ENVIRONMENTAL PRIORITIES

ENVIRONMENTAL CONCERNS

The Committee finds, based in part on its February 1989 oversight hearings, that global warming due to the accumulation of greenhouse gases in the atmosphere is a serious and growing threat to the security and welfare of the United States and the world, and that climate change could be the greatest environmental challenge humanity has ever faced, leading to the loss of important coastal areas, wetlands, croplands and forests.

The Committee is especially concerned that while industrialized countries, primarily the United States, the Soviet Union, Canada and countries of Europe and Japan are responsible for most of the humanly induced greenhouse gases that reach the atmosphere, developing nations account for over 30% of the current CO₂ emissions through the burning of fossil fuels and the widespread destruction of tropical forests. The Committee also notes that the third world's share of CO₂ emissions is expected to rise to over 50% by the middle of the next century. U.S. economic assistance must focus on energy and forestry activities which promote economic development while reducing greenhouse gas emissions.

Scientific testimony indicates that climate change can be held to tolerable levels only through rapid, worldwide actions to reduce emissions of greenhouse gases, particularly carbon dioxide, and increasingly methane gases. Understandably, these actions will only occur if the United States provides strong and credible leadership, as the President has alluded to. Accordingly, the Committee ex-

pects the President and Secretary of State to make this issue a priority of U.S. foreign policy, by supporting rapid negotiation, under the auspices of the Intergovernmental Panel on Climate Change (IPCC) or United Nations Environment Program (UNEP), of an international convention on climate change, including development of a protocol or protocols to control emissions of carbon dioxide. The Committee also expects the Secretary of State to raise the issue of global warming in bilateral discussions and in negotiations with foreign governments, and to press for rapid strengthening of the Montreal Protocol on substances that deplete the ozone layer, with the goal of ending production of CFC's and related compounds by 1995.

The Committee expects that future funding of the activities in this bill will be subject to compliance with the Environmental Concerns incorporated in Sec. 535 of the Fiscal Year 1989 Foreign Operations, Export Financing and Related Programs Appropriations Act, PL 100-461 as well as the provisions of Sec. 533 in this year's bill.

AID ENVIRONMENTAL ACTIVITIES

The Committee notes that AID is well situated to help developing nations manage their forests sustainably and to assist developing countries in meeting their energy needs in ways that minimize CO₂ emissions. The Committee expects that AID will undertake a "global warming initiative" to encourage developing countries to reduce emissions of greenhouse gases, particularly CO₂, through strategies consistent with their continued economic development. Accordingly, the Committee has included bill language directing AID to initiate such a program.

Expansion of AID relationship to "key" countries

The Committee understands that through the Multi-Agency Working Group on Power Sector Innovation, AID has an opportunity to advise the MDBs in working with Energy Sectors in "key" countries which do not currently have AID missions, but which have the potential to significantly contribute to greenhouse emissions. Accordingly, the Committee urges AID to identify potential contributions of developing countries to future global emissions of greenhouse gases with estimates of the relative emissions by those countries, and to identify specific "key" countries which stand to contribute significantly to the global greenhouse gas emissions and in which AID-supported actions to promote energy efficiency, including end-use energy efficiency and renewable energy resources, as well as conservation of forest resources could significantly reduce emissions of these gases.

The Committee also expects the Multi-Agency Working Group on Power Sector Innovation to accelerate its level of effort and perform case studies on at least ten countries in fiscal year 1990, some of which should be "key" countries.

The Committee further recognizes that AID currently does not provide assistance to many of these "key" countries which stand to contribute significant amounts of greenhouse gases, and therefore, urges that as part of its global warming initiative, AID will enter

into cooperative relationships with these "key" countries and include them whenever possible in relevant programs of assistance.

The Committee is concerned that during the 1980's insufficient attention has been paid by U.S. foreign assistance to the regions which are suffering serious deterioration of the environment, and in particular to the loss of tropical forests essential to the well-being of the people through the protection of water supplies, regulation of the climate, prevention of soil erosion and water pollution. Accordingly, the Committee expects that environmental restoration and protection will be a high priority in the regions of Central and Latin America and Africa.

Also, the Committee has heard testimony about extensive destruction of Philippine forests, excessive soil erosion, serious pollution of rivers and damage to fisheries and coral reefs. The Committee believes that any plan to assist the Philippines must include as a prerequisite the restoration of the forests and the watersheds and fisheries upon which the Philippine population must depend for its long-term prosperity.

The Committee has included bill language which directs AID to commit at least \$20 million in fiscal year 1990 to its Office of Energy. The Committee further expects that appropriations above the fiscal year 1989 levels will fund expansion of existing projects within the Office which provide assistance and training for the promotion of energy efficiency and renewable energy. The Committee expects that the Conventional Energy Technical Assistance project will not be expanded.

The Committee finds that AID's energy efforts need expansion and should clearly focus on energy efficiency, conservation and renewable energy resources, particularly where "key" countries are identified and in countries, which receive large amounts of economic support assistance where the Committee understands AID is still helping to develop fossil fuel energy systems which could exacerbate the global warming problem.

AID-Office of Energy

AID's Office of Energy, in cooperation with country missions, should assist countries in developing and implementing energy plans that employ end-use analysis to identify cost effective actions to minimize reliance on fossil fuels. These plans should include an analysis of the effects of alternative energy systems and end use energy efficiency on levels of greenhouse gas emissions. Wherever possible, nongovernmental organizations and academic institutions should be involved in the preparation of these plans.

AID-Staffing and training

The Committee has heard testimony which suggests that AID should increase considerably the number of permanent-hire staff with energy expertise at all levels of the Agency, including staff with expertise in renewable energy and end-use energy efficiency. The Committee believes that AID should also organize a cadre of U.S. experts from industry, academia, nonprofit institutions and other government agencies capable of providing technical assistance to developing countries concerning energy policy and planning, end use efficiency and renewable energy. Accordingly author-

ity to reimburse experts and technicians with program funds has been included in the bill.

The Committee is also aware that the bulk of development funding is under the control of the in-country Mission Directors, many of whom have little knowledge and negative impressions of renewable energy and end-use efficiency. US industry, with the cooperation of USDOE, has conducted a good number of seminars for procurement officials, international emergency preparedness personnel and overseas bankers. The Committee urges AID to step up efforts to carry out training to the Mission Directors and their technical advisors.

The Committee notes with approval AID's Energy Training Project and recommends that it be expanded. This project should include participation of officials from U.S. utilities who are leaders in promoting end-use efficiency and other U.S. experts in energy efficient and renewable energy technologies. Training in the application of end-use analysis and "least cost" planning techniques should be a central component of this project.

In country training centers should use existing expertise and assistance from national laboratories, U.S. renewable energy industry associations and non-profit technical assistance organizations and should provide training for in-country technical assistance organizations in biomass utilization, solar and wind water pumping and purification, solar desalinization and refrigeration.

Finally, the Committee is aware that a prototype of a low-orbit satellite has been developed, which could be used to exchange technical information from world technical centers to in-country projects. This prototype is in orbit and it is expected that the PACSAT satellite will be deployed in September. The Committee recommends that AID consider allocating resources to allow satellite linkages with existing AID-funded technical assistance centers and organizations to participate in the PACSAT network in order to provide maintenance and trouble-shooting of renewable energy applications in the field.

AID—Biomass activities

The Committee recommends that AID devote resources to providing feasibility studies and demonstrations of innovative technologies, including two especially promising biomass energy systems—ethanol produced from sugarcane and corn as a substitute for petroleum, and electricity generated by efficient aircraft derived turbines using biomass derived fuels. ESA funds could provide necessary support for these demonstrations in ESA countries such as Costa Rica and the Philippines where these technologies have high commercial potential, and where AID's Office of Energy is already active. In preparing feasibility studies which promote conservation and renewable energy programs, AID should encourage joint ventures with industries, paying special attention to biomass utilization, village electrification, solar and wind water pumping and purification, and water desalinization. The Committee believes that feasibility study monies should be reimbursed by industry if projects are consummated.

AID biodiversity and parks in peril

The Committee is aware that over 90% of the Earth's biological diversity is found beyond our national borders and that this diversity holds promise for discovery of tropical species which are essential for the manufacture of life saving medicines and to hybridize new disease resistant crops. The Committee notes that tropical habitats are vital winter refuges for migrating birds, many of which perform critical pest control functions in our own nation. The Committee further recognizes that healthy tropical ecosystems provide the underlying basis for environmental health and sustained economic growth in developing countries as well as providing significant benefits to the developed world through climate regulation, genetic pools and pharmaceutical discoveries.

Accordingly, the Committee has included bill language directing the Agency for International Development to commit a minimum of \$10 million toward biological diversity in fiscal year 1990. Of the additional funds AID commits in new monies above and beyond fiscal year 1989 levels, the Committee has provided \$2,000,000 to implement an immediate park protection plan designed to provide critical management for areas of significant biological diversity in Latin America and the Caribbean in fiscal year 1990.

The Committee is aware that nongovernmental conservation organizations in Latin America and the Caribbean have been working closely with U.S. nongovernmental conservation organizations to identify areas of global biological significance, specific threats to these areas and ways to establish adequate on-site management and protection of these legally decreed, but unprotected "paper parks". This project, called "Parks in Peril" is the culmination of an effort to develop emergency protection actions for threatened parks and has been developed in close consultation with Latin American and Caribbean NGO's in coordination with their government resource agencies. The Committee further understands that U.S. NGO's and in-country NGO partners are committed to matching every 4 dollars of federal funds with 1 dollar of private donations to protect critically threatened tropical ecosystems in the Western Hemisphere.

The Committee expects AID to work more closely with U.S. and in-country NGO's and involve them in the local planning for its projects. In light of the significant NGO success in assessing protection needs for Latin America and the Caribbean, the Committee directs AID to fully utilize this expertise and information.

All protection work should be carried out exclusively by the Latin American or Caribbean countries themselves. While the Committee notes that it may be necessary to strengthen administrative capacity of local implementing organizations, administrative costs should be minimized.

The Committee understands that \$2,000,000 of federal funds, when coupled with \$500,000 in private matching contributions, will provide adequate resources to protect 5 million acres of threatened tropical ecosystems. The Committee expects AID to include an assessment of the success in achieving this goal in its annual biological diversity report to Congress.

Similarly, the Committee is aware that the United Nations Development Program can assist in the "Parks in Peril" project and the Committee urges UNDP to allocate not less than \$8,000,000 in each fiscal year, beginning in fiscal year 1990 for purposes of developing and implementing critically needed protection and management actions to ensure the protection of existing national parks and reserves of global biological significance.

The Committee further urges UNDP to consider providing this support through grants to international and in-country nongovernmental organizations when such organizations provide contributions from private sources for the same purpose.

AID'S tropical forestry activities

The Committee is aware that 99% of the Agency for International Development's forestry activities are focused on agroforestry, reforestation and forest management for extractive use. According to testimony presented by the Administration to the Committee, only one percent of AID's forestry funding has been allocated to preserve natural forests.

Meanwhile, developing countries are experiencing extreme difficulties protecting even the areas that have been officially designated for protection. Again, the Committee notes that many of the tropical forests are set aside as parks and other preserves, but are termed "paper parks" because deforestation and habitat loss continues.

Accordingly, the Committee has included bill language directing AID to increase the level of effort devoted to preservation of natural forests in tropical areas and urges AID to report to the Committee on the accomplishments and expenditures resulting from implementation of the activities to preserve these areas of biological significance.

Program of Scientific and Technological Cooperation (PSTC)

The Committee is aware that the Program of Scientific and Technological Cooperation (PSTC) has demonstrated the capacity to fund innovative research in developing countries. Specifically, it has demonstrated the ability to find outstanding developing country scientists who are contributing to the understanding of global climate change. The Committee is concerned with expanding the capacity in poor countries to contribute to the understanding of these global changes and believes that more support for such research is needed. It is the Committees feeling that all countries would benefit from a truly global network of scientists better able to describe and understand these global events.

The Committee therefore urges AID to expand PSTC in fiscal year 1990 above and beyond the level of support the program received in fiscal year 1989. Specifically, the Committee recommends that the PSTC subprogram on Earth, Atmospheric and Marine Sciences be expanded, focusing that effort on global climate change, and emphasizing such studies as climate change, deforestation, desertification and the loss of biological diversity.

Integrated pest management

The Committee is aware of the high level of human health and environmental problems associated with the misuse and overuse of chemical pesticides and herbicides in developing countries. The Committee is also aware of AID's policy to promote integrated pest management (IPM)—including physical, biological, genetic and other means of pest control. However, the Committee continues to believe that AID must give greater attention to non-chemical, scientifically based pest control technologies.

The Committee directs AID to submit a report by April 1, 1990 outlining an overall plan to carry out its IPM policy. In this regard the Committee is also aware that the World Bank is making an effort to issue pest management guidelines to its agricultural loan officers.

Finally, the Committee is mindful that at the United Nations Environment Program's 15th Governing Council meeting, a resolution was adopted calling on UNEP and the Food and Agricultural Organization (FAO) jointly to host a Global Sustainable Agricultural Conference prior to the proposed 1992 Global Environmental Conference. The Committee strongly urges AID, in coordination with its representatives to UNEP and FAO, to play a contributing role in planning and participating in the United Nations' Sustainable Agricultural Conference.

Multilateral development banks—energy conservation and efficiency program

The Committee is aware that the multilateral development banks have a significant influence on the energy sector investment decisions of developing countries. The World Bank alone extends approximately \$3 billion in loans each year to finance projects in the energy sector, making it the largest single source of foreign exchange for the developing countries' energy investments. This influence is magnified by co-financing arrangements and extensive technical assistance in formulating energy sector plans and strategies. The Committee expects that the United States will use its influence within the MDBs to ensure that end-use efficiency and renewable energy resources are given top priority in the banks lending and technical assistance activities.

The Committee is well aware that technical, institutional and political constraints in developing countries often discourage investments in end-use efficiency and renewable energy. The Committee finds, however, that the MDBs can and should play a vital role, through technical assistance and policy negotiation, in helping borrowing countries to overcome these constraints.

The Committee continues to be concerned about the level of expertise within the MDBs to carry out the objectives as set forth in Sec. 535 of the fiscal year 1989 Foreign Operations Appropriations bill as well as new directives in fiscal year 1990, and expects that the MDBs will work to increase the number of professional staff trained in end-use efficiency, conservation and alternative generation technologies. The Committee also understands that the MDBs have not yet developed a methodology for "least-cost" energy planning that allows concrete investments in end-use efficiency and re-

newable energy to be considered as alternatives to conventional energy supply. The Committee has included bill language which requires this and expects to be informed by April 1990 about the progress each bank is making in this regard. The committee notes that least-cost energy resource planning is defined in the Pacific Northwest Electric Power Planning and Conservation Act (16 USC 839 et. seq) and that work on this planning method is being carried out pursuant to the Act, through the Department of Energy, the Lawrence Berkeley National Laboratory, the Northwest Power Planning Council, and the Bonneville Power Administration.

The Committee has heard testimony which suggests that the MDB's should consider more innovative financing by "bundling" smaller renewable energy, conservation and efficiency projects into larger, thus more easily financeable projects. The Committee agrees with this proposal and feels that the Department of Treasury, in working with the US representatives to each MDB, should strongly encourage this. The Committee expects that input to this initiative must be received by US industry associations and development organizations, as well as the interested public. The Committee has included bill language which addresses all of these concerns.

REGIONAL DEVELOPMENT BANKS

The Committee is further concerned by the seeming lack of progress of the three regional development banks in increasing their environmental staff to a level necessary to ensure systematic environmental review. The Committee estimates that for the Inter-American and Asian Development Banks, such a minimum staffing level would be in the same proportion that currently exists at the World Bank, which would translate into a staffing level of at least 20 environmental professionals in each institution. The Committee expects the Department of Treasury to raise the need for additional environmental staffing with the regional MDBs and to vigorously press them to make increased staffing of their environment units a priority.

WORLD BANK ENVIRONMENT DEPARTMENT

The Committee is concerned by reports that the World Bank's Environment Department is of limited effectiveness in influencing the operations and lending priorities of the Bank and in assisting the regional environmental divisions. The Committee requests that the Department of Treasury raise these issues with the management of the World Bank and ascertain and promote changes in the Environmental Department that will enable it to influence more substantially, Bank lending operations, and priorities, as well as to provide more direct assistance to the four regional environmental divisions.

ASBESTOS IN WORLD BANK PROJECTS

The Committee is disturbed by the slow pace of progress of the World Bank's Environment Department in establishing a scientific Toxics Advisory Panel to review use of Asbestos and other toxic substances in Bank financed projects. Although the Bank has com-

mitted itself to changes which, if implemented, would deserve praise, its lack of action in actually implementing substantive measures of critical importance to public health in the developing world, is not satisfactory to the Committee. The Committee strongly urges the Department of Treasury to raise this issue directly before the management and Board of Directors of the World Bank and to convey its strong concern that a Toxics Advisory Panel and sub-panels dealing with the use of asbestos and other toxic substances rapidly be established to review all pending Bank projects concerning the use of these substances and to develop general guidelines for future projects.

MDBS AND FORESTRY

The Committee is aware that the impacts of the World Bank and other MDBs on tropical forests are much greater than those of even the largest bilateral assistance program. To its credit, the World Bank, which controls an annual lending portfolio in excess of \$17 billion, has announced an increase of up to threefold in its lending in the forestry sector. However, the Committee remains concerned that, while the right words are being said, it appears that little investment in sustainable tropical forestry management is actually taking place on the ground.

Defects in the banks' project planning continue to prevent support for environmentally sound and beneficial projects. The MDBs insist on strict secrecy in negotiations with borrowing country governments, which means that the local people—the intended beneficiaries of bank lending—often are unaware of anticipated projects which will seriously affect their livelihood and well-being. Particularly in the forest sector, lack of public participation in project design and execution can result in disastrous failures.

The Committee believes that the United States must strongly emphasize that it is not enough for MDB loans to avoid harming tropical forests. U.S. representatives to the MDBs should press these institutions to become leaders in efforts to conserve existing forests and to create new forested areas. These efforts should be coupled with procedural reforms to ensure that MDB lending is responsive to the needs of the local people. Only in this way will we achieve the sustainable forest management that is essential to minimize climate change.

The Committee expects that the Department of Treasury will direct the Executive Director of each MDB to prepare within one year, for each MDB, an analysis of the impact its current forestry sector loans will have on borrowing country emissions of CO₂, and proposals for specific forestry activities to reduce CO₂ emissions below projected levels. The Committee expects that this analysis will be provided as part of the Department of Treasury's annual report on the progress of MDBs in implementing environmental provisions.

INVOLVEMENT OF NON-GOVERNMENTAL AND COMMUNITY ORGANIZATIONS IN DEVELOPING COUNTRIES

The Committee is disturbed by continuing evidence of major operational problems in MDB projects directly attributable to lack

of consultation and involvement with groups and organizations in developing countries representing the interests of populations directly affected by the MDB financed projects. Little effective effort has been made to provide information to, and systematically involve local organizations that have the most information regarding social and environmental aspects of MDB projects. The Committee urges the Department of Treasury to vigorously promote systematic consultation with, and involvement of non-governmental and community organizations in developing countries as an integral and mandatory part of the project cycle of each MDB at the earliest stages of a project cycle.

IMF

The Committee is aware that the International Monetary Fund (IMF) plays a central role in shaping the global environment. Its macroeconomic policy prescriptions and conditions can have a major influence on the management and use of natural resources, and can adversely affect public health priorities such as nutrition and infant mortality. The IMF's policies and programs of economic stabilization and adjustment can aggravate the extent of poverty among vulnerable groups, increasing pressure on these groups to unsustainably exploit natural resources such as forests and fragile lands.

The IMF's policies and programs can push governments to unsustainably exploit both renewable and nonrenewable resources to meet short term balance of payments equilibrium goals and can have the effect of exerting pressures on countries to forgo needed long term environmental, social and public health investments to meet short term adjustment criteria. Currently, there is no systematic review that projects environmental, public health or social impacts of its policy prescriptions and conditions.

Accordingly, the Committee strongly urges the Secretary of the Treasury to report on ways to systematically review in advance, and take into account in policy formulation, projected environmental, public health and social impacts of the IMF's lending agreements. Included in this report should be prescriptions to establish in the IMF long-term sustainable management of natural resources as an integral part of the IMF's stabilization and adjustment policies and programs, as well as consideration of concessional lending to promote sustainable management of natural resources.

DEBT FOR NATURE SWAPS

The Committee continues to support debt-for-nature swaps as a small but creative and promising contribution to the overall debt problem in the developing world. The Committee is pleased that the Secretary of State, in a recent letter to the Secretary of the Treasury, stated support for a pivotal role for the World Bank and the regional development banks in encouraging and lending for debt-for-nature swaps. The Committee is also encouraged by specific debt for environment strategies originating in developing countries, such as a proposal by the government of Costa Rica, suggesting debt relief for energy efficiency and conservation in that country.

The Committee is convinced that environmental and natural resource issues must be integral to all programs of the World Bank and the regional development banks to assist borrowing countries in managing their foreign indebtedness. However, the multilateral development banks have so far made little progress in encouraging sound environmental policies and in guaranteeing environmental safeguards in their non-project lending.

As such, the Committee urges the Secretary of the Treasury to obtain assurances that the MDBs, both in their overall debt relief programs and in each debt restructuring negotiation in which they participate, systematically analyze the potential for debt-for-environment initiatives and include them whenever feasible in the final arrangement for restructuring debt. In particular, the Committee believes that each MDB should designate staff with overall responsibility for this issue, and should ensure that MDB delegations participating in country-specific negotiations contain staff with expertise in this issue.

ILLICIT DRUG CONTROL

The Committee continues to be concerned about illicit drug cultivation and production overseas. The Congress, in order to address this problem, has provided for the past several years assistance through the International Narcotics Control program at or significantly above the level requested by the Administration.

More than \$270,000,000 in funds provided in this bill are available for programs or initiatives related to the control of illicit drugs. In order to accelerate efforts of International Narcotics Control the Committee has made the following recommendations:

- \$115,000,000 for International Narcotics Control (\$14 million above last year's level)
- \$69,000,000 in Economic Support Assistance may be made available for Bolivia, Ecuador, Jamaica and Peru if they are making progress on illicit drug control
- \$35,000,000 in military assistance related to drug control may be made available to Bolivia, Ecuador, Jamaica and Colombia if they are making progress in illicit drug control
- \$10,000,000 for Development Assistance programs related to narcotics education and awareness
- \$40,000,000 for Development Assistance programs related to economic assistance activities
- \$500,000 within International Narcotics Control Assistance is to be for the testing and use of safe and effective herbicides
- \$1,000,000 in Foreign Military Financing for defensive arming of aircraft used in narcotic control and interdiction
- \$2,000,000 within International Military Education and Training funds is designated for narcotics control training and expenses
- \$3,500,000 in Foreign Military Financing is designated for military assistance for antinarcotics efforts
- Certification is required from the President that countries are making progress on illicit drug control prior to providing U.S. Foreign Assistance to those countries

—Reprogramming authority is included to move funds from countries not complying with illicit drug control standards to countries that are complying with illicit drug control efforts

Development and economic support assistance

The Committee has recommended the President's fiscal year 1990 request of \$69,000,000 in Economic Support Assistance as a target to be used in providing U.S. funding for Bolivia, Peru, Ecuador and Jamaica. This funding should be used as an incentive for those countries to strengthen illicit drug control efforts. The Administration has made the case that if economic and military assistance is not continued to these governments then they would not be able to continue narcotics control efforts and the possibility would increase that individuals or parties not interested in drug control could gain power.

Meeting the certification requirements concerning illicit drugs and meeting targets for drug control should be a major factor in the provision of Economic Support Assistance for these countries.

The Committee recommends that AID continue its efforts in drug control awareness and education and that at least \$43,500,000 be programmed for that purpose. Also AID should continue its economic support programs related to drug control at a level of at least \$40,000,000.

Military assistance

The Committee has recommended that the Administration's request of \$35,000,000 be made available for Bolivia, Ecuador, Jamaica and Colombia to be used for defensive programs directly related to drug control activities. Only countries meeting certification requirements are to receive this funding.

The Committee has earmarked \$3,500,000 in funds in the Foreign Military Financing program to acquire defensive equipment for use in both the eradication and interdiction efforts involved in dealing with drug traffickers. Also, \$1,000,000 has been provided for the defensive arming of aircraft.

Testing for effective and safe herbicide

The Committee has included \$500,000 under the International Narcotics account for continuing research for an effective and safe herbicide to destroy coca plants. The Committee fully understands the need to accelerate efforts to find a method to effectively destroy coca plants. However, it is equally as important to find a herbicide or alternatives to herbicides that are not harmful to people and that do not destroy the environment.

United Nations fund for drug abuse control

The Committee continues to feel that the Department of State should provide additional funding to the United Nations Fund for Drug Abuse Control. The multilateral approach to illicit drug problems offers many opportunities for encouraging other nations to become involved in this international problem.

LEVERAGING AND DIVERSION OF ASSISTANCE

Between 1985 and 1987 in testimony before this Committee, the Administration provided assurances that at no time was aid to foreign countries used as leverage to obtain support for the Nicaraguan contras.

On April 28, 1987, Assistant Secretary Elliot Abrams was asked the following:

For the record, given the responsibilities of this committee, I simply need to ask this question. Did you or anybody else in the Administration, use the threat of potential delay of or reduction in aid to Costa Rica in order to leverage Costa Rica into either not holding that press conference or into at least tactically supporting the opening of the southern front?

Mr. Abrams answered:

The United States, as far as I am aware, has never threatened or in anyway linked support to the Nicaraguan resistance forces to our foreign aid levels, with respect to Costa Rica or any other country.

The documents released as a part of the trial of Oliver North reveal that the following occurred:

1. According to the February 12, 1985 memo from Robert McFarlane to George Shultz, Caspar Weinberger, William Casey and General John Vessey, an interagency group known as the Crisis Preplanning Group, which had representatives from the Department of Defense, the Department of State, the Central Intelligence Agency, the Joint Chiefs of Staff and the National Security Council, devised a plan in February of 1985 to provide Honduras with expedited release of economic support funds, expedited delivery of security assistance items and enhanced CIA support as a direct incentive for them to persist in aiding the Nicaraguan resistance.

The occurrence of this meeting, those who participated, and the decisions resulting from it are documented in numerous memoranda between Nicholas Platt, Robert McFarlane, Oliver North, Ray Burghardt, George Shultz, Caspar Weinberger, William Casey, and John Vessey dated from February 8, 1985 and February 15, 1985.

2. A February 19, 1985 memo from Robert McFarlane to President Reagan described that plan. It is initialed "RR". Those initials appear on the memo in the space designated for Presidential authorization to proceed with this plan.

3. Vice President Bush was designated to receive a copy of this memorandum. This is indicated by the cover sheet to this February 19, 1985 memorandum.

4. A special discreet emissary was sent to Honduras prior to the visit of then Vice President Bush on March 1, 1985 to communicate to the Honduran Government that these enticements were related directly to their continued support for the Contras.

This is indicated by a February 22, 1985 memorandum to Robert McFarlane from Raymond Burghardt asking concurrence to carry a Presidential letter to Honduras, and a February 25, 1985 memorandum from Oliver North to Robert McFarlane indicating that

the signed letter from President Reagan to President Suazo would be delivered by Ray Burghardt.

5. Consistent with that scheme Honduras received expedited disbursement of \$80 million in economic support funds, expedited delivery of approximately \$23.5 million in security assistance items, and \$4.5 million in enhanced CIA support in March of 1985.

This is indicated primarily by a February 27, 1985 memo to George Shultz, Caspar Weinberger, William Casey and John Vessey from Robert McFarlane directing implementation of this plan. These allegations are also supported by a March 8, 1985 memo to Robert McFarlane from Caspar Weinberger, indicating that expedited procurement and delivery of security assistance items had commenced; a May 1, 1985 memo to President Reagan from Robert McFarlane initialed "RR", indicating approval of increased CIA funding; and Agency for International Development documents on the release of economic support funds.

6. The White House directed Secretary of State George Shultz, Secretary of Defense Caspar Weinberger, CIA Director William Casey and JCS Chairman Vessey to provide expedited release of economic support funds, expedited delivery of military assistance items and an enhanced CIA program to Honduras.

This is indicated by the same February 27, 1985 memo from Robert McFarlane to these individuals mentioned above.

7. The Administration imposed a trade embargo against Nicaragua in May of 1985 as a method of reassuring the Hondurans that the U.S. was committed to supporting the Nicaraguan resistance, and in order to forestall the Honduran military from taking action against the resistance.

This is indicated in the document dated April 25, 1985 prepared by Robert McFarlane for President Reagan's telephone call to President Suazo of Honduras.

8. The plan to provide expedited aid to Honduras in 1985 was carried out despite the Administration's awareness that their actions were contrary to Congressional intent, which was to deny any direct or indirect support for military/paramilitary operations in Nicaragua during 1985.

This is indicated by a February 20, 1985 memo from Oliver North and Ray Burghardt to Robert McFarlane in which it is acknowledged that carrying out of this plan was contrary to Congressional intent, and would eliminate the ability of Executive branch officials to deny that foreign governments had been approached to help the Contras.

9. Despite assurances to the Committee that U.S. military personnel in El Salvador, funded under accounts in the foreign operations appropriations were not involved in the contra resupply operation, testimony at the North trial indicates that U.S. Military personnel in El Salvador were intimately involved in facilitating the use of Ilopango Air Base as a transshipment point for supplying arms to the Contras during the time when such involvement was prohibited by law.

In addition the General Accounting Office has concluded that over 65,000 gallons of MAP funded fuel was sold by the El Salvadoran Air Force to the Nicaraguan resistance, the "Enterprise" and the U.S. government between 1985 and 1987 in violation of

FMS sales agreements. The report also concludes that U.S. Milgroup officials knew the supply operation existed, and that the El Salvadoran Air Force received over \$800,000 for this fuel.

10. According to the stipulation in the North trial in early 1985 Guatemala provided aircraft and agreed to facilitate shipments of munitions and other material for the Contras provided that they receive a quid pro quo from the U.S. in the form of foreign assistance funds or credits, diplomatic support or other forms of assistance. The documents assert that in addition, Guatemala provided end-user certificates for the purchase of nearly \$8 million of munitions to be delivered to the Resistance. The stipulation further indicates that Guatemala would receive additional military assistance and be made to understand that the additional assistance was made as a result of Guatemala's assistance to the Resistance.

On April 25, 1989 it was stated in testimony before this Committee that the plan described in the February 19, 1985 memo from Robert McFarlane to President Reagan to provide Honduras with expedited and enhanced foreign aid funds in 1985 in order to leverage Honduran support for aiding the Nicaraguan resistance was not carried out. A letter was subsequently sent to the Committee on June 1, 1989 withdrawing the assertion that the plan did not go forward. It is clear from relevant documents and events that the plan did in fact go forward with respect to Honduras.

The letter also objected to the implication in the trial related documents that Vice President Bush might have been the special emissary to establish a "quid-pro-quo" arrangement with Honduras. The Committee accepts that demurral, but would simply point out that the use of the Vice President as a direct emissary was not necessary since the arrangement with Honduras was already in effect.

Based on the GAO report and relevant North trial documents and testimony it is also clear that diversion of foreign aid funds did occur with respect to El Salvador. The Committee has also been informed that Guatemala did provide end-user certificates for the purchase of nearly \$8,000,000 in munitions to be delivered to the Nicaraguan resistance. It is not clear whether Guatemala in fact received additional foreign assistance as an exclusively specific result of this action, although aid levels to Guatemala have increased substantially since 1984.

MIDDLE EAST PEACE PROCESS

The Committee notes that 1989 marks the tenth anniversary of the Israeli-Egyptian peace treaty. That event represented tremendous progress towards peace in a region which has experienced so much violence and war. The Committee is pleased that the treaty has endured despite a number of problems in recent years. The Committee strongly supports the treaty and the development of a close relationship between two friends of the United States, Israel and Egypt.

Despite this anniversary, the Committee remains deeply concerned about the ongoing violence, violation of due process, and killing in the West Bank and Gaza, terrorist attacks in Israel, and continued conflict, death and destruction in Lebanon.

The Arab-Israeli conflict continues to be a matter of special concern to the Committee. The Committee urges the Administration to make a maximum commitment to use all the influence and wisdom it can muster to move Israel and its Arab neighbors to meaningful and well-thought-out negotiations about both short-term and long-term changes that will assure Israel's security and bring a just and humane approach to resolving the plight of the Palestinian people.

The Committee has been in strong support of the plan put forward by the Israeli government that calls for elections in the West Bank and Gaza of Palestinian representatives, to be followed by direct negotiations between those representatives and the Israeli government on both an interim arrangement and final agreement.

We call on all parties—Israeli, Arab, and Palestinian—to support and define that plan as the best practical opportunity to bring progress to the region. The Committee is concerned that the initiative not be crippled by preconditions imposed by Arab, Palestinian, or Israeli parties which would make it impossible to produce viable elections that would have the support of all relevant parties. The imposition of such preconditions by any party would seriously diminish the prospect for successful elections and inevitably increase pressure for an international conference as an alternative.

CENTRAL AMERICA POLICY

Central America remains a region of major foreign policy concern. The Committee is encouraged by the Administration's apparent willingness to consider a more flexible approach, including greater reliance on diplomatic methods, in the region. However, the primary problems which have afflicted Central America and retarded progress in addressing national interests of the United States for the past decade remain unsolved. Regional conflicts have not been ended, although the insurgency in Nicaragua has abated with the signing of the Sapoa and Tesoro Beach agreements and the cut-off of military funding to the Nicaraguan resistance. Clearly illicit drug production and transshipment from this region has continued to increase dramatically, and the Noriega regime in Panama remains out of control.

The region's economic problems and its grossly inequitable distribution of resources and opportunity remain at the root of its instability. Steep economic declines in the region have been reversed, but none of the area's economies have rebounded strongly. For several countries, especially Costa Rica, the debt burden is a tremendous depressant on economic revitalization. In other countries the problem of grossly unfair distribution of income has not been adequately addressed, in the face of strong resistance by wealthy elites. Official corruption and inefficiency persist throughout the region. Human rights abuses continue, and may even be on the rise in several countries. Insurgent destruction and terrorism remain at high levels in El Salvador and, to a lesser extent, in Guatemala.

Among the serious issues in the region are the conflicts in El Salvador and Nicaragua. The guerrilla war in El Salvador is now nine years old and seemingly no closer to resolution than when it started. A military victory by either side seems highly unlikely, but the insurgent guerrillas appear to have the capacity to continue a war

of attrition and sabotage indefinitely. As long as the Salvadoran conflict continues, there is little chance that regional economic and political integration, essential for the revitalization of the region, can take place. There is also a significant danger that growing polarization in El Salvador, which the FMLN guerrillas appear to be promoting, may lead to political violence and repression by the new ARENA government.

The Committee is concerned that U.S. efforts over the past eight years have been too narrowly focused. Pumping large amounts of assistance into the region for essentially political purposes, without demanding that official corruption be ended, economic reforms undertaken, and root causes of rebellions addressed, has done little more than maintain an unstable status quo in the region while promoting increasing economic dependency on high levels of U.S. assistance.

The Committee recognizes that these governments are under pressure from dedicated and ruthless guerrilla movements, which appear intent on gaining political power through violent means. However, the United States must use the leverage of our aid to assure that our allies adhere to the rule of law, democratic values and respect for universally recognized human rights even in the face of their enemies' behavior.

The Committee continues to support the efforts of the Central American presidents as the most promising framework for the achievement of a lasting regional peace. Congress and the Administration should provide the greatest possible support for compliance by the individual signatory nations with the accords. Political and economic support for good faith efforts at national reconciliation through constitutional, democratic processes, free and fair elections, and dialogue in those countries where civil conflicts persist should be emphasized.

BASE RIGHTS COUNTRIES

The Administration is asking Congress to appropriate \$1.5 billion in economic and military support for assistance for four countries where the United States has base rights agreements: Turkey, Greece, Portugal, and the Philippines.

This request is 15% above the amount provided in fiscal year 1989 and an 88% increase above the levels appropriated in 1981 when the Reagan-Bush Administration took office. These increases represent one of the fastest growing areas in the bill and are no longer sustainable at these high levels. The Committee wants to reiterate its strong opposition to the idea of paying "rent" for the purpose of maintaining military bases that protect the host country as much as they protect the U.S. and other allies.

The Committee points out that the U.S. already spends a disproportionate amount of money for defense compared to other NATO countries as a whole. It should be noted that, along with the specific direct payments, the U.S. presence provides thousands of jobs in the host countries and millions of dollars in revenue generated by contracts and spending by American personnel stationed in each country. In addition, the U.S. provides assistance to Turkey and the Philippines through multilateral financial institutions and to

Greece, Turkey and Portugal through mechanisms such as the transfer of surplus military equipment.

In short, the United States does more than its share to protect its allies in Europe and the Pacific region. These bases serve the interests of the host countries at least as much as they serve our own. If any base rights countries do not share that view, they must be made to understand that the U.S. can and will move these bases to other countries that do.

The Committee continues to believe that in light of U.S. budget deficits and domestic budget cuts, large amounts of money for base rights countries will not be available as they have been in the past.

The Committee expects the Administration to negotiate future base agreements with these budget constraints in mind. The administration should let base rights countries know that Congress will not continue to provide large amounts of assistance to countries for the privilege of allowing U.S. bases on their soil to protect their security. It is also essential that the Administration not make commitments for the sale of specific weapons to base rights countries that commit the U.S. in any way to high levels of foreign military financing beyond the period of current base agreements. The Committee does not consider itself bound by such commitments.

The Committee also directs the Administration to make every effort to have other NATO allies increase their assistance to southern European countries where U.S. bases are located.

The Committee has noted the increasing political debate in foreign countries about the presence of U.S. bases on their soil. This debate is occurring in Europe and the Pacific nations in particular.

The Committee requests a report from the Department of State about this trend, in classified and unclassified forms, showing which countries have begun restricting, or the Department of State believes may be considering restricting, the presence of U.S. troops, enlargement of facilities, and port calls by U.S. ships.

SUB-SAHARAN AFRICA LONG-TERM DEVELOPMENT

The Committee supports a process of long-term development in sub-Saharan Africa that is equitable, participatory, environmentally sustainable, and self-reliant. The Committee has recommended two areas for long-term development in Africa. A total of \$515,000,000 has been provided through the Fund for Africa and an additional \$50,000,000 has been provided under the development assistance account for the member nations of the Southern Africa Development Coordination Conference. In addition, approximately half of the resources recommended in the bill for the International Development Association will be used for programs, projects and activities to assist Africa.

U.S. contributions to the African Development Bank and the African Development Fund represent a joint effort by Africans and Americans to address the region's problems. In addition, funding for the African Development Foundation will finance self-help efforts at the local level.

DISPLACED CHILDREN

The Committee for the past two years has been actively involved in pursuing programs that will help children who have been displaced by natural or man made disasters or have become street children because of economic or other problems. The problem of helping children who are orphans or displaced has been hard for the Executive branch to adjust to because it falls between many of the defined areas of U.S. foreign assistance. For instance children may be cared for during a disaster, but once the worst of the emergency is over U.S. funding for private and voluntary organizations in the area is usually discontinued and children are at the mercy of a country usually unable to set a high priority for the needs of children.

Some of the programs that have been undertaken by the Agency for International Development for displaced children are beginning to have very positive results. Programs to reunify orphans with family members in Ethiopia have proved to be very successful. Children have been returned to their family members and out of government institutionalized centers. In Mozambique programs carried out by Save the Children and funded by the United States have been initiated to help children who have been devastated by the war in that country. Programs for displaced children in Guatemala and other countries are showing an immediate impact on children whose lives seemed hopeless.

There are no complete figures of children in the third world that are either wards of the state or homeless. However, the Childhope organization estimates that there are as many as 100 million homeless children whom they classify as street children.

Overall, more than thirteen million people in sub-Saharan Africa are at serious risk, and more than half of these people are children. Estimates of children who have been displaced by famine, disaster and war in Africa exceeds 500,000, and the numbers do not appear to be diminishing.

The Committee has again recommended funding in this bill to help address the problems of displaced children. The Committee has provided \$3,000,000 in development assistance and \$500,000 in disaster assistance funding for displaced children. UNICEF is encouraged to step up its program to help displaced children and private and voluntary organizations should accelerate their planning in this area.

The Committee renews its request for the Agency for International Development to prepare an action plan to address the problems of displaced children.

HOSTAGES IN THE MIDDLE EAST

The Committee once again notes with dismay that nine Americans who were taken hostage in Lebanon remain in captivity.

Terry Anderson, the longest held hostage, has spent more than four years in captivity. Lt. Col. William Higgins, the most recent captive, has been held longer than the Americans who were held in Teheran, Iran, from 1979 to early 1981.

The Committee shares the anger and frustration of the American people that this situation still exists. The Committee continues to

urge the Administration to explore all reasonable options to locate and release the remaining U.S. hostages held in Lebanon.

The Committee notes that the other Americans still missing are: Thomas P. Sutherland, Frank Herbert Reed, Joseph James Cicipio, Edward Austin Tracy, Alann Bradford Steen, Jesse Jonathan Turner, and Robert Bruce Polhill.

NUCLEAR NON-PROLIFERATION

The Committee recognizes that the prevention of the spread of nuclear weapons technology has been a key element of U.S. foreign policy since the development of nuclear weapons more than 40 years ago.

This effort has enjoyed a number of modest successes, including the creation of the International Atomic Energy Agency (IAEA) and the ratification by many nations of two important treaties, the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) and the Treaty for the Prohibition of Nuclear Weapons in Latin America (Treaty of Tlateloclo).

However, during this period, the number of nations exploding nuclear devices has increased fivefold. Further, the existence of unsafeguarded facilities in a number of countries is a significant cause for concern.

The Committee has long been concerned about the potential spread of nuclear weapons. This concern is magnified by instances where foreign nationals have illegally sought to export U.S. equipment of potential application to nuclear explosives.

The Committee strongly urges the Administration to pursue the technology transfer Memoranda of Understanding, or other such agreements, with other countries as appropriate.

UNICEF

The Committee is providing \$65.4 million for the United Nations Children's Fund. This is an increase of \$5 million above the fiscal year 1989 level and \$31.5 million above the Administration's fiscal year 1990 request.

The Committee is providing these funds because UNICEF remains one of the most popular, well respected, and effective humanitarian and development assistance programs supported by the United States. UNICEF's effort on behalf of children in the third world has saved millions of lives since the organization began its work in 1946.

UNICEF's ongoing programs and new challenges justify this increase in the U.S. contribution for fiscal year 1990.

Since 1982, UNICEF has led a global campaign, termed the child survival and development revolution, to cut in half by the year 2000 the number of children who die each year—almost 14 million—from causes which are largely preventable. In its 1989 report on The State of the World's Children, UNICEF points out that over 500,000 young lives were lost in the last year alone due to the impact of the developing world's debt burden on the most vulnerable people, the poor and young children, and urges governments to protect the most vulnerable groups, especially in Africa and South America, in the course of economic restructuring.

UNICEF continues to work towards the goal of Universal Child Immunization by the year 1990, a goal which this Committee strongly supports. These efforts have resulted in immunization rates which have gone from under 10% in 1980 to over 60% worldwide.

UNICEF also operates under very difficult conditions in areas such as southern Africa, the Sudan and Lebanon, which are ravaged by civil war. In these regions, children are the most helpless victims. Despite serious disruptions, UNICEF carries out programs to bring food and water, essential medicines, and other child survival components to the suffering populations.

In light of this admirable record, the Committee is once again outraged by the fact that the Administration has proposed cutting UNICEF 44% below fiscal year 1989 levels. This cut is included in an Administration foreign assistance budget that calls for a 7% increase in all military assistance programs and a 15% increase in the grant military training program.

The Committee believes that the Administration's request is irresponsible and sends the wrong signal about what the United States stands for. The Committee expects that the Administration's budget request for fiscal year 1991 should be at responsible levels. Next year's request should demonstrate that the U.S. Government, both the Executive and the Legislative branches, are united in caring about the plight of the world's children and in support of the international organization which is taking the lead in alleviating their suffering, UNICEF.

The Committee has included in the bill language which continues to require the delivery of the U.S. contribution to UNICEF within 30 days of the passage of the foreign assistance appropriations bill or the beginning of the fiscal year, whichever comes first. However, following assurances from the State Department that delivery of UNICEF's funds will be timely and in accordance with the law, the Committee has removed the penalty provision it included last year.

CREDIT BUDGET CONTROLS

The Committee believes that attempts to control credit levels through the current "credit budget" limiting the availability of both direct loan obligations and primary guarantee commitments in the Budget Resolution results inevitably in behavior that is both financially absurd and detrimental to American taxpayers. These credit controls add a little understood third layer of budgetary control to the Budget Resolutions. They have been added in recent years to the controls that already existed on budget authority and outlays.

The control on direct loan obligations counts the total amount of loan principal regardless of the terms of the loans. Primary guarantees suffer the same problem—the control is on loan principal "any portion of which is to be guaranteed," rather than on the new contingent liability to the federal government.

One result of this situation is that one dollar of direct loans costs the Committee a dollar in budget authority, while any amount of guarantee loan is free of budget authority costs.

If credit authority is arbitrarily cut, as it was in the Budget Resolution, the Committee is faced with a difficult choice. The Committee cannot substitute less expensive loan guarantees for direct loans because guarantees are also limited. But, the Committee can meet its credit targets by converting direct loans either for the Export-Import Bank or for the Foreign Military Financing Program into grants. The taxpayer clearly loses in this circumstance because future revenues from the repayment of the loans are lost but government expenditures remain unchanged. Yet, the financially irrational action of switching loans to grants complies with and indeed is forced by the credit ceiling imposed by the Budget Resolution.

A second problem with current credit budget practice is that it gives incomplete and inaccurate information for spending decisions. There is no aspect of current budgetary practice that is more faulty than the treatment of credit programs. Experts on the federal budget have been saying for years that direct loans are overpriced and guaranteed loans are underpriced relative to other non-credit programs. A dollar in direct loans counts the same as a dollar in grants in the budget year, notwithstanding the fact that the direct loan will be repaid with interest. Guaranteed loans appear free until there is a default. Then claim payments from "guarantee reserve" funds crowd out new discretionary spending—long after the guarantee commitment was made.

The sharp focus on the federal deficit has created a tendency to favor guarantee loans over direct loans. Yet, if OMB subsidy estimates are to be believed, Ex-Im Bank direct loans in 1989 cost 8.3 cents to the dollar, while a long-term Ex-Im Bank guarantee loan cost 5.3 cents. The guarantees have long-term costs similar to the direct loans they are replacing, but for budgetary purposes the direct loans are largely overpriced and the guarantee loans are underpriced.

The Committee believes that the Budget Resolution should not address credit until such time as reforms have been adopted that encourage informed rational financial decision making.

REPROGRAMMINGS AND NOTIFICATIONS

The Committee has worked to simplify and improve the reprogramming and notification process for several years. The Committee has recommended additional changes to section 523 of the General Provisions to improve this process. The Committee proposes that notifications be required only for a project, program, or activity (1) not justified in the current congressional presentation documents, (2) the purpose for which is significantly different from the purpose previously justified, or (3) for a country level which exceeds the level report required by section 653(a) of the Foreign Assistance Act. The notification required by the Committee is, in effect, an update of the section 653(a) report for that country.

The Committee also has changed the term "major defense equipment" to read "major defense items" in order to clarify that the Committee wishes to be notified on major defense items not solely limited to the official list of "major defense equipment." The Committee wishes to be notified on politically sensitive proposed pur-

chases, on executive aircraft purchases and on other items of consequence that reasonably might be questioned.

COUNTRY ISSUES

AFGHANISTAN

The Committee is aware that following the Soviet withdrawal from Afghanistan much work needs to be done to rebuild the country. Afghanistan has suffered incredible damage and destruction as a result of Soviet occupation. Countless thousands have been killed and approximately five million people have fled the country into both Iran and Pakistan. Also several million people have been displaced within the country itself. The outflow of refugees has continued despite the Soviet withdrawal as the war drags on.

Afghanistan has also suffered extensive damage to all sectors of its economy. Entire villages have been destroyed, mines are present throughout the countryside, and many vital irrigation systems have been destroyed.

The Committee has called for the provision of \$70,000,000 for fiscal year 1990 in relief programs for Afghanistan. Of this amount \$13,500,000 will be for the U.S. contribution to the UN Afghanistan Emergency Trust Fund. The purpose of this fund, established by the Secretary General, is to coordinate the relief and reconstruction effort of the specialized agencies of the UN such as UNHCR, UNDP, UNICEF, and WFP. The Committee expects that the coordinator will ensure cost effective and non-duplicate UN actions. It is also the Committee's expectation that the U.S. contribution, which will be mostly in the form of cash, will trigger significant contributions from other donors.

The Committee remains firmly committed to the Afghan people in their struggle for freedom and democracy and the rebuilding of their country. For this reason the Committee has recommended that the bilateral Cross Border program continue at a significant level of funding. Undoubtedly there will continue to be a strong bilateral program with Afghanistan in the future. However, providing the funds for the UN Trust Fund and emphasizing its importance to other donors is the most effective method of maintaining a significant level of influence and of demonstrating our continued commitment. The U.S. cannot afford to rebuild Afghanistan on its own.

Although the initial start-up of the Trust Fund activities in Afghanistan was somewhat slow and uncoordinated, it remains as the most viable multilateral mechanism to funnel international support into Afghanistan. In short the U.S. should take the lead in promoting the use of this Fund, thereby demonstrating to Islamic countries and the rest of the world the depth of our commitment to the Afghan people as they rebuild their country.

Now that the Soviets have left Afghanistan, the Committee believes that the continuation of hostilities between Afghan factions will increase the devastation and human suffering in that unfortunate country. The Committee urges all parties to seek a political solution.

CAMBODIA

The Committee is concerned about leaked discussions or public assertions regarding the pros and cons of possible covert provision of lethal assistance to the non-communist resistance forces in Cambodia. The Committee strongly believes that covert funding channels should not be used to initiate questionable policies that would be unlikely to enjoy significant bipartisan support if they were required to be funded through normal overt budgetary processes.

The Committee believes that highly controversial policies should in normal circumstances be debated openly in Congress and should be funded through normal budgetary channels. Such debate enhances the possibility of developing the solid, stable bipartisan support necessary in order to achieve consistent and lasting U.S. foreign policy. The Committee believes that lesson should be obvious given the problem in recent years of developing sustainable foreign policy relating to Nicaragua. American interests are not served by foreign policies which are not sustainable and which are not broadly supported in both political parties.

In this regard, the controversial issue of supplying lethal assistance for the Cambodian non-communist resistance fighters has not been considered by the Committee. The Administration has made no request for such assistance. Budget documents explicitly state that the provision of lethal assistance has not been included in the fiscal year 1990 foreign aid budget request for Cambodia. Consequently, provision of such overt assistance is clearly subject to the notification process of the Committee should it be requested in the future.

Clearly, the September 30, 1989, announced deadline for the withdrawal of Vietnamese troops from Cambodia is cause for deep concern about the possibility of civil war between the Soviet and Vietnamese backed government of Hun Sen, the Chinese backed Khmer Rouge forces, and the non-communist resistance forces of Son Sann and Prince Sihanouk.

The Committee believes that U.S. policy toward Cambodia should be aimed above all else at rapid achievement of a negotiated political solution. All Americans share the goal of excluding the Khmer Rouge leadership from any role in a future Cambodian government. While this goal of a political solution rather than a military solution is widely shared, the most effective approach to its achievement is a matter of great contention.

The Committee is concerned that the provision of lethal military assistance to the non-communist resistance could lead to an expanded flow of weapons from China to the Khmer Rouge and from the Soviet Union and Vietnam to the Hun Sen government, when the desirable objective is a cessation of all arms deliveries. A new program of lethal U.S. assistance could increase the likelihood of greater civil strife, and decrease the chances for a timely negotiated solution that excludes the Khmer Rouge. The Committee is also concerned about initiating a program of lethal aid when it is unclear what the eventual scope of that program could be. The Committee believes that every program should be carefully considered so that it doesn't risk causing consequences which the United States might regret. Thus, any Administration request for the use

of funds to provide arms to the non-communist resistance will be carefully considered and debated by the Committee.

The Committee remains fully committed to support for the non-communist resistance, and has provided for an increase in grant aid to those forces of up to \$2 million.

CARIBBEAN DEBT

The Committee notes with concern the severe debt problems faced by countries in the English-speaking Caribbean. The Committee further notes that many of these countries debt burden is overwhelmingly official debt, as is true in much of Sub-Saharan Africa. For example, although Jamaica is identified as one of the Brady Plan countries because of its commercial debt burden, its commercial debt makes up only approximately 9 percent of its total debt. The remaining 91 percent of Jamaica's debt is held by multilateral institutions or by bilateral sources. Clearly any plan to relieve debt burdens in the English-speaking Caribbean must address official publically held debt.

The Committee directs the Departments of Treasury and State to report to the Committee concerning the current debt status of each of the islands in the English-speaking Caribbean. The report should clearly show all debt held by the United States government, the program it relates to, and its terms and conditions. The report should describe annual U.S. revenues received in payment on these debts over the last five years and should further describe any debt rescheduling or debt relief actions which have already occurred. The report should also address how the United States is working within international financial institutions to address the debt problem in the English-speaking Caribbean and what actions the United States plans to address these problems as they concern official United States government programs.

CHINA

The Committee shares the outrage of the American people at the brutal actions taken by the Chinese government against the prodemocracy demonstrators at Tiananmen Square and elsewhere in early June, and at the subsequent repression that the Chinese government has undertaken throughout the country since then.

The President has condemned the actions of the Government of the People's Republic of China for its outrageous behavior and the Administration has taken a number of important steps to demonstrate in a concrete manner U.S. opposition to the repression in China. These steps include:

- Suspending all exports of items on the United States Munitions List, including arms and defense related equipment, to the People's Republic of China.
- Suspending high level government-to-government contact between the United States and the People's Republic of China.
- Extending the visas of nationals of the People's Republic of China currently in the United States.
- Offering humanitarian and medical assistance to the injured through the Red Cross.

- Instructing United States representatives to international financial institutions to seek delay in the consideration of loan requests that are made to those financial institutions that would benefit the People's Republic of China.
- Suspending action on applications for the issuance by the Overseas Private Investment Corporation of new insurance and financing of investments in the PRC by U.S. investors.
- Opposing the further liberalization of the guidelines of the group known as the Coordinating Committee regarding trade with the People's Republic of China.
- Taking no further action to implement the agreement for cooperation between the U.S. and the PRC relating to the uses of nuclear energy, thereby foreclosing the issuance of new licenses; and
- Suspending the license for the export of any U.S. manufactured satellites for launch on launch vehicles owned by the People's Republic of China, including the two Aussat satellites and the Asiasat satellite.

On June 29th, the House of Representatives voted unanimously, 418 to 0, for an en bloc amendment to the International Cooperation Act of 1989, which expresses outrage over the killings and repression carried out by the Government of the People's Republic of China, and commending the President for the actions he has taken so far.

The Committee supports the amendment. The amendment emphasizes the need for the U.S. to speak in a bipartisan and unified voice in response to recent events in China, and the need for the President to have flexibility to respond to rapidly changing situations so that the long term interests of the United States are not damaged.

The amendment calls on the United Nations to condemn the repression and to call on the Chinese Government to enter into negotiations with representatives of the prodemocracy movement.

The House amendment expresses concern for human rights in Tibet and concern about the prospects for direct elections and human rights in Hong Kong under the agreement on reversion scheduled to take place in 1997.

The amendment also commends the President for providing refuge to Fang Lizhi and Li Shuxian at the United States Embassy in Beijing.

The legislation calls for the further suspension of activities of the Overseas Private Investment Corporation and the U.S. Trade and Development Program in the People's Republic of China, and the suspension of issuing licenses for the export of any defense article on the United States Munitions List, the export of any crime control or detection instruments or equipment, the export of a satellite of United States origin that is intended for launch from a launch vehicle owned by the People's Republic of China and licenses dealing with nuclear cooperation with the People's Republic of China. The President is also directed to negotiate within the Coordinating Committee a suspension of any liberalization of export controls.

The termination of these suspensions would depend upon the President making a report that the Government of the People's Re-

public of China has made progress on a program of political reform throughout the country, including Tibet, which includes—

- Lifting martial law;
- Halting of executions and other reprisals against individuals for the nonviolent expression of their political beliefs;
- Release of political prisoners;
- Increased respect for internationally recognized human rights, including freedom of expression, the press, assembly, and association, and;
- Permitting a freer flow of information, including an end to the jamming of Voice of America and greater access for foreign journalists; or,
- That it is in the national security interests of the United States to terminate the suspensions.

The Committee strongly supports the provisions of the House passed en bloc amendment on China. It expects that the Administration and Congress will work together to carry out the terms and the spirit of the amendment so that it is very clear to the Government of the People's Republic of China where the American people stand on this issue.

CYPRUS

The Committee believes that the fifteen year division of the Republic of Cyprus has had a negative effect on U.S. relations with Turkey and Greece and on relations between those two NATO allies. The Committee feels strongly about the division of Cyprus and believes that a lasting solution cannot be reached unless and until foreign military forces are first removed from Cyprus.

The Committee encourages Turkey, Greece, the Turkish-Cypriot community and the government of Cyprus to work sincerely to take advantage of the current negotiations. In addition to the other criteria which the Committee takes into consideration in determining aid levels, it will weigh heavily respective efforts to end the division of Cyprus in the near future.

EGYPT

The Committee is deeply concerned about the serious economic problems that Egypt continues to face. The severity of Egypt's economic situation was recently outlined in an AID report earlier this year which said:

Over the past decade, the Egyptian economy has undergone a gradual but steady deterioration, due largely to inefficient use of its considerable economic resources. Rigidities in the prices of energy, utilities, food and other commodities and extensive government controls over production activities have caused major imbalances in the structure of the economy as investors and decision makers reacted to improper signals. Until the mid-1980's, the deleterious effects of these policies were largely masked by strong increases in the inflows of external resources. During the last four years, however, stagnant or declining levels of external inflows, coupled with rising debt service

obligations, are placing substantial pressure on Egypt's budget, balance of payments, and economic growth performance.

The Committee has earmarked a total of \$815,000,000 in economic support and development assistance for Egypt. Of this amount \$115,000,000 may be provided as a cash transfer with the understanding that Egypt will undertake significant economic reforms which are in addition to those undertaken in previous fiscal years.

The Committee is providing this assistance because Egypt is a close friend of the United States in an important region of the world and because of Egypt's positive role in the search for peace, especially through its participation in the Israeli-Egyptian treaty.

The Committee reiterates its concern that Egypt make additional changes in its economic policy and carry out additional economic reforms to improve this very serious situation.

That is why the Committee is providing \$115 million in cash transfer for fiscal year 1990 only if Egypt undertakes significant economic reforms which are in addition to those undertaken in previous fiscal years.

The Committee believes that cash transfers remain useful tools to cushion the implementation of economic reforms the Egyptian government may carry out. However, providing cash transfers without additional economic reforms would only perpetuate bad economic policies and result in the waste of taxpayers' money.

The Committee has been made aware of Administration discussions about the use of special Presidential authorities to waive the "Brooke Amendment" which requires that recipients of foreign assistance repay their prior American foreign assistance loans. The Committee believes that such a use of these special authorities would quickly result in their legislative curtailment. The Egyptian economic crisis is not a short term problem and its solution will not be speeded by higher and higher levels of foreign assistance or debt relief. Significant economic policy changes, though politically difficult, hold the only realistic possibility of stable, consistent improvements in Egyptian living standards.

EL SALVADOR

With the recent election of a new President in El Salvador, U.S. policy toward that beleaguered country faces a crossroads. Over the past five years, though there have been many misgivings about aspects of the policy, there has been a general, bipartisan consensus to support former President Duarte and his Christian Democratic government. President Duarte served his country with courage and personal integrity. His democratic principals and dedication to the advancement of political and human rights were well known. It was understood that Duarte's ability to achieve national reconciliation was severely limited by the intransigence of extremists on both the left and the right in El Salvador. Nevertheless, the Committee applauds El Salvador's political progress under President Duarte: the establishment of a free and fair electoral system; some improvement in respect for human rights, freedom of speech, press, and assembly; efforts to resolve the civil conflict through dialogue and negotiation, including participation in the Esquipulas II agree-

ment; and the opening of the political process to participation by the nonviolent left.

Newly elected President Cristiani is faced with the enormous challenge of overcoming the ARENA party's reputation for advocacy of violence, political extremism and antipathy toward the legitimate aspirations of El Salvador's working class. Elements of that party have even on several occasions threatened U.S. diplomats. To the extent that Mr. Cristiani is willing and able to lead his party and the government on a path which builds upon President Duarte's accomplishments in human rights, democratic institution-building, improving the distribution of income, and opening the political system to all nonviolent elements, this Committee believes that U.S. support for the Salvadoran government can continue. That support should be conditioned, however, on continued progress in making the armed forces, and others who have engaged with impunity in political violence, including the FMLN, accountable for criminal acts; consolidation of democratic institutions, and willingness to achieve national reconciliation through the mechanism of the Esquipulas II peace accords.

In accordance with the House passed authorization the Committee has included language in the bill limiting military assistance to El Salvador to \$85,000,000. The Committee notes that the authorization contains additional requirements to the effect that these funds will be tranché so that up to 60% can be made available after October 1, 1989 subject to Presidential determination. This determination will require the President to certify that the government and Armed Forces of El Salvador (1) were actively seeking an equitable political settlement to the conflict (2) made demonstrated progress in protecting internationally recognized human rights and (3) made demonstrated progress in respect for and protection of the rights of freedom of press, speech, assembly and association, internationally recognized worker rights and other attributes of political pluralism and democracy.

In addition the authorization requires that after April 1, 1989 the remaining 40% may be released subject to the same certification requirement. Military assistance may not be obligated during the 30-day period after the President submits his certification on both occasions. Expenditures after those 30 day periods shall be subject to any joint resolutions of disapproval enacted by Congress. The Committee has also withheld \$5,000,000 in Economic Support Assistance pending significant progress in several murder cases including the January 1981 killing of Michael Hammer, Mark Pearlman, and Jose Rodolfo Viera, and the September 1988 massacre of ten peasants near the town of San Francisco, El Salvador.

Regarding human rights, the Committee notes that there has been some progress in the investigation of the murder of ten peasants near the town of San Francisco in September 1988, and that two military officers and several enlisted men have been arrested. The Committee expects to see further demonstrable progress in that case prior to agreeing to release of the \$5,000,000 withheld. Unfortunately, progress in several other cases of importance to the establishment of the rule of law has not been encouraging.

The Committee is especially distressed over the incomplete investigation and the failure to prosecute those responsible for the

March 24, 1980 murder of Monsignor Oscar Arnulfo Romero, Archbishop of San Salvador. Next year will mark the tenth anniversary of his assassination, yet the case remains unresolved. Because of his prominence in the Catholic Church and his reputation for promoting respect for human rights, the successful prosecution of his murderers would be viewed as a step toward the establishment of justice in El Salvador. The Committee was encouraged by the amount of attention this issue has received in El Salvador, which we hope reflects the political will of the Salvadoran government to resolve the case. However, the Committee is extremely disturbed by the December, 1988 decision of the Salvadoran Supreme Court to dismiss the extradition proceeding against Rafael Alvaro Saravia, a suspect in the case, and by its ruling that the testimony of Antonio Amado Garay, a key witness in the case, was too old and contradicted that of other witnesses. The Committee also is aware of the fact that both Dr. Ricardo A. Zamora of San Salvador's Fourth Penal Court and Attorney General Dr. Roberto Garcia Alvarado, in January, 1989, stated that the case of the assassination of Monsignor Romero is still open. Developments in the case will be followed carefully by the Committee. It is the expectation of the Committee that the Salvadoran justice system will prosecute this case in an expeditious manner. In the 1981 "Sheraton" case involving the murders of Michael Hammer, Mark Pearlman, and Jose Rodolfo Viera, the Committee urges the incoming government of President-elect Cristiani to explore all possible means of reopening the case against the intellectual authors of the crime.

The Committee notes with satisfaction the 1988 decision by the government of El Salvador that the case of the June 19, 1985 murders of four U.S. Marines assigned to our Embassy in El Salvador is not subject to that country's amnesty law. The basis for the government's ruling, as the Committee understands it, was a finding that the Marines were internationally protected persons under international law and thus were protected by the Vienna Convention on Diplomatic and Consular Relations and by the 1973 New York Convention on Terrorism against Internationally Protected Persons. El Salvador's constitution provides that the government's international treaty obligations supercede local statutes, thereby making the domestic amnesty law inapplicable in this case. The Committee urges the newly elected government of El Salvador to stand by the former government's decision to deny amnesty in this case, and is pleased to note that the case remains under investigation, with two additional suspects now in custody. The Administration is expected to closely monitor legal developments in the case as it progresses through the Salvadoran legal system and to keep the Committee informed of the case's status.

Since 1982 the human rights situation in El Salvador had been "improving" in the sense that the large numbers of civilians being killed for political reasons had been declining. In the past year, however, this trend has been reversed. Violent abuses by the Army, the FMLN, and death squads have intensified dramatically. The record of the Salvadoran government on prosecution and criminal punishment of officers from the Salvadoran Armed Forces remains dismal. The government seems to continue to be unable to

firmly establish the rule of law for dealing with perpetrators of human rights violations.

The Committee notes and condemns recent actions of the guerrilla forces apparently designed to polarize the political situation and increase violence. These incidents include the issuance of death threats to 214 of El Salvador's 262 elected mayors and the murders of 10 of those officials; the bombing of the home of the mother of the Minister of Defense; the assassination of Miguel Castellanos, guerrilla defector and prominent political editorialist; the bombing of the home of the Vice President-elect, in which one of his children was injured; the assassination of Attorney-General Garcia and other incidents of terrorism. The insurgents' policy of political murder, which appears designed in part to silence the voices of those whose political opinions the insurgents find disagreeable, calls into question their willingness to participate in a free and open democratic system.

In regard to actions attributed to government forces, or private elements operating with official sanction, the Committee expresses its deep concern over a number of incidents inappropriate to any free and open democracy: threats, both physical and verbal, against churches and church-affiliated groups working with the poor and the displaced, such as the bombing of the offices of the Lutheran Church of El Salvador and anonymous death threats against Lutheran Bishop Medardo Gomez. Also cause for grave concern are reports of public allegations by the Salvadoran Armed Forces Public Relations Office claiming that the Catholic Archbishopric's Legal Aid Office is a front for the insurgents, and distribution of political propaganda regarding the nonviolent left. In the Committee's view, it is unacceptable for a military organization, in a civilian democracy, to issue such allegations against private groups.

The Committee is also concerned about reliable reports that military personnel are arbitrarily preventing neutral medical personnel from traveling in areas of conflict, and have delayed the delivery of food shipments to noncombatants in those areas. The Committee expects the government of El Salvador to adhere fully to Article 23 of the Fourth Geneva Convention of 1949 regarding the passage of medical and hospital stores, religious objects, and foodstuffs destined for certain classes of noncombatants. Failure to comply with these provisions will compel the Committee to consider conditions on the provision of U.S. economic assistance to El Salvador.

The Committee has heard from some of the agencies that administer or support humanitarian assistance programs to civilians in rural El Salvador that aid providers are finding it increasingly difficult to carry out their programs. Agency staff often are not allowed to travel to rural communities in conflict zones. In many cases, access is denied by local military commanders despite the fact that personnel carry safe conduct passes issued by the military high command. Shipments of food, medicine, and construction materials frequently are denied access to their intended beneficiaries. As a result, the already marginal existence of many rural Salvadorans is becoming even more desperate.

The Committee urges the Administration to use its influence with the government and armed forces of El Salvador to help re-

solve this problem. Recognition of and respect for the impartiality of established humanitarian organizations must be encouraged. The Salvadoran government and armed forces must be called upon to reaffirm, in deed and practice, the right of civilians to receive the essential supplies and services needed to meet basic human needs.

The Committee is also concerned about the recently proposed Code of Penal Reform pending before the Salvadoran legislature. This proposal if enacted would severely restrict the freedom of assembly and the press. The Committee notes that enactment of restrictive laws which remove freedom of individuals in a democratic country usually have the opposite effect of what is intended.

ETHIOPIA

The Committee continues to call on the Government of Ethiopia to undertake policies that will assure that civilian workers, including international private voluntary organizations, are able to deliver food and assistance to people in need in Ethiopia. War and natural disasters have created a continuing emergency food and health situation in Ethiopia and actions taken by that government to prevent the delivery of humanitarian assistance is inexcusable.

The Committee continues to be concerned that forced resettlement and villagization may again be initiated in Ethiopia. The Committee has kept a provision in the bill that requires that no funds in the bill be available for forced resettlement or villagization in Ethiopia.

The Committee is also concerned that the Government of Ethiopia is not permitting Jewish Ethiopians to immigrate out of the country. There are currently up to 20,000 Jews remaining in Ethiopia, most of who are women, children, the elderly and the infirm. The great majority wish to join their parents, children and siblings in Israel.

Consistent with the United States Government's concern for human rights, particularly, family reunification, the Committee urges the Government of Ethiopia to permit Ethiopian Jews to exercise their right to reunite with their families in Israel and elsewhere.

GHANA

In its annual submission to Congress earlier this year, AID noted that Ghana is "in the forefront of African countries striving to restructure and revitalize their economies through the developmental dynamics of a free market economy." Yet, in spite of its strong commitment to economic policy reform, Ghana has received disproportionately low levels of assistance from the United States. In the three years before the Development Fund for Africa (DFA) was adopted (fiscal years 1985 through 1987), Ghana received only about \$7 million in economic aid from the United States.

The Committee is troubled by this failure to assist a country that has done virtually everything that has been asked of it by the international community. While the Committee notes that AID has been slowly increasing assistance, the levels for Ghana are still paltry. For example, AID expects to provide about \$29 million in

economic aid to Ghana during the first three years of the DFA (fiscal years 1988 through 1990). At that level, Ghana, one of the best economic performers in sub-Saharan Africa, won't even rank among the top 15 recipients of U.S. economic assistance to sub-Saharan Africa. The \$15 million Ghana may receive in 1990 will only put it on the same level as Liberia, which has clearly been one of the worst performers in Africa.

AID has stated that it expects to allocate funds within the DFA on the basis of good economic performance, but that is clearly not reflected in the proposed allocations for Ghana. Consequently, the Committee strongly recommends that AID substantially increase funding provided to Ghana under the Development Fund for Africa, both in fiscal year 1990 and fiscal year 1991. The Committee does not believe that the fiscal year 1990 request for Ghana is sufficient.

GREECE AND TURKEY

The Committee continues to be encouraged over the dialogue that has developed between Greece and Turkey during the past year. The Committee believes that it is a major interest of the United States for Greece and Turkey to resolve their differences, which have existed for so long, through this process.

While the Committee understands that this is a beginning and much work has to be done, it also hopes that future discussions will lead to progress in reducing regional tensions, strengthening the southern flank of NATO, bringing about a solution to the bilateral dispute over the Aegean, and achieving substantial progress toward a just and lasting settlement of the Cyprus dispute.

GUATEMALA

The Committee continues to strongly support efforts to consolidate democratic civilian government in Guatemala, but is concerned about persistent reports indicating that high levels of human rights violations continue in Guatemala. Some human rights monitoring organizations report that Guatemala may have one of the hemisphere's worst human rights record. The Committee is concerned that the elected government, which receives considerable assistance from the United States, has made little progress in fulfilling pledges to expand labor rights, end human rights violations by government forces, negotiate a political solution to Guatemala's insurgency, and redress the economic and social grievances of Guatemala's desperately poor.

The Committee acknowledges the improvements in human and political rights since President Cerezo's inauguration, including the establishment of a democratic political process after 30 years of military rule. The Committee is concerned that the progress in these areas may have been reversed. It will be very difficult to support continued high levels of Economic Support Assistance, and any military assistance, if human rights abuses are not reversed.

The Committee is especially concerned about instances of harassment and violence against members of Guatemalan human rights organizations and citizens who oppose forced participation in civil defense patrols by members of the Guatemalan armed forces and

security forces. Alleged abuses include extrajudicial killings, disappearances, death threats, arbitrary arrests, illegal detentions, beatings and other forms of mistreatment.

The Committee is disturbed by reports that since the Council of Indigenous Communities (CERJ) was formed in July 1988, at least six of its members have disappeared or been killed. The Committee urges the Government of Guatemala to determine the whereabouts of the four members of CERJ who were kidnapped in early April 1989 and who remain missing: Luis Ruiz Luis, Macario Pu Chavalan, Agapito Perez Lopez, and Nicolas Mateo.

The Committee is deeply troubled by persistent reports that government forces in many cases do not abide by Article 34 of the Guatemalan constitution which specifically states that no one may be forced to serve in self-defense associations (also known as Civil Defense Patrols). Indian men in particular have been subjected to death threats and other types of harassment, and some have allegedly been killed, for expressing opposition to Civil Defense Patrols. The Committee believes that it is essential for the Government of Guatemala to ensure that participation in Civil Defense Patrols is voluntary in practice as well as in law.

The Committee is pleased with the government's good faith efforts to adopt structural economic reforms and revitalize Guatemala's economy. Guatemala's economic progress can serve as an example to other nations in the region which have resisted reform.

However, overall economic improvements in Guatemala have yet to benefit that nation's rural poor. Despite its relatively robust economy, Guatemala retains one of the worst distributions of wealth in the hemisphere. Large percentages of the urban and rural population are below the absolute poverty level and the tax system remains archaic. Only sixteen percent of Guatemala's children have been immunized. Its mortality rate for children under five is higher than those of El Salvador and Nicaragua, and for rural Indian children, the infant mortality rate is one of the highest in the world. The Committee believes that Guatemala needs to take steps to address social as well as economic issues in their country.

HAITI

The Committee recognizes that the Avril Government has taken some positive steps toward meeting the conditions set by Congress for a resumption of aid to Haiti, and to restore order and place the country back on the path toward democracy. In March, President Avril restored the bulk of the 1987 Constitution. An electoral commission has been created to oversee a timetable for free elections. Steps have been taken to purge military officers suspected of drug trafficking. Hence, the Committee believes U.S. assistance should be provided incrementally, to respond to specific actions by the Government of Haiti which foster the return to a democratic society in that country.

Specific actions to be taken by the Government of Haiti should include steps to implement a transition to democracy; disarm and restrain the remnants of Duvalier's Tonton Macoutes; reform the armed forces and especially as regards the rural section chief

system; and reform the Haitian bureaucracy to reduce corruption. Once these and other steps outlined by the Committee have been completed and the 1987 Constitution is in force, it is the expressed hope of the Committee that further progress necessary for regularized assistance to Haiti will be achieved.

The human rights situation in Haiti remains complicated. There are continued abuses in Port-Au-Prince and the provinces. Although the Government has dismissed hundreds of military and government personnel as a result of human rights abuses and corruption, more effort is needed to ensure respect for the human rights of the Haitian people. Moreover, specific steps are necessary in Haiti to improve the observance of internationally recognized human rights and to provide an effective judicial process which will enforce prosecution of human rights violators.

In light of these conditions, it is premature to say that democracy is at hand in Haiti. However, the Avril Government has held its pledge to date both to serve as a transition government and to pave the way for a freely-elected civilian democracy.

To assist the government of Haiti in moving toward these objectives, the Committee again recommends conditions on the assistance for fiscal year 1990. Prior to obligation of the economic support, development and military assistance funds, the Committee requires that the President certify that the conditions in Section 559 of the bill have been met. In addition an exception for a Presidential waiver of these prohibitions has been inserted to allow some flexibility to respond to changing circumstances.

The Committee notes that the U.S. has provided assistance to eradicate swine flu in Haiti. It also understands that there is currently a need for APHIS-USDA to send in a veterinarian to assist with the diagnostic laboratory at the Haiti station. The Committee has included bill language which would allow assistance for the control of swine flu in Haiti and urges that these steps be taken to help achieve that goal.

HONG KONG

Given our extensive trade with Hong Kong, the growing refugee problem in Hong Kong and China's dismal human rights record, the Committee urges the Secretary of State to ensure that our China policy includes a strong concern for fostering democracy and human rights in Hong Kong before the Chinese takeover scheduled for 1997.

Pursuant to the 1984 Sino-British declaration, Chinese sovereignty will cover Hong Kong in 1997. The declaration guarantees that Hong Kong's capitalist system will be protected for 50 years after 1997 and that the territory will be governed as an autonomous region. The Committee notes with concern, however, the decision by the British government to postpone partial direct legislative elections in Hong Kong until 1991, and China's draft post-1997 constitution that will prevent any full direct elections in Hong Kong until at least 2012. The Committee is also aware that pessimism over 1997 has led to an increasing flow of persons from the colony—in 1990, as many as 60,000 citizens may leave the territory. In light of the recent violence in Beijing, these numbers can only

be expected to rise. The Committee believes that the United States' overall interests will be strengthened by diplomatic and political support for democracy in Hong Kong.

The Committee has included a general provision in the bill expressing the sense of Congress that the President and Secretary of State should convey to the People's Republic of China and the United Kingdom strong concerns over the absence of full direct elections in the colony and lack of independent human rights guarantees in the draft Basic Law, pending the colony's scheduled reversion to China in 1997.

LEBANON

The Committee notes with alarm the deteriorating situation in Lebanon. Since the resumption of fighting in mid-March, more than 400 people have been killed, and more than 1,700 wounded.

Casualties of the recent escalation in violence have included not only large numbers of civilians but also much of the basic infrastructure of Beirut. At least seven hospitals in various sections of the city have been damaged by rockets, including the American University Hospital and the American University of Beirut.

The Committee is deeply concerned about the health and safety of noncombatants in Lebanon, and about the increase in violence and attacks by both sides. These attacks have resulted in physical harm to individuals from non-government organizations (NGO's) trying to operate in a neutral fashion. The Committee strongly condemns interference by any side in the operations by NGO's, who seek only to provide essential humanitarian relief to the innocent people of Lebanon.

The Committee encourages the Administration to continue the provision of humanitarian assistance as the situation warrants, particularly with regard to the needs of children and has included an earmark of \$7,500,000 in development and economic support assistance. Should the situation in Lebanon improve, the Committee will consider Administration requests for additional relief assistance.

LIBERIA

The Committee expresses concern over the persistent lack of progress in human rights and in economic adjustment in Liberia.

Last year, two Americans were among the victims of human rights abuse in Liberia: James Bush and Curtis Williams. Despite President Doe's announcement of their participation in an alleged "invasion", only pressure from the U.S. Congress and the Department of State won their release. Hence, the Committee strongly recommends careful monitoring of human rights patterns in Liberia and the imposition of human rights conditionality before the release of economic and military aid to that country.

Moreover, the Committee hopes to see significant progress by the Doe Government in permitting political party preparation for the upcoming 1991 legislative and presidential elections. U.S. conditionality on assistance should also outline steps for a freely-elected civilian democracy in that country.

According to AID analysis, Liberia lacks a necessary economic policy framework for structural adjustment. Uncontrolled extra-budgetary expenditures and endemic corruption remain unchecked in Liberia. As a result, most bilateral and multilateral aid have been suspended by the United States. Likewise, the Committee recommends that economic and military aid be linked to structural reform performance.

The Committee has included a provision in the bill that requires Congressional notification for U.S. funded assistance in Liberia during fiscal year 1990.

MALAWI

The Committee is concerned that the Government of Malawi is not taking adequate steps to address the issues of health and educational development and to address concerns related to personal freedom in the country. Although the government has taken several positive steps toward economic reform, Malawi has one of the worst standards of health and education on the continent of Africa. More than seventy-five percent of the population is illiterate, and the number of women in this category exceeds 80 percent. Malawi also has one of the highest rates of infant mortality in the world.

The Committee believes that the Agency for International Development should accelerate programs that will help improve the lives of poor people in Malawi. If U.S. assistance is going to be used to push the country toward economic reform, it should also be used to move the country toward reforms in health and education.

The Committee is also concerned over reports of human rights abuses, including the closing or censoring of newspapers in Malawi.

These issues also need to be reviewed in developing the level of U.S. assistance that is to be provided to Malawi.

MEXICO

The Committee urges the Mexican government to participate with the United States in the construction of a joint international treatment facility to alleviate the problem of renegade flows of raw sewage from Tijuana, Mexico into San Diego, California.

MOROCCO

The Committee wishes to express its support for the efforts underway to resolve the conflict in the western Sahara, and encourages King Hassan II to continue to take the steps necessary to promote a solution to this conflict and bring peace to his people.

The Committee also commends Morocco for fostering a culture in which Moslems, Jews, Berbers, and Christians can live together harmoniously, and for safeguarding freedom of worship and full economic and political participation as guaranteed by the Constitution. The Committee notes with great satisfaction the January 1989 meeting at Marrakesh between King Hassan and representatives of the Polisario Front, and strongly encourages further discussions.

The Committee appreciates the efforts of the U.N. Secretary-General to work toward a lasting peace in the Western Sahara and

supports the holding of an internationally-supervised referendum. The Committee urges the Administration to make every effort to encourage all parties to the conflict to pursue a negotiated political solution.

In recognition of Morocco's long history of friendship and cooperation with the United States, the Committee fully supports a stable Morocco and recommends full funding of Morocco's economic and military assistance for fiscal year 1990.

MOZAMBIQUE

The Committee is concerned over the continuing conflict in Mozambique and the human rights abuses being inflicted by the insurgent group RENAMO. Mozambique has been at war since its government came to power in 1975. Recent reports of possible talks between the government and RENAMO are encouraging; however, the Committee is concerned over the misery that continues to exist while that conflict in Mozambique is unresolved.

Human rights abuses have been reported for both the government military and RENAMO. However, there is overwhelming evidence of vast and continuing abuses by RENAMO. Witnesses appearing before the Committee, both outside and from the Administration, pointed out the atrocities being committed by RENAMO. The U.S. Committee on Refugees testified before the Committee that, "The magnitude of RENAMO's record of gratuitous violence and disregard for human life—of murder and mutilation, rape and pillage—makes them stand in a class of their own, or one inhabited by a few other monsters like Pol Pot, Idi Amin, and Adolf Hitler".

The Department of State in its annual Human Rights Report indicated:

RENAMO has tortured, maimed, and mistreated both military prisoners and civilians. Numerous eyewitnesses have confirmed that RENAMO mutilates civilians believed to sympathize with the Government by cutting off noses, ears, breasts, and lips. Thousands of Mozambicans, including children, are reported to have undergone such disfigurement. In some instances, villagers have been compelled to watch as civilians who had attempted to escape or refused to obey RENAMO orders were slowly hacked to death with machetes or burned alive in their home.

The level of human rights abuses has been documented in a report prepared for the Department of State entitled "Report On Mozambican Refugees". This report indicates that 100,000 is a conservative estimate of the number of civilians that have been murdered by RENAMO. In addition to murder, the report indicates cases by RENAMO of systematic forced portering, beatings, rape, looting, burning of villages, abductions and mutilations.

The Committee condemns the abuses by RENAMO and feels that international attention should be paid both to this situation and to the need to bring the conflict in Mozambique to an end. The Administration is encouraged to continue efforts to resolve this tragic conflict.

NICARAGUAN RESISTANCE

The Committee is concerned by reports from U.S. physicians and church workers active in Nicaragua, as well as human rights organizations, about instances of kidnappings and forced recruitment

by members of the Nicaraguan Resistance. Victims allegedly include women, minors, health workers, farmers, and others.

The Committee has urged the State Department to investigate this matter immediately and thoroughly. The Committee believes that all Nicaraguan Resistance camps in Honduras should be open to international humanitarian organizations, and that all people in those camps should have free access to representatives of those organizations so that they may express freely their desire to remain with the Resistance, be repatriated to Nicaragua, or obtain the status of refugee.

PAKISTAN

The Committee is encouraged by events in Pakistan relative to principles of democracy and the maintenance of political stability. All sectors of Pakistani society joined together to ensure that the elections in November of 1988 were carried out in a peaceful and responsible manner. The transition from the caretaker government to the newly elected government went smoothly and was in accordance with the Pakistani constitution. The Committee is extremely pleased with the emergence of a democratically elected government in Pakistan. The Committee also notes that respect for human rights in Pakistan has improved in recent months and the meeting of the Prime Ministers of India and Pakistan in December of 1988 has improved the prospects for improved relations between those two countries. In recognition of the need to maintain close and lasting ties with the United States, the Committee has earmarked Economic Support and Development assistance and Foreign Military Financing assistance at not less than the levels provided in fiscal year 1989.

The Committee is also encouraged by the renewed commitment of the new government to control the growth and flow of narcotics from this region. Pakistan, for the first time this year, agreed to the extradition of an individual who will stand trial in the U.S. for drug smuggling. More cooperation on this front is expected in the future.

In the area of production, the anticipated yields from this year's crop are expected to be lower than in the past two years. Production has been high at approximately 205 metric tons in each of those years. The Committee expects this downward trend in production to continue. The Committee expects that more progress will occur in the areas of destruction of drug processing laboratories and the enactment of tougher laws to punish those who trade in illegal drugs.

The Committee continues to be concerned about Pakistan and nuclear weapons. Current law, Sec. 620E(d) of the Foreign Assistance Act of 1961, allows the President to waive the requirements of Sec. 669 of the Foreign Assistance Act until April 1, 1990 for Pakistan. The President has also been required to submit reports on the levels of uranium enrichment which Pakistan has reached. The recently passed authorization bill (Sec. 924, H.R. 2655) requires the President to certify that Pakistan does not possess a nuclear explosive device and that the proposed United States assistance program will reduce significantly the risk that Pakistan will possess a nucle-

an explosive device, prior to the furnishing of any assistance to Pakistan after April 1, 1990.

PANAMA

The Committee remains greatly concerned about the situation in Panama, particularly in light of the Noriega regime's blatant electoral fraud in the May 1989 elections, and the subsequent violent abuses of human and political rights by the Panama Defense Forces and their paramilitary offshoot, the so-called "Dignity Battalions," under General Manuel Antonio Noriega's orders. The Noriega regime's actions during and after the elections make it perfectly clear that democratic institutions will continue to be stifled in Panama as long as he remains in power.

The Committee supports the Administration's policy to strongly encourage a regional solution to the Panamanian situation through support for initiatives by the Organization of American States and regional political leaders to achieve national reconciliation. Pending success through these efforts, the Committee has continued the prohibition of most forms of assistance to the Noriega regime. The Committee directs the Administration to provide notification before any assistance is provided to Panama in fiscal year 1990.

PHILIPPINES

The Committee is strongly supportive of democracy in the Philippines. In 1986, following Mrs. Aquino's speech to Congress, the Committee proposed a \$200 million supplemental appropriation. The Committee has provided \$240 million in additional appropriations above Presidential requests during the last three years. From 1985 to 1989, the Committee provided \$1.76 billion, almost twice the \$900 million contained in the "best efforts pledge" in the base agreement. Since 1986, the Aquino government has received an average of \$373 million annually, 106 percent higher than the Marcos government received from 1981 to 1985.

Since 1986, American generosity, Japanese generosity, funds from the World Bank and the Asian Development Bank, and from other countries, combined with a tightening of financial controls in the Philippines and enormous adjustments in the Philippine bureaucracy and political leadership have created a \$4.1 billion dollar foreign assistance pipeline. Since 1986, that pipeline has grown 37 percent. Project disbursements from the pipeline during the same period have decreased from \$321 million in 1986 to \$305 million in 1987 to \$250 million in 1988. The project pipeline now has a 6.8 percent disbursement rate (over 13 years) rather than an optimal rate of 20-35 percent (4-5 years).

Increasing amounts of fast disbursing foreign aid have been spent to encourage economic policy changes. However, the Philippine people are receiving fewer direct benefits and little improvement in their rural living standards. This management crisis in the existing program must be radically improved if the Philippine government is going to successfully fight the rural poverty which feeds the communist insurgency.

Problems also exist in some economic reform areas. For example, the privatization program is proceeding slowly despite its double

benefit of removing financial drains from the budget and earning revenues from asset sales. Only 82 of 390 acquired businesses have been fully disposed of; 48 more have been partially privatized. The record on parastatals is worse; 113 approved for sale, but only 9 fully sold and only 5 partially sold.

Now, the Committee is asked to consider an increase in funding from \$311 million in fiscal year 1989 to \$481 million in fiscal year 1990, a 54 percent increase related to a new two year amendment to the bases agreement. Further, the Committee is asked to fund a new multilateral assistance initiative (MAI) for \$200 million for each of the next five years. Full funding of the 1990 requests for the Philippines would result in an assistance increase exceeding 100 percent despite the deep management crisis in the existing programs.

The Committee recognizes the unique American history and relationship with the Philippine people and has attempted to find sufficient funding for the request for the Philippine programs despite severe budgetary constraints.

Despite this large increase, the Committee believes that the resolution of many important Philippines problems are tied much more closely to internal Philippines actions than to increased aid levels.

Human rights violations in the Philippines are constantly being reported to Congress. While some reforms have been undertaken, the record of aggressive criminal investigation and prosecution is poor. Unless citizens can be sure of fair and timely legal redress, particularly against security personnel, increased support for the insurgency will result.

The population growth rate is over 2.9 percent, doubling the population in under 30 years, and pouring 10 million more workers into the labor force by the year 2000 despite already high unemployment. Yet, there is little senior Philippine leadership on this issue, despite the fact that failing to successfully address this problem enormously increases all the social and political problems in the country. Broad based development progress cannot be achieved without a lower population growth rate.

The Committee is deeply concerned about the management crisis in the Philippine foreign assistance program, and is further concerned that the large increases in the fiscal year 1990 program will exacerbate rather than alleviate the existing problems. The Committee believes that it is important to act quickly in decentralizing decision-making and responsibilities. Programs that reach out to local and provincial governments and which involve those officials in delivering benefits to the rural areas should be developed. Programs utilizing both the American and the indigenous private voluntary communities can deliver benefits far more rapidly than current programs. Programs spending large amounts on centralized bureaucracies and programs with poor records should be mercifully ended in order to improve the utilization of existing funds.

The Committee has included language in the bill requiring that 75 percent of the MAI be project funding. The Committee strongly believes that the foreign assistance program should benefit the Philippine people as directly as possible rather than giving checks to the Philippine Treasury and Finance Departments.

The Committee has included language in the bill which sets a target of 25 percent for the Philippine assistance program to deliver programs through private voluntary groups.

The Committee believes that assistance increases of the magnitude occurring in the Philippines should be adequately and fully staffed, particularly in light of the level of project aid increases. The Committee directs that the Agency for International Development develop a management and staffing plan which recognizes the magnitude of the existing management crisis in the Philippine assistance program, the increased level of assistance from all donors and the need to decentralize much of the program. This plan with an implementation schedule shall be provided to the appropriate Committees of Congress no later than November 15, 1989.

The Committee warns that unless substantial improvements occur in the Philippine assistance program and unless project disbursements begin to significantly increase, the Committee will be reluctant to consider maintaining the program at the high fiscal year 1990 levels.

The Committee further directs that the Agency for International Development report to Congress quarterly on the program and project pipelines for the full Philippine assistance program.

PHILIPPINES—HUMAN RIGHTS

The Committee has in the past raised serious concerns about human rights violations in the Philippines, and was, therefore, distressed by the State Department's assessment, as well as that of many private human rights monitoring organizations, that the situation deteriorated in 1988.

The Committee is encouraged by the steps the Aquino government has taken in recent months to enable it to better protect the human rights of its citizens. The Committee offers its strong support for these measures, and will be watching to see how well they are implemented and what effect they will have.

However, the Committee remains seriously concerned about reports of killings and "disappearances" of civilians by members of the Armed Forces of the Philippines and government-backed paramilitary units. The Committee recognizes that these killings take place in the context of intense warfare between Government troops and armed insurgent forces, particularly the New People's Army, which is responsible for many killings of innocent non-combatants. Nevertheless, the Committee wishes to emphasize that the provision of United States security assistance in no way condones acts of illegal violence by members of the Philippines military or paramilitary forces.

Of particular concern is the violence against and intimidation of indigenous human rights advocates, such as the Free Legal Assistance Group (FLAG) and church leaders. Six prominent human rights lawyers were killed between October 1987 and March 1989. Several reputable organizations, including Amnesty International, the Lawyers Committee for Human Rights, and Asia Watch, have reported that there are strong indications of involvement by members of the Philippines military in these deaths. The Committee

strongly urges the Government of the Philippines to offer its support and protection for indigenous human rights monitors.

The Committee is also disturbed by the failure of the Philippine government to prosecute members of the Armed Forces for human rights abuses. The Committee believes that the strength of the civilian government is undermined when the military is not held accountable for its human rights transgressions. The Committee urges the Government of the Philippines to redouble its efforts to undertake timely, impartial, and thorough investigations into alleged killings by government forces, and to vigorously prosecute the perpetrators.

The Committee has previously expressed its deep concern over killings committed by so-called vigilante groups, and thus welcomed President Aquino's order to disband such groups. However, reports indicate that many vigilante groups remain active, some with the support of the Armed Forces of the Philippines. In addition, the newly-formed Citizens Armed Force Geographical Units (CAFGUs) have reportedly been involved in extrajudicial killings of citizens. The Committee strongly encourages the Government of the Philippines to ensure that vigilante groups are disbanded expeditiously, and to take extensive precaution against incorporation of the negative elements of the vigilante groups into the CAFGUs.

Finally, the Committee regrets that repeated military operations in the rural Philippines have affected civilian population centers, including aerial bombing and the burning of houses. Reports indicate that in 1988, approximately 200,000 civilians were driven from their homes due to combat operations. Many people were forced to take refuge in make-shift evacuation centers where hundreds of children suffered and died due to unsanitary conditions and insufficient food. The Committee urges the Government of the Philippines to make every effort to minimize the violent impact of its counter-insurgency campaign on the civilian population, and to provide the maximum assistance possible to those innocent victims of war.

POLAND

The Committee is pleased that recent events in Poland have given hope that the people of Poland may have an opportunity to experience the benefits of political and economic reform. The roundtable agreement of April and the elections which took place in June provide reasons to believe that real progress can take place and can be sustained over a period of time.

Although many obstacles remain, the Committee congratulates the people of Poland for the progress that has been made so far. The Committee believes that the United States should do all that it can to help democratic and economic reforms succeed. In this regard, the Committee notes that the Administration has presented a package of incentives that the U.S. will make available to help the process taking place in Poland. The Committee has included an earmark of \$15,000,000 for Poland and Hungary to begin this program.

The Administration has indicated that it will support World Bank and IMF loans to Poland and assistance from the Overseas Private Investment Corporation for private investment under cer-

tain conditions. In addition, the Administration has indicated it will urge the Paris Club to ease the terms for payments on Poland's debt, now estimated at \$39 billion. The Committee also understands that the International Finance Corporation, funded in this bill, also has potential projects under consideration for Poland which could be supported on a case by case basis.

The Committee strongly supports the Administration in these initiatives and urges U.S. officials dealing with these institutions to make every effort to see that Poland is given full consideration for additional assistance. The Committee also believes that private non-profit groups should be encouraged to help with Poland's serious environmental problems, through such vehicles as "debt for nature swaps."

The Committee is providing up to \$10 million for agricultural projects in Poland from AID through the Catholic Church in Poland. The Committee also earmarks \$3 million in Economic Support Funds to Poland. This includes \$2 million earmarked for medical care assistance. The Committee expects that this will be divided between Solidarity's Social Trust Fund and other organizations, such as Project Hope and the Polish American Congress. The remaining \$1 million will go to support Solidarity through the AFL-CIO's Free Trade Union Institute to promote democratic activities in Poland.

The Committee encourages the Private Enterprise Bureau of the Agency for International Development to become involved in Polish agricultural development through the Polish private sector. In this regard, the Committee recommends that AID help establish a capital and credit revolving fund for Polish private sector farming and food related activities through mechanisms such as the Agricultural Investment Finance Corporation proposed by the Foundation for the Development of Polish Agriculture (FDPA).

The Committee directs the U.S. Trade and Development Program to give serious consideration to working in Poland with U.S. businesses interested in carrying out projects there.

The Committee believes that the Peace Corps may also have a role to play in Poland in areas such as health care, which is a serious problem, and urges the Peace Corps to look closely at that possibility.

The Committee recommends that the Administration provide additional direct economic assistance to encourage the development of the private sector in Poland, provided that this assistance takes into account the serious budget situation the U.S. faces, and that political liberalization and serious economic reforms and restructuring in Poland continue. It also urges the Administration to work with our Western allies and Japan to provide additional resources on a multilateral basis, based on the continuation of democratic and economic reforms.

SIERRA LEONE

The U.S. Public Health System attracts citizens from other nations seeking expensive medical treatment for chronic illness that may be unavailable in their own countries.

The status of these foreign nationals who seek long term treatments like kidney dialysis in local public hospitals and who fail to reimburse these publicly supported institutions is uncertain.

It is the committee's view that the health care of foreign nationals who have not established an official intention to remain permanently in the United States is the ultimate responsibility of that individual's government.

The Committee, therefore, urges the government of Sierra Leone to arrange for the payment of past and future costs associated with long term treatment of kidney disease afflicting its citizens obtaining medical care in Prince George's County, Maryland public hospitals.

SOMALIA

The Committee has been concerned with events in Somalia during the past year. Starting in the Spring of 1988, a major campaign was waged by the government of Somalia against rebels in the north. This campaign had a devastating effect on the civilian population, particularly in the cities of Hargesa and Burrao. According to some estimates, a total of 450,000 to 500,000 Somali refugees, primarily from these two cities, now have relocated to Ethiopia. Many thousands of people and many civilians were killed during the conflict. The Committee has had reports of a systematic campaign against civilians and opposition movements. There have also been documented accounts of bombing and strafing of Somali women and children with government planes.

The Committee heard testimony this year that the government of Somalia has a record of long-term human rights abuses, including the incarceration of numerous political prisoners with a complete lack of access and communication. There have also been allegations of torture and lack of proper medical treatment. There appears to continue to be a significant number of arrests merely for political purposes.

Despite these alarming events, the Administration continues to request high levels of aid for Somalia. In fiscal year 1990 a total of \$40 million has been requested.

The Prime Minister of Somalia recently visited the United States and committed both publicly and privately to the release of all political prisoners, including those interned during the last year in connection with the events in northern Somalia. He made additional commitments to investigate human rights abuses of the past and to extend amnesty to Somali citizens living abroad.

Since that time a number of political prisoners have been released, but many remain in prison. The Committee welcomes the initial steps of the Somali government to respond to the political prisoner situation, but more progress still needs to be made.

The Committee has placed a provision in the bill requiring that all economic and military programs for Somalia be notified to the Committee. The Committee will review proposed spending for fiscal year 1990 in light of the extent to which positive steps are being taken by the Somali government in the area of human rights. The Committee will also review the extent to which the government of Somalia adheres to agreements reached with the International

Monetary Fund, the World Bank and the Agency for International Development. The Committee will also carefully monitor the extent to which international relief organizations, such as the International Committee of the Red Cross, are permitted access to prisoners and to assist victims of conflict.

Finally, the Committee is concerned that the Government of Somalia has denied access to the country by human rights organizations. Access to review the situation in Somalia by human rights groups is an important step that must be taken in order to show a commitment to improving human rights in Somalia.

SUDAN

The Committee is deeply concerned about on-going human suffering in the Sudan. Last year it is estimated that between 100,000 and 250,000 people died from starvation or disease in that nation. Some observers believe that the death toll may have been even higher.

A recent military coup in Sudan has added additional confusion to a country that is in the midst of human tragedy created by war and starvation.

Although this is a human tragedy of almost incomprehensible proportions, thousands more could die this year. The situation is especially tragic because sufficient food is available to prevent a recurrence. Unfortunately, both the government of Sudan and the Sudanese People's Liberation Army (SPLA) have chosen to use the distribution of food as a weapon in the past and belated efforts to cooperate with international relief agencies may have come too late to prevent a repetition this year.

Sudan is Islamic, Christian, African and Arab. It is the largest country in Africa and is endowed with an abundant resource base. Many observers have noted that it has the potential to be the breadbasket of the continent. Unfortunately, the Sudan has never come close to achieving its economic potential. Since independence from Great Britain in 1956, it has been troubled by sporadic conflict between the Islamic north and the Christian south.

In 1972 limited autonomy was granted to the south, largely ending a civil war in which hundreds of thousands of lives were lost. But this decision was reversed in 1983 and the Sudanese government sought to impose Islamic law throughout the nation. The resulting conflict has been especially savage.

On March 28, 1987, more than 1,000 Dinka men, women, and children were killed by Arabs at the train station in Ad-Daien in Dafur province. More than two hundred were burned alive in locked railroad cars. On April 7, 1988, the General Secretariat of the Catholic Bishop's Conference released a report describing the looting and burning of Catholic churches, and the torture and killing of catechists (by crucifixion among other methods). Abuses by the SPLA have also been reported. In August 1986, for example, the SPLA shot down a civilian plane carrying sixty passengers.

No one has benefited from this conflict. There are hundreds of thousands of Sudanese refugees in neighboring countries and millions of people are internally displaced. While the resulting starvation in southern Sudan is thus not surprising, the degree of suffer-

ing is not well understood. Here is what one observer reported after visiting southern Sudan last year: "In some areas, virtually all children under 3 are dead. Young girls are rare: In a society beset by war, with an economy based on cattle herding, girls are allowed to starve so that resources can be devoted to their brothers."

The evidence suggest that the last administration may have failed to act aggressively enough last year in the face of considerable evidence of widespread starvation. That appears to have changed during the early months of the new administration. Although it appears that there is now improved cooperation between the Government and the SPLA, there is growing concern that insufficient food will reach the south before the rains make it impossible to deliver additional help.

In the past, Sudan has been one of the largest recipients of U.S. assistance in sub-Saharan Africa. Between 1985 and 1987, for example, no sub-Saharan African country received more development or ESA assistance from the United States. The Agency for International Development (AID) reports that its strategy for Sudan since 1981 "has focused on promotion of economic reform through extensive policy dialogue and balance-of-payments assistance. However, meaningful reform has not been forthcoming." In short U.S. assistance has not been used wisely by the government and Sudan is now struggling under the burden of a crippled economy.

In these circumstances, the Committee does not believe that long-term development assistance can be put to good use in Sudan. In order to review the assistance proposals for the Sudan, the Committee has included a general provision requiring prior notification of assistance funded in this bill to be provided to Sudan. The Committee wishes to advise the Administration that it will be our intention to question any request for assistance not directly related to relief activities absent a significant change in circumstances in the Sudan.

TUNISIA

The Committee continues to be encouraged by the Government of Tunisia's constructive efforts toward democratization and a liberalization of the economy of that small but important friend of the United States. Accordingly, the Committee supports the economic and military assistance levels proposed by the President for fiscal year 1990.

While some problems remain to be resolved, the Tunisian Government has announced a general amnesty and has, in fact, released with full rights the approximately 9,000 to 10,000 political prisoners previously held. Most opposition parties have been legalized, and restrictions on the press have been eased. As noted in a recent newspaper headline, "Tunisia is pulling a democratic rabbit out of a dictator's hat."

At the same time, Tunisia has reached agreements with the IMF and the World Bank calling for economic reform and increased emphasis on private enterprise. While there are lingering effects of a severe drought, the Tunisian economy grew by 1.5 percent in 1988,

and there is a reasonable chance that growth will increase to the 5-6 percent range in 1989.

In spite of these advances Tunisia faces serious problems, especially with Libya. Qadhafi is purchasing long-range Soviet SK-24 aircraft and helicopters which are capable of reaching all parts of Tunisia. The Committee urges the Department of Defense and appropriate Congressional committees to consider Tunisia's request for adequate defense equipment to meet this additional threat.

ZAIRE

The Committee recognizes the strategic importance of Zaire and appreciates its support for U.S. foreign policy objectives in the region and elsewhere. The Committee also acknowledges the role President Mobutu has played in negotiations on a peaceful settlement of the conflict in Angola. In addition, the Committee wishes to encourage a continuation of efforts aimed at economic reform.

The Committee notes the Government of Zaire's publicly stated commitment to improvement in the human rights area and supports Government efforts on the formation of the Department of Citizens' Rights and Liberties. The Committee is aware that the Department has resolved a number of cases of a civil nature, and urges that the Department to continue and expand upon involvement in human rights cases.

The Committee remains concerned about reports of widespread human rights abuses and systemic governmental corruption in Zaire. The Committee is especially concerned about reports of torture and extrajudicial killings by members of Zaire's security forces, and the general failure to investigate, bring to trial, or punish those responsible for such abuses.

The State Department's annual Human Rights Report on Zaire noted that police and military personnel frequently abused their authority "through arbitrary arrests and harassment, extortion, physical mistreatment, and detention of ordinary citizens as well as political opponents." The report further noted that "lack of concern among senior officials, incompetence, [and] corruption" helped perpetuate these problems.

The Committee does not believe that our strategic interests in Zaire should override our concerns with respect to corruption and human rights abuses. The Committee seriously questions the Administration's insistence on providing U.S. taxpayer dollars to a government whose Head of State has reportedly amassed a personal fortune of several billion dollars. Zaire remains one of the world's poorest countries, where per capita income is only \$180 per year. According to testimony by the Administration, approximately \$400 million in foreign exchange receipts remain unaccounted for despite efforts by the World Bank to trace their use.

In light of these concerns, the Committee has made assistance to Zaire subject to reprogramming notification procedures. The Committee has also inserted provisions consistent with the Authorization bill that, to the maximum extent practicable, development assistance be provided through private voluntary organizations, that no ESA be provided and that military assistance be limited to \$3,000,000.

TITLE I—MULTILATERAL ECONOMIC ASSISTANCE

INTERNATIONAL FINANCIAL INSTITUTIONS SUMMARY

Fiscal year 1989 level.....	\$3,742,665,216
Fiscal year 1990 request.....	4,164,057,424
Committee recommendation.....	1,738,071,550

The Committee recommends a total level of funding as shown above for the eight international financial institutions involved in this bill (International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation, the Inter-American Development Bank, the Asian Development Fund, the African Development Fund, the African Development Bank and the Enhanced Structural Adjustment Facility of the International Monetary Fund).

The following represents the proposed and actual distribution of International Financial Institution funding:

	Fiscal year 1989 level	New budget authority estimate fiscal year 1990	Committee recommendation
Budget authority.....	\$1,314,629,730	\$1,787,384,225	\$1,603,261,937
Callable capital.....	(2,428,035,486)	(2,376,673,199)	(134,809,613)
Total.....	3,742,665,216	4,164,057,424	1,738,071,550

U.S. INTEREST IN THE MULTILATERAL DEVELOPMENT BANKS

The multilateral development banks are among the most cost effective but least understood instruments through which the United States attempts to pursue its foreign policy objectives abroad. The United States contributes to the multilateral development banks in order to promote economic development in the third world. These contributions are motivated strongly by our own self-interest and by our humanitarian interests. Our contributions to these banks are based primarily on our belief that continued economic growth, especially market oriented growth, leads to increased political stability, and on our belief that increased economic and political stability strengthens world economic relations which in turn results in better and larger markets for American goods. Often criticized, these institutions remain one of the most important foreign policy tools which can be used to serve important U.S. economic, political, security and humanitarian objectives throughout the world.

The United States is a member of four multilateral development banks: the World Bank and the regional development banks for Africa, Asia and Latin America. Each of these institutions has a "hard" and "soft" loan window. The "hard" loan windows typically lend at commercial rates to middle-income developing countries and to poorer countries with good credit ratings. The "soft" loan windows lend at concessional rates to the very poorest countries. In addition, a number of specialized agencies of the banks promote investment in developing nations. Collectively, these institutions seek to build and maintain an international economic framework that is open, predictable, growth-oriented and equitable.

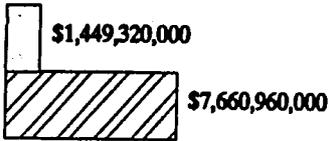
U.S. humanitarian and economic interests are served by development bank lending for activities designed to alleviate poverty, promote basic human needs, and foster equitable economic growth in the poorest nations of the world.

The United States also has important political and security interests in many of the developing nations. The banks play a critical role in promoting these interests. For example, of total World Bank lending in fiscal year 1988, 86 percent was provided to countries that received some form of bilateral U.S. security assistance in that year. Most of the balance went to countries with which the United States has good relations. The United States has an interest in encouraging more western-oriented economies in these countries, and in fostering less dependence upon the Soviet Union.

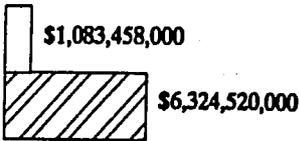
As the chart below suggests, the banks collectively provide for more economic assistance to important U.S. friends and allies than does the United States bilaterally. For every \$1 in economic aid that the United States provided to base rights countries with which we have defense cooperative agreements between 1986 and 1988, for example, the development banks provided more than \$5. The banks provided almost \$6 in economic aid to front-line states between 1986 and 1988 for every \$1 the United States provided on a bilateral basis. While the banks provided less assistance to Central America than the United States during the same three years, the U.S. provided no economic assistance to Argentina, Brazil, and Mexico. By contrast, the development banks provided more than \$13.3 billion between 1986 and 1988.

Economic Assistance Provided To Selected Countries Fiscal Years 1986 Thru 1988

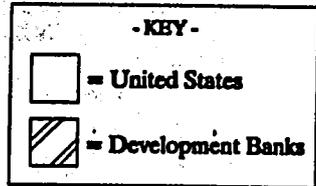
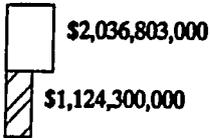
o **Base Rights and Access Countries**



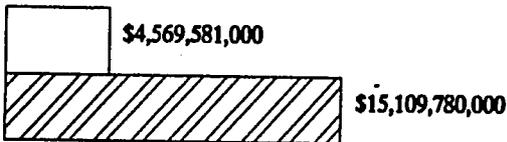
o **Front-Line States**



o **Central America**



o **Previous Three Categories**



o **Previous Categories plus Argentina, Brazil & Mexico**



Base Rights and Access Countries: Greece, Philippines, Portugal; Spain, Turkey, Kenya, Morocco, Oman and Somalia.

Front Line States: Chad, Korea, Pakistan, Thailand, and Tunisia.

Central America: Costa Rica, El Salvador, Guatemala, and Honduras.

Taking all of these countries together, the development banks provided more than \$6.20 in economic aid for every \$1 the United States provided bilaterally between 1986 and 1988. The point is not to suggest that the United States is not doing enough. It is only to note that the cost of duplicating bilaterally what the development banks provide multilaterally would be excessive.

In short, at a time when budget constraints do not permit increases in our bilateral assistance program, the role of the development banks takes on added importance precisely because other nations do share the financial burden and because the banks are able to leverage resources provided directly by donor nations to raise additional resources in private money markets. Between 1982 and 1988, every \$1 the United States directly appropriated in paid-in capital to the World Bank generated roughly \$4 in paid-in currencies from other donor countries. Additionally, the banks were able to further leverage callable capital which each donor country pledged in order to sell bonds and raise private resources for development from the international financial markets. Consequently, for every \$1 directly appropriated by the United States for the Bank during this period, approximately \$125 in bank lending resulted.

In addition to lending funds, moreover, the development banks provide policy guidance and technical services to developing nations. They also serve as focal points for donor coordination and for research on development issues.

American firms benefit directly from U.S. participation in the multilateral development banks. In fiscal year 1988, for example, the Treasury Department reports that American firms received \$1.4 billion in disbursements for foreign procurement from the World Bank alone.

Admittedly, the development banks are imperfect instruments for advancing U.S. interests. Like other large organizations, they have many flaws. Because the United States is only one of many governing members, they sometimes lend to countries with which either conservatives or liberals would take issue. At other times, they approve loans for projects and activities with which many disagree. However, the United States retains enormous influence in these institutions, influence it is in our interest to preserve.

This Committee has played a vigorous role in pressing for needed reforms in the development banks in the past. It will continue to do so in the future. On balance, however, the Committee is convinced that these institutions play a critical role in advancing American interests abroad.

ENVIRONMENTAL CONCERNS

The Committee continues to be concerned regarding environmental issues pertaining to the international financial institutions. The Committee supports institutional reforms at the banks which focus on sustainable natural resource use and the rights and welfare of indigenous people in the borrowing nations. This subject is addressed further in the front of the report under "Items of Special Interest".

AGRICULTURAL AND MINERAL COMPETITION

The Committee continues to be concerned about the use of funds provided to the international financial institutions for the production or extraction of agricultural or mineral export commodities which are in surplus in world markets or which compete with U.S. producers of the same commodity. The Committee has included a General Provision in the bill directing the Secretary of Treasury to instruct the U.S. Executive Directors of these institutions to use the voice and vote of the United States to oppose these types of assistance.

DEVELOPMENT OF ENVIRONMENTAL, SOCIAL IMPACT, AND HUMAN RIGHTS STANDARDS FOR DEVELOPMENT BANK LENDING

In testimony before the Committee, Secretary Brady noted that the Treasury Department has been working with a number of environmental organizations to develop standards for U.S. evaluation of development bank projects affecting tropical moist forests, wetlands, savannas, coral reefs, seagrasses, and other environmental issues. The Committee commends the Department for its initiative in collaborating with environmental organizations in developing such standards.

The Committee encourages the Department to work with nongovernmental organizations in the religious and development communities to develop similar standards for U.S. evaluation of the social impact of proposed lending by the development banks.

The Committee also believes that the Secretary of the Treasury, through the U.S. Executive Directors, should strongly encourage these institutions to include respect for human rights in their policy dialogues and in their decisions relating to allocation of bank resources.

PARIS CLUB DEBT

The Committee currently receives notification of planned Paris Club rescheduling meetings; however the Committee notes that many of these notifications are being sent at the time of or after the meetings have occurred. The Committee reminds the Department of Treasury of its obligation to notify in advance of Paris Club meetings.

The Committee also receives estimates of the budgetary impact of individual Paris Club reschedulings. The Committee directs that the Departments of State and Treasury annually report the total budgetary effects of Paris Club reschedulings by fiscal year no later than March 15th of each following year. The first such report, due March 15, 1990, shall include reschedulings completed from fiscal year 1986 through fiscal year 1989.

The Committee is aware that private commercial reschedulings which occur following the Paris Club reschedulings of public debt may result in different terms and agreements. Some countries have alleged that Paris Club reschedulings have been significantly more generous than later private reschedulings to the same countries. If these allegations are accurate, then Paris Club reschedulings are resulting in transfers of debt crisis liabilities from private creditors

to public creditors. The Committee directs that the Department of Treasury study whether private creditors have been getting more generous treatment in debt rescheduling than public creditors and report to the appropriate Committees of Congress by June 1, 1990.

The Committee notes that the State Department informally has calculated that from January, 1980 to April 1, 1989 the Paris Club has rescheduled 117 agreements covering 45 different countries. Amounts rescheduled are estimated at a total of \$84.86 billion. The United States share of these reschedulings covering 60 agreements and 35 countries are estimated to total \$9.564 billion. Since April, 1989, the United States has been involved in two further large reschedulings: (1) Philippines: total rescheduled \$1.85 billion of which \$415 million was U.S., (2) Mexico: total rescheduled, \$2.4 billion of which \$470 million was U.S. Small reschedulings for Guyana, Cameroon and Costa Rica have also occurred.

Clearly, these reschedulings, in that they delay timely repayment of debt, financially benefit debtor countries and are a significant financial aspect of American foreign assistance that as yet has not been directly controlled in the Congressional appropriations process.

CONTRIBUTIONS FOR ARREARAGES TO THE INTERNATIONAL FINANCIAL INSTITUTIONS

The Committee recommends a total of \$336,591,732 for arrearages to international financial institutions. This funding is the Committee's recommended contribution in fiscal year 1990 toward meeting past due commitments totaling \$413,835,252.

The Committee believes that old bills should be paid before new commitments are undertaken. Consequently, the Committee is deeply concerned that the Administration decided not to request funding to cover all arrearages for fiscal year 1990 while at the same time it requested an increase in fiscal year 1990 funding for these institutions of approximately \$159 million that is unrelated to the arrearage problem. The Committee has provided funding for the existing arrearages as follows:

ARREARAGES SUMMARY

Institution	Request	Recommendation
International Bank for Reconstruction Development	\$20,125,537	0
International Development Association	\$6,666,667	\$6,666,667
International Financial Corporation	\$79,904,472	79,904,472
Inter-American Development Bank	\$31,617,983	0
Fund for Special Operations	63,729,629	63,724,629
Inter-American Investment Corporation	\$25,500,000	0
Asian Development Fund	84,641,964	84,641,964
(to be requested in FY 1991)	(100,000,000)	100,000,000
African Development Bank	\$1,654,000	\$1,654,000
Total	\$313,835,252	336,591,732

FAILURE TO MEET BEST EFFORTS PLEDGE

The Committee notes that the last Administration often complained that the Congress had been unable to provide funding for the "best efforts pledges" of that Administration in the area of base rights and base access agreements.

The Committee notes the discrepancy between the last Administration's efforts to fund their "best efforts pledges" which related to base rights and base access agreements and those related to agreements to fund the international financial institutions. Interestingly, the bank agreements must be authorized by the Congress before appropriation. However, no Congressional authorization process directly approves the military agreements.

On several occasions insufficient funds were requested by President Reagan to meet his "best efforts pledges" to the international banks. Now, the Committee notes that this pattern is being continued by President Bush. The Administration in the 1990 budget has failed to request \$100 million in past due arrearages for the Asian Development Fund. Given that fact the Committee finds it difficult to take seriously Administration rhetoric about the necessity to meet "best efforts pledges", particularly those not authorized by Congress.

CONTRIBUTION TO THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (WORLD BANK)

Fiscal year 1989 level.....	\$2,342,973,335
Fiscal year 1990 request.....	2,332,115,455
Committee recommendation.....	0

The following represents the proposed and actual distribution of the International Bank for Reconstruction and Development (IBRD) funding:

	Fiscal year 1989 level	New budget authority estimate fiscal year 1990	Committee recommendation
Paid-in capital.....	\$50,000,795	\$90,251,869	0
Callable capital.....	(2,292,972,540)	(2,241,863,586)	0
Total.....	2,342,973,335	2,332,115,455	0

The Committee has recommended no funding for the International Bank for Reconstruction and Development for fiscal year 1990. This recommendation is explained in detail in the "Items of Special Interest" portion of this report under the "Third World Debt" section.

HISTORY

The International Bank for Reconstruction and Development (IBRD), known as the World Bank, was established largely under U.S. leadership in 1945 through the Bretton Woods Agreement to make or guarantee loans for productive reconstruction and development projects. This has been accomplished both through its own capital, provided by member governments, and through the mobilization of private capital in international financial markets.

The Bank makes loans at near market terms from its capital resources which consist of (1) paid-in capital subscriptions of members, and (2) member's callable capital subscriptions which are used to support borrowings in capital markets. The Bank's principal role today is making long term credit available for productive projects, at near market interest rates, which will lead to economic growth and social development in its less developed member countries. As of April 30, 1989 the World Bank had 151 member countries, and had made cumulative loans of \$164.5 billion, of which \$110.7 billion had been disbursed.

U.S. membership in the IBRD and an original capital subscription of \$3.175 billion (34 percent of the total) were authorized in 1945 (Public Law 79-171). U.S. subscriptions now total \$17.403 billion or 19.90 percent of the total \$87.483 billion subscribed capital.

The interest rate on IBRD loans as of January 1, 1989 is 7.65 percent. Repayment terms are 15 to 20 years, after a grace period of 3 to 5 years.

CONTRIBUTION TO THE INTERNATIONAL DEVELOPMENT ASSOCIATION

Fiscal year 1989 level.....	\$995,000,000
Fiscal year 1990 request.....	965,000,000
Committee recommendation.....	965,000,000

The Committee has provided a total of \$965,000,000 for the International Development Association, of which \$6,666,667 is for arrearages and \$958,333,333 is for new contributions.

The Committee recommendation would complete the U.S. pledge to the current replenishment. In recommending these funds, the Committee emphasizes the importance it attaches to efforts that directly benefit the poor.

The Committee has included bill language which withholds from obligation \$115,000,000 of funds appropriated for IDA until January 1, 1990. These funds may be obligated after that date if the President certifies: (1) that IDA has not provided any new loans to China since June 27, 1989, or (2) that, if such loans have been provided, the U.S. Government believes that such loans will support the process of increasing individual freedoms and improving human rights in China.

Last year the Committee expressed its strong support for the proportion of resources being committed to sub-Saharan Africa under the IDA VIII replenishment. The initial IDA subscription (1961-1964) provided about 6.3 percent of its resources to that region. By contrast, under IDA VIII approximately 50 percent of IDA resources are targeted for sub-Saharan Africa.

Currently, negotiations for a new IDA replenishment are under way. In allocating any new funds, four major criteria will be used: population, per capita income, performance, and creditworthiness. Based upon the currently available evidence, a strong case can be made that more concessional resources could be used effectively in sub-Saharan Africa:

- to sustain progress in those countries that are
ing
- to support African countries that are likely to
justment programs in the future.

- to accommodate the needs of new recipients such as Nigeria, and
- to address the problems of the heavily indebted African nations.

The Committee is troubled by speculation that sub-Saharan Africa's share of the next replenishment will be reduced. It has been publicly reported that a number of countries, led by Japan, are seeking to cut Africa's share of the next replenishment, with corresponding increases in the share of IDA resources allocated to India and China. In light of recent events in China, the Committee believes that pressures to increase assistance to China should have diminished.

The Committee believes that any reduction in sub-Saharan Africa's share of IDA resources should be approached with caution by the Administration. The case for continued emphasis on sub-Saharan Africa is a strong one.

There are a number of other points the Committee would make with regard to the next replenishment. First, within the performance criteria for allocating funds, greater weight has been placed on macroeconomic performance than on a commitment to alleviate poverty during the last decade. While there may have been good reasons for that, the Committee believes that the poverty alleviation efforts of IDA recipients should be reemphasized as a key subject for policy dialogue in the future, especially for those countries that have been good macroeconomic performers.

It is clear that policy reform alone is not sufficient to insure progress in the continuing effort to alleviate poverty. Thus, the Committee is concerned that governments demonstrate that the reforms they have adopted will promote the aspiration of their people for economic justice. Equity needs to be explicitly recognized and addressed during the current negotiations.

HISTORY

The International Development Association (IDA) is the concessional lending affiliate of the World Bank Group. It was established largely at the initiative of the United States in 1960 to finance high priority economic development projects in the less developed IBRD member countries since the normal IBRD lending terms, at near market interest rates, make borrowing more difficult for those countries. It does this by providing long term credits at a nominal service charge. As of April 30, 1989, IDA has 137 member countries and had made cumulative credit commitments of \$52.2 billion of which \$36.4 billion had been disbursed.

Beginning with this, the eighth replenishment of IDA resources, IDA credits are for 40 years for the least developed countries and 35 years for other recipients. Credits continue to bear no interest, and grace periods will be maintained at 10 years for all countries. After the grace period, 1 percent of the credit is repaid annually for a period of 10 years. In the remaining years, 3 percent is repaid annually. There is an annual service charge of 0.75 percent on the disbursed portion and 0.5 percent on the undisbursed portion of each credit in order to cover administrative costs.

These funds would be the third appropriation for the eighth replenishment of IDA. The total U.S. share of the eighth replenishment amounts to \$2.875 billion.

CONTRIBUTION TO THE INTERNATIONAL FINANCE CORPORATION

Fiscal year 1989 level.....	\$4,891,528
Fiscal year 1990 request.....	114,936,472
Committee recommendation.....	88,000,000

The Committee has provided a total of \$88,000,000 for the International Finance Corporation, of which \$79,904,472 is for arrearages. This amount is an increase of \$83,108,472 above the amount provided in fiscal year 1989. The Committee has also included a provision limiting the U.S. purchase of IFC stock in fiscal year 1990 to not more than \$30,800,000.

HISTORY

The International Finance Corporation (IFC), a member of the World Bank Group, was established in 1956 to further economic development by encouraging the growth of private enterprise in developing countries. IFC provides and mobilizes loans and equity investments for promising ventures, and provides technical assistance. During fiscal year 1988 the Corporation approved 95 projects in 40 countries totaling \$1.36 billion. An increase of \$650 million in the IFC's capital was agreed to in 1984 with payments on the capital increase expected over the 1985-89 period.

CONTRIBUTION TO THE INTER-AMERICAN DEVELOPMENT BANK

FUND FOR SPECIAL OPERATIONS

Fiscal year 1989 level.....	\$0
Fiscal year 1990 request.....	63,724,629
Committee recommendation.....	63,724,629

INTER-REGIONAL PAID-IN CAPITAL

Fiscal year 1989 level.....	\$0
Fiscal year 1990 request.....	31,617,983
Committee recommendation.....	0

THE INTER-AMERICAN INVESTMENT CORPORATION (IIC)

Fiscal year 1989 level.....	\$0
Fiscal year 1990 request.....	25,500,000
Committee recommendation.....	0

The Committee has provided \$63,724,629 in arrearages for the Fund for Special Operations of the Inter-American Development Bank. Arrearage payments of \$31,617,983 for the Inter-regional paid-in capital and \$25,500,000 for the Inter-American Investment Corporation requested by the Administration were not funded.

FUNDING OF ARREARAGES

The Committee has provided full funding for arrearages requested for the Fund for Special Operations. The Committee believes that it is important for concessional lending to continue to the poorest and smallest countries in Latin America. The Committee

further believes that the Bank needs to focus on improving its loan programs for these countries inasmuch as they are the least able to negotiate with private international commercial lenders.

The Committee however, as discussed in "Items of Special Interest"—"Third World Debt Crisis", believes that, until private bankers have shown their willingness to admit that they have substantial levels of uncollectable bad loans in major Latin American countries, and to substantially lower contractual obligations for repayment of their loans, it would be a major error to commit additional public funds to the "hard-loan" window of the Bank. The Committee believes that these funds would simply provide greater liquidity to the major Latin economies allowing them to round circuit U.S. taxpayer dollars to repay debts to large international banks.

The Committee believes that the use of public dollars to repay private commercial debt would result in little benefit to the Latin poor and would continue to allow the avoidance of a responsible resolution of the debt crisis. Consequently, the Committee has recommended no funding for arrearages for paid-in capital.

FUNDING FOR THE IIC

The Committee provided \$10 million for the IIC in the 1985 bill. An additional \$3 million was provided in the 1985 supplemental bill. In 1986, after Gramm-Rudman sequestration, \$11.197 million was provided. In 1988, a further \$1.303 million was provided for a total of \$25.5 million.

Now, five years after the initial request, the Committee has been asked to consider a further request of \$25.5 million. Yet, the Committee remains unaware of any significant accomplishments from this institution. Consequently, the Committee has provided no additional funding.

REPLENISHMENT AGREEMENT

The Committee is encouraged to see that a new replenishment finally has been worked out with an acceptable compromise among the member countries. The Committee continues to believe that settlement of differences could have occurred much earlier.

The Committee is also pleased to note new leadership at the Bank, and that the need for renewed management has been recognized. In light of the size of the new replenishment, the Committee is concerned about the ability of the staff to move the volume of new lending anticipated.

The Committee is also concerned that the Bank develop the capacity to be a unique additional actor in solutions to debt problems in Latin America. It may be that focusing on the smaller countries would be most appropriate. Inclusion of strong conditionality in loan packages is imperative.

HISTORY

The Inter-American Development Bank is an intergovernmental organization, corporate in form, whose capital stock is owned by its member governments. It was established in 1959 to promote economic development in the developing countries in the Western

Hemisphere. It does this by extending loans for specific development projects. It makes loans at near market terms from its ordinary capital resources which consist of (1) paid-in capital subscriptions of members, and (2) members callable capital subscriptions which are used to support borrowings in capital markets. As of the end of December 31, 1988, the IDB had 27 Western Hemisphere member countries including the United States and Canada but excluding Cuba. In addition, seventeen nonregional countries (fifteen European countries plus Japan and Israel) have formally joined the Bank. Cumulative ordinary/inter-regional capital loan commitments were \$28.5 billion on December 31, 1988.

In addition to its ordinary capital lending operations, the IDB extends loans from the resources of the Fund for Special Operations (FSO) in circumstances where financing at near market rates of interest is not appropriate. FSO loans are made on concessional terms and are extended entirely from paid-in contributions provided by the United States and other members of the Bank. The FSO was established in 1959 as an integral element in the Bank's lending operations. As of December 31, 1988 cumulative loan commitments for the FSO totaled \$9.7 billion.

In 1986 the Inter-American Investment Corporation (IIC) was formally established as an affiliate of the IDB. The IIC is a multilateral organization designed to support private sector activities in Latin America and the Caribbean through equity and loan investments that focus primarily on small and medium-scale enterprises. The initial capitalization of the IIC totals \$200 million divided as follows: Latin America and the Caribbean, 55 percent; non-regional countries, 19.5 percent; and the United States, 25.5 percent or \$51 million. The IIC is in the process of being organized and is expected to make its first operation in 1989.

The ordinary capital resources of the Bank are used to provide "hard" loans to countries in Latin America. The interest rates on loan disbursements in 1989 are 8.1 percent. The terms are usually 15 to 25 years with grace periods equal to the time necessary for project completion plus 6 months.

The Fund for Special Operations is used to provide concessional loans to Latin American nations. The interest rates on these loans run from 2 to 4 percent and the terms are usually 25 to 40 years with grace period from 5 to 10 years.

CONTRIBUTION TO THE ASIAN DEVELOPMENT FUND

Fiscal year 1989 level.....	\$152,392,086
Fiscal year 1990 request.....	230,711,964
Committee recommendation.....	221,896,000

The Committee has provided \$221,896,000 for the Asian Development Fund for fiscal year 1990, of which \$184,641,964 is provided in order to meet arrearages and \$37,254,036 is provided toward current payments.

HISTORY

The Asian Development Bank is an inter-governmental organization, corporate in form, whose capital stock is owned by its member governments. It was established in 1966 and began ordinary capital

lending operations in 1968. The ADB assists in the financing of economic development projects and programs in the developing member countries of Asia and the Pacific region. The Bank makes loans at near market interest rates from its ordinary capital resources which consist of (1) paid-in capital subscriptions of members, and (2) proceeds of borrowings in private capital markets which are based on members' callable capital subscriptions. As of December 31, 1988, the ADB had 47 member countries—31 regional countries, three of which are classified as developed (Japan, Australia and New Zealand) and 14 developed non-regional countries including the United States, Canada, and 13 European countries. As of December 31, 1988 cumulative ordinary capital loan commitments were \$16.8 billion.

In addition to its ordinary capital lending operations, the ADB extends loans at concessional rates from funds provided by various ADB member governments. These special funds are used to finance high priority economic development projects in the poorest ADB member countries. As of December 31, 1988 cumulative loan commitments from the Asian Development Fund (ADF) totaled \$8.2 billion.

The ordinary capital resources of the Bank are used to provide "hard" loans to countries in Asia. The U.S. contribution to the most recent replenishment represents 16.3 percent of the total proposed contributions. The interest rate on these loans was 6.42 percent on January 1, 1988. The loan repayment terms usually run 10 to 30 years, after a grace period of from 2 to 7 years.

The Fund is used to provide concessional loans. The loans are provided to the countries at no interest. A service charge of 1 percent is levied, with 35-40 years repayment schedule, after a 10 year grace period.

ASIAN DEVELOPMENT BANK LOANS TO PRC

The Committee is deeply concerned by the recent events in the People's Republic of China. The Committee is aware that US commitments to the Asian Development Bank have totaled \$8.093 billion from fiscal year 1983 to fiscal year 1987, \$132.7 million of which has been in direct paid-in capital.

The Committee supports the decision of the Bank to postpone consideration of \$337.8 million in loans originally scheduled for consideration during June and July of this year.

The US has met its obligation to the Bank for the current general capital increase and therefore the Committee is not recommending funding for the Bank in fiscal year 1990. However, in light of the events in China, the Committee urges the Bank to review its lending practices to that country. Before making additional loans in the upcoming year, the Committee urges the Bank to take into consideration the Government of China's disregard for the basic human rights of its citizens.

This Committee will review the upcoming year's loan practices by the Bank before considering future U.S. contributions.

CONTRIBUTION TO THE AFRICAN DEVELOPMENT FUND

Fiscal year 1989 level.....	\$105,000,000
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Fiscal year 1990 request.....	105,000,000
Committee recommendation.....	105,000,000

The Committee has recommended \$105,000,000 for the African Development Fund.

The Committee believes that these funds are badly needed for development and poverty alleviation in Africa.

HISTORY

The African Development Fund (AFDF), a special fund associated with the African Development Bank (AFDB), was established in 1973. The purpose of the AFDF is to complement the operations of the AFDB by providing acutely needed concessional financing for high priority development projects in the poorest African countries. The Fund consists of 25 non-regional donor countries, plus the AFDB representing all of its members.

The African Development Fund is a separate entity from the AFDB, with its own independent decision-making process and financial autonomy. The Fund's Board of Directors is composed of twelve directors, six elected from the donor countries and six from the Board of Directors of the Bank. The directors designated by the donor countries have 50 percent of the voting power and the directors designated by the Bank have the other 50 percent. A 75-percent weighted vote is required for all operational decisions.

Although all members of the Bank are eligible to borrow, the Fund has restricted its lending to the poorest members. The Fund has concentrated its resources on agricultural and transportation projects.

These loans are provided at no interest. A service charge of 0.75 percent is assessed annually. There is a 50 year repayment schedule after a 10 year grace period. As of December, 1988, the Fund's cumulative lending amounted to \$5.0 billion.

CONTRIBUTION TO THE AFRICAN DEVELOPMENT BANK

Fiscal year 1989 level.....	\$142,408,817
Fiscal year 1990 request.....	145,450,921
Committee recommendation.....	144,450,921

The following represents the proposed and actual distribution of the African Development Bank funding:

	Fiscal year 1989 level	New budget authority estimate fiscal year 1990	Committee recommendation
Paid-in capital.....	\$7,345,371	\$10,641,308	\$9,641,308
Callable capital.....	(135,062,946)	(134,809,613)	(134,809,613)
Total.....	142,408,317	145,450,921	144,450,921

The Committee has provided \$1 million less for the African Development Bank than requested. This cut does not reflect any Committee displeasure with the Bank. Rather, the Committee is faced with a particularly difficult budget outlay squeeze and made the cut accordingly.

HISTORY

The African Development Bank was established in 1964 to make loans at near market terms for the economic and social development of its fifty African members individually and through regional cooperation. In December 1982, the Bank's membership was opened to non-African countries. The United States joined the Bank on February 8, 1983. As of December 31, 1988, 25 non-African countries have become bank members, joining the 50 African members.

To meet the challenge of Africa's poverty, loans are provided primarily to strengthen agriculture and to finance critically needed infrastructure projects. As of December 31, 1988, cumulative Bank lending amounted to more than \$7.6 billion. Lending rate was 7.4 percent as of January 1989, while repayment periods were 12 to 20 years. The grace period on repayment of principal is equal to the time required for project construction.

ENHANCED STRUCTURAL ADJUSTMENT FACILITY

INTERNATIONAL MONETARY FUND

1989 level.....	
Fiscal year 1990 request.....	\$150,000,000
Committee recommendation.....	150,000,000

The Committee recommends \$150,000,000 as requested by the Administration in fiscal year 1990 for the Enhanced Structural Adjustment Facility (ESAF) of the International Monetary Fund. Language has been included in the bill requiring authorization of these funds.

The Committee notes that the Administration is interested in having a "seat at the table" when economic reforms and debt policies are discussed by the international group contributing to the ESAF. The Committee further notes that the Administration has requested only a small amount for this purpose considering the size of the proposed \$11 billion IMF/ESAF loan program. The Committee heard testimony from the Administration that if the United States had agreed to participate in the ESAF in the same proportion that it participates in the IMF, the required contribution would have been approximately \$1.6 billion.

These recommended funds will be contributed to the ESAF subsidy account in order to provide reduced interest rates on IMF loans to the poorest debt ridden countries of Sub-Saharan Africa. The Committee believes that public action on African debt relief and reduction should be undertaken in part as an example to private commercial banks to take similar actions, not just in Africa, but more particularly in Latin America where they hold the vast majority of the debt. The Committee supports continuing efforts to encourage African economic reforms and believes that the IMF and the IMF/ESAF program should be used to encourage holders of commercial debt in Africa to also contribute to an African economic recovery through debt reduction. Public funds should not be used in a way that allows those funds to be rerouted to commercial banks for debt repayment.

DEPARTMENT OF STATE

INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Fiscal year 1989 level.....	\$226,115,000
Fiscal year 1990 request.....	209,000,000
Committee recommendation.....	270,115,000

The Committee recommends a total of \$270,115,000 for this account. The following table shows the Committee's recommendations by program:

(In thousands)

Organization	Fiscal year 1989	Fiscal year 1990	Recommendation
UN Development Program (UNDP).....	\$111,000	\$107,830	\$108,990
UN Children's Fund (UNICEF).....	60,400	33,900	65,400
Int. Atomic Energy Agency (IAEA).....	22,000	25,200	23,000
UN Afghanistan Emergency Trust Fund.....		16,000	0
OAS Dev. Assistance Programs.....	10,000	10,000	10,000
UN Environment Program (UNEP).....	9,500	8,000	12,000
Int. Convention & Scientific Org. Contributions (ICSOC).....	2,000	2,000	2,000
World Meteorological Org. (WMO).....	1,960	2,000	2,000
UN Capital Development Fund (UNCDF).....	1,500	1,500	1,500
UN Educational & Training Program for Southern Africa (UNETPSA).....	800	800	800
UNIDO Investment Promotion Service.....	250	500	500
UN Trust Fund for So. Africa (UNTFSA).....	500	250	500
UN Voluntary Fund for Women (UNIFEM).....	800	220	800
Convention on International Trade in Endangered Species (CITES).....	650	200	750
UN Fellowship Program.....	245	200	245
World Heritage Fund (WHF).....	220	200	220
UN Voluntary Fund for Victims of Torture (UNVFT).....	100	100	100
Int. Panel on Climate Change (IPCC).....		100	100
Int. Fund for Agricultural Development (IFAD).....	2,500		40,000
World Food Program (WFP).....	980		500
UN Int. Research & Training Institute for the Advancement of Women (INSTRAW).....	200		200
UN Institute for Namibia (UNIN).....	110		110
UN Center on Human Settlements (Habitat).....	400		400
Total.....	226,115	209,000	270,115

The Committee has earmarked in the bill the following accounts in the following amounts: UN Children's Fund (UNICEF) \$65,400,000, UN Development Program (UNDP) \$108,990,000, UN Environment Program (UNEP) \$12,000,000, Convention on International Trade in Endangered Species (CITES) \$750,000, and the International Fund for Agricultural Development (IFAD), \$40,000,000. Payments to the U.N. Afghanistan Emergency Trust Fund are addressed in Sec. 535 of the bill and are to be derived from Economic Support Assistance.

The Committee has refrained from earmarking the remaining organizations in the bill in the interest of granting the Administration some additional flexibility. However, the Committee strongly endorses the funding levels shown in the table for unearmarked accounts and intends to closely monitor the allocation process. Flexibility on earmarks in the future will depend heavily on the Administration's responsiveness to the recommended funding levels shown in the table. The "Sec. 653(a)" allocation report sent to the

Congress should contain the allocations by organization for this account.

THE UNITED NATIONS CHILDREN'S FUND

The United Nations Children's Fund (UNICEF) continues to be one of the Committees highest priorities. Few other programs have such widespread and bipartisan support both in Congress and with the American people. Given this support it is extremely difficult to comprehend the continuing trend in the Administration to reduce the amounts requested for UNICEF.

The Committee has also again included a provision requiring that transfer of the entire amount provided occur within 30 days of the passage of this Act. Last year under a potential cutoff of the ability to expend any funds provided in this bill, the Administration did comply with this requirement. The Committee has retained the 30 day transfer requirement, but has not included the limitation on expenditures. This action has been taken with the full expectation that the 30 day transfer requirement to UNICEF will be met.

A further discussion on UNICEF can be found earlier in the report under "Items of Special Interest."

INTERNATIONAL ATOMIC ENERGY AGENCY

The Committee has included bill language which stipulates that funds may be made available to the International Atomic Energy Agency only if the Secretary of State determines and reports to Congress that Israel is not being denied its right to participate in the organization's activities.

CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES

(CITES)

The Committee has recommended a funding level of \$750,000 for CITES in fiscal year 1990. In fiscal year 1989 the Congress provided \$650,000 for this organization, an increase of \$450,000 over the Administration's request. The increased funding levels in both fiscal year 1989 and 1990 will enable the U.S. to remain in the vanguard of international conservation and preservation of endangered plants and animals.

As a specific result of Congress providing funds last year, CITES was able to overcome shortfalls and deficits resulting from exchange rate fluctuation, issue full year contracts for its employees, and initiate several projects of special interest. Funding CITES at the Administration's request level of \$200,000 would cause the organization to cease functioning as an effective body. The UN Secretariat has clearly indicated that it will no longer advance the necessary funding to CITES to make up for temporary shortfalls. Furthermore a reduction in the U.S. contribution will undoubtedly result in decreased levels of contributions from other donors. Key projects would be halted, including the ability to grant contracts for the analysis of certain trade data. Farming and ranching of some endangered species has resulted in successful breeding of certain animals, such as the American alligator. Actions such as these

which substantially benefit U.S. producers and traders would have to be curtailed.

The level of \$750,000 recommended by the Committee will enable CITES to (1) retire its debt to UNEP (2) continue to support the work of the Ivory Control Unit (3) continue studies to evaluate trade of the South American caiman and some species of cacti which may warrant trade protection (4) enhance the analysis of the World Conservation Monitoring Center (5) initiate work with the IUCN Environmental Law Center to catalog and list species covered by national legislation (6) provide support staff and operational funding to the secondments of investigations/enforcement officers from the U.S., and a Plants officer and (7) complete studies of significant trade in key species of animals and begin similar studies of trade in certain plants.

INTERNATIONAL SATELLITE MONITORING COMMISSION

The Committee endorses the concept of an international Satellite Monitoring Commission. Such an organization will be essential in view of the proliferation of remote sensing satellites. With strong leadership the U.S. can coordinate this development, thereby guaranteeing technological leadership and non-discriminatory access to information gathered by civilian satellites.

Information gathered by these satellites will play a vital role in helping us to understand and manage the global environment, to develop policies which enhance sustainable economic development, to monitor crops and other natural resources, and to improve international stability.

Legislation has been introduced in Congress which would form a national commission to develop a plan and a series of recommendations with respect to coordinating national and international civilian satellite monitoring capabilities. This legislation is intended to complement and expand on the President's "Open Skies" proposal.

HABITAT

The Committee strongly endorses the activities of HABITAT and has recommended a funding level of \$400,000 in fiscal year 1990.

These funds are devoted directly to projects which demonstrate the efficacy and appropriateness of housing policy approaches based largely on private action and a sensible public/private partnership. The U.S. contribution has stimulated a number of other countries to provide voluntary contributions in support of their work.

The United Nations General Assembly has recently approved an important new policy document prepared by UNCHS entitled "A Global Shelter Strategy". The Global Shelter Strategy provides the essential framework for a concentrated assault on the menace of homelessness and sub-standard shelter conditions. Not only does it furnish substantive and procedural guidelines for achieving its objectives, but by promoting a partnership between government and people, and between the public and private sectors, it offers realistic prospects for overcoming major obstacles such as insufficiency of resources and under-utilization of the potential for self-help. Other notable features of the Strategy include its operational focus

on action at the national and community levels, and its emphasis on promoting self sufficiency through maximum utilization of indigenous human and material resources, including innovative approaches to resource mobilization. This is an excellent policy framework and one which is much influenced by U.S. views.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

The Committee has provided a level of \$40,000,000 for the International Fund for Agricultural Development, subject to agreement on a third replenishment. It is the Committee's understanding that the outlines of a third replenishment agreement were tentatively agreed to by participant countries at their recent meeting. Final agreement on contribution levels are expected in late September of 1989. Funding in this bill has been recommended despite the absence of a request from the Administration because of the anticipated agreement, and because of the essential role IFAD plays in bringing about a sustainable end to world hunger. This can only be accomplished by helping poor farmers in the developing world increase their ability to feed themselves and their neighbors. Without inclusion of funding in the fiscal year 1990 bill, no additional U.S. funding could reach IFAD until October of 1990. This would have a serious negative impact on IFAD's ability to implement programs under the third replenishment, as the U.S. is the largest contributor.

UNITED NATIONS ENVIRONMENT PROGRAM

The Committee has recommended \$12,000,000 for the United Nations Environment Program. Despite the Administration's claims of concern regarding the state of the world's environment, the funding request for UNEP was reduced from a level of \$9,500,000 in fiscal year 1989 to the requested level of \$8,000,000. UNEP has played a key role in the negotiation of the Montreal Protocol and has been a key factor in coordinating a worldwide assault on global warming. The Committee has recommended additional funds in order to allow UNEP to accelerate its priority programs in climate change, ozone depletion, reforestation, biological diversity, chemical and hazardous waste management and coastal management.

UNEP's principal goals are to monitor and assess major global and regional environmental trends, and to coordinate international action to improve environmental and natural resource management. As such it plays a unique role in the international arena on environmental issues. It is one of the only international multilateral organizations that has shown some effectiveness in bridging the gap between the needs of industrialized and developing countries. It has a global mandate and can therefore address the wide range of problems including acid rain, marine pollution, desertification, carbon dioxide build-up and ozone depletion. It has played a valuable coordinating role on international action to improve environmental and natural resource management. In light of its vast and increasing workload and the growing consensus in Congress to address global environmental problems, it makes absolutely no sense to decrease the U.S. contribution to UNEP's budget. It sends the wrong signal to the world and calls into question the depth of the

Administration's commitment to address global environmental issues.

The Committee has increased the amount provided to \$12,000,000, which will enable the organization to address several critical staff and program shortages. The increased funds will enable additional staff to be hired to work in its Environmental Law Unit and regional offices. With increased international concern and public awareness, UNEP is being overwhelmed with requests for assistance in devising programs and approaches to protect biological diversity, watersheds, soils, tropical forests, coastal areas and to manage chemicals, hazardous waste and energy development. The additional resources will also be used to operate the GRIDS and GEMS monitoring systems. An increasing number of governments are requesting UNEP to prepare environmental maps of their nation in order to assist in development, planning and decisionmaking.

Additional resources are also necessary for the Industry and Environmental Office, the Oceans and Coastal Programme and the African Environmental Ministers Conference. The Committee strongly recommends that future budget requests for UNEP reflect the growing role and the growing needs of this organization.

A recent GAO study on UNEP confirmed the effectiveness of the organization in addressing global environmental concerns. It also concluded that UNEP has adequate controls over its budget execution, financial and fund program reserves and trust funds. However, it also concluded that their financial reserves are set too high, their support cost budget has exceeded established guidelines, and it may be administering too many marginal, small scale projects. The Committee urges UNEP to address these concerns, and directs the Department of State to report on what steps UNEP has taken to implement them by April of 1990.

ORGANIZATION OF AMERICAN STATES

The Committee has recommended that the Organization of American States receive \$10,000,000 in fiscal year 1990. The Committee urges the OAS to allocate its technical assistance funds for environmentally sound development. The work of the OAS is closely linked to the success of other efforts by the United States in the development of Central America, the Caribbean and Latin America. A significant portion of OAS technical cooperation supports sustained development and environmentally sound investment projects.

In recent years the OAS has undertaken studies with co-financing from the Inter-American Development Bank. This arrangement has been helpful to the IDB in increasing its technical awareness of environmentally sound development. Through the Amazon Treaty, the OAS provides technical assistance to joint efforts in environmental planning of areas in Brazil, Peru, Colombia, and Ecuador. Planning of this kind can only be provided by a multilateral organization such as the OAS, and it has a significant multiplier effect in terms of encouraging other donors to participate. At the level of \$10,000,000 the current level of technical assistance for environmentally sound development should be maintained.

UN DEVELOPMENT FUND FOR WOMEN (UNIFEM) AND INTERNATIONAL RESEARCH AND TRAINING INSTITUTE FOR THE ADVANCEMENT OF WOMEN (INSTRAW)

The Committee recommends that two UN programs which specifically address women's development roles and needs, the UN Voluntary Fund for Women (UNIFEM) and the International Research and Training Institute for the Advancement of Women (INSTRAW), be funded at last year's level of \$800,000 for UNIFEM and \$200,000 for INSTRAW.

UNIFEM has developed innovative credit, training, and technology programs for women and has worked effectively to incorporate women into mainstream development activities of the larger UN agencies. INSTRAW has provided training for women in development within the UN system and to government policymakers, and has also assisted governments in establishing and improving sex-disaggregated statistical data. Both of these small UN agencies promote development efforts by fostering greater international support for women's vital roles in the economies of their respective countries.

UNITED NATIONS UNIVERSITY

The Committee supports the objectives of the United Nations University (UNU) as it attempts to explore solutions to problems that beset the global community as a whole. Of particular interest to the committee, however, is INRA—the Africa specific component of UNU, and the committee recommends that AID give every consideration to supporting INRA in the allocation of fiscal year 1990 funds.

**TITLE II—BILATERAL ECONOMIC ASSISTANCE
AGENCY FOR INTERNATIONAL DEVELOPMENT
DEVELOPMENT ASSISTANCE**

Fiscal year 1989 level.....	\$1,184,026,270
Fiscal year 1990 request.....	1,195,000,000
Committee recommendation.....	1,888,400,000

The Committee has provided, with one exception for Population development assistance, funding for bilateral development assistance under one central account. In prior years funding for development assistance has been provided under specific functional accounts. The new account includes the total amount provided for development assistance less amounts provided in a separate account for Population activities plus amounts transferred from Economic Support Assistance. The Committee's recommendation for fiscal year 1990 is consistent with action taken by the House in authorizing fiscal year 1990 foreign assistance.

The new account structure will give the Agency for International Development the additional flexibility requested by the Administration to administer the development assistance program. The Committee expects to see improved planning and implementation of the development program as a result of these changes. If this

does not occur, the Committee will consider returning to the more restrictive process.

In accordance with the House passed authorization bill, H.R. 2655, the Committee has adjusted the development accounts and included an additional \$920,000,000 originally requested in the Economic Support Fund account. This adjustment has been made pursuant to the authorization bill (H.R. 2655) which moved \$1,000,000,000 from Economic Support Assistance to Development Assistance. The Committee has reduced this amount to \$920,000,000 to reflect a proportionate share of the Committee's reduction to the total amount originally requested for the Economic Support Fund in fiscal year 1990. Also, in accordance with the authorization, the Committee has earmarked \$500,000,000 for Egypt in the Development Assistance account. The Committee has also earmarked \$17,000,000 for Jordan, and not less than \$215,000,000 for Pakistan in this account.

AGRICULTURE, RURAL DEVELOPMENT, AND NUTRITION

The Committee recommends \$461,930,000 for agriculture, rural development and nutrition activities.

SURPLUS DAIRY PRODUCTS

The Committee encourages AID to continue dairy development efforts and has recommended up to \$5 million in development assistance for new projects of private entities and cooperatives using surplus dairy products when available. The goal is for AID to support projects to help build markets for U.S. dairy products and technologies, strengthen agricultural development efforts and boost milk and dairy product consumption.

Reduced production of dairy products by the U.S. and European Economic Community has resulted in a sharp decline in world supplies and a three-fold increase in world market prices. Countries which relied on surplus dairy donation are giving priority to developing their own domestic dairy industries to provide much needed nutrition for their vulnerable populations, especially children.

The dairy development program has supported assistance to private sector partners in over 15 developing countries. The strengthening of private sector dairy production, processing and marketing—usually undertaken by many small impoverished farmers—has increased consumer access to quality dairy products, contributed to improved nutrition and opened new opportunities for the transfer and sale of U.S. dairy technologies and products.

VITAMIN A DEFICIENCY

The Committee has earmarked \$8 million of the funds under development assistance for the AID Vitamin A deficiency program.

AGRICULTURE ACTIVITIES IN POLAND

The Committee has provided up to an additional \$10,000,000 in assistance to support agriculture activities in Poland. These funds are to be managed by the Polish Catholic Church or other nongovernmental organizations. Funding has been provided for the past three years for the same purpose, and it appears that the Govern-

ment of Poland continues to allow this funding to be used for its intended purposes.

The Committee believes that the United States should continue to pursue agriculture programs in Poland, and therefore has again placed language providing funding in the bill.

INDIA FEEDING PROGRAM

The Committee agrees with the fiscal year 1990 feeding program planned by AID for India.

The Committee continues to believe in the legitimate and important role of the India feeding program. It urges AID to continue to consider the solicitation of additional feeding proposals.

It also directs AID to ensure that this program is carried out in the most efficient and effective manner possible and that any problems associated with the program are dealt with expeditiously.

RESEARCH BY ICIPE

The Committee is aware of the important biological pest control accomplishment of the International Centre of Physiology and Ecology (ICIPE). The Committee notes with satisfaction that the Agency for International Development has collaborated successfully with ICIPE on several occasions, most recently in the area of livestock tick vaccines and ecology population modeling, as well as integrated pest management programs in the Oyugis area of Kenya. The Committee encourages AID to continue this mutually beneficial process.

AQUACULTURE

The Committee received testimony regarding a systematic approach of improving protein production and consumption through new technologies and expert systems in the field of aquaculture. The Committee encourages such innovative approaches as that advanced by the partnership of Puerto Rico, Massachusetts, and Hawaii in which Third World aquaculture development would enhance not only available supplies of protein but also contribute to local economic development initiatives through private capital investment and job creation. This proposed project incorporates the principles for activities such as training, research, technical assistance and institution building. As such, the Committee expects AID to allocate funds for this project to the organizations participating in this partnership, as outlined in the testimony presented before the Committee.

COLLABORATIVE RESEARCH SUPPORT PROGRAMS

The Committee is aware that, working independently, ecologists, production agriculturalists, and social scientists will fail to produce the management systems and technology necessary to meet the challenge of feeding the world's malnourished populations and that the land available to grow food is diminishing rapidly because of existing cultivation, leaving only marginal land on which to grow food.

The Committee is hopeful that through interdisciplinary collaboration between U.S. and counterpart scientists from the developing

countries, working closely with the local farmers, food production and natural resource sustainability can be compatible and meet this challenge of feeding the hungry.

Accordingly, the Committee directs the Agency for International Development to consider providing additionally, no less than \$10 million over the next three years to establish a new Collaborative Research Support Program which will focus on sustainable agriculture and natural resource management, and which will work closely with the Board for Food and Agricultural Development and Economic Cooperation (BIFAD/EC).

In addition, the Committee believes that the on-going agricultural research programs, if adequately funded, could offer effective scientific networks to further address these sustainable agriculture issues, including the need to add environmental components like integrated pest management and soil conservation practices to the existing research programs. Therefore, the Committee recommends AID provide an additional \$5 million in fiscal year 1990 to support the current research programs which are conducted by the Office of Agriculture in the Bureau of Science and Technology, including the on-going Collaborative Research Support Programs.

CHILD SURVIVAL ACTIVITIES AND HEALTH

The Committee has followed the development account format included in the fiscal year 1990-1991 authorization bill for child survival activities and health. However, the Committee continues to strongly support programs designed to improve health conditions and activities utilizing simple, available technologies which can reduce childhood illness and death.

The Committee has earmarked at least \$245,000,000 from development assistance for child survival activities and health plus at least 10 percent of the assistance included in the fund for Sub-Saharan Africa for improving health conditions, with special emphasis on meeting the health needs of mothers and children.

CHILD SURVIVAL

AID is not currently funding child survival activities at adequate levels. Although the Conference Report on last year's bill recommended funding at least \$185,000,000 from development and ESF on child survival activities, it appears that AID will only spend \$170,000,000. The Committee expects AID to fund child survival activities from all sources in the bill at not less than \$200,000,000 in fiscal year 1990.

RIVER BLINDNESS

The Committee believes that AID should allocate at least \$5,000,000 for the World Health Organization's program to eliminate onchocerciasis (river blindness). The Committee continues its support of activities of the World Health Organization to eliminate river blindness as a severe public health problem and impediment to development in much of West Africa.

At the direction of Congress last year AID increased its voluntary contribution to the World Health Organization's Onchocerciasis Control Program from \$2,500,000 to \$5,000,000. The increased

U.S. contribution leveraged an additional \$5,500,000 from other donors. It is the Committee's expectation that by providing at least \$5,000,000 in fiscal year 1990 more funds should be leveraged from other donors. With the necessary tools, including adequate funding, this disease will be reduced by 1997 to a level where it will never return as a threat to public health.

PUBLIC HEALTH SERVICE REIMBURSEMENTS

The Committee has retained and revised last year's General Provision that provides for reimbursement to the United States Public Health Service or the Centers for Disease Control for the full cost of Public Health Service employees carrying out child survival and AIDS-related activities.

As a result of the continuing spread of AIDS in many developing countries, there will be a growing need for A.I.D. to utilize technical advisers for the implementation of AIDS prevention and control programs in developing countries. In fiscal year 1989, A.I.D. expects to increase the number of countries with major AIDS prevention subprojects from about 25 to approximately 40. At present, A.I.D. has been able to place AIDS technical advisers in only five countries. The additional in-country personnel will be most important in Africa where the AIDS pandemic is greatest and the health infrastructure most weak.

In recognition of the growing needs for technical advisers in the area of AIDS prevention and control, the Committee is recommending that A.I.D. be allowed to utilize AIDS Prevention and Control funds, as well as other development funds, to reimburse those institutions that have detailed personnel to A.I.D. to work in the AIDS prevention and child survival programs.

PROJECT HOPE AND PROJECT PIONEER

The Committee urges AID to review the project HOPE program called Project Pioneer. Project Pioneer hopes to utilize satellite TV in an educational project for Northern Thailand to facilitate the suppression and eventual elimination of dependence on drug producing crops by Thai villages, in addition to improving their living standards.

AID AND VACCINES

The Committee notes that success of child survival activities has made it possible to deliver childhood vaccines in the Expanded Program on Immunization (EPI) throughout the developing world. Vaccines and immunization can be one of the most effective ways to prevent diseases in developing countries. The Committee also notes that it is believed that EPI is capable of delivering more vaccines to prevent additional diseases. However, few effective and safe vaccines suitable for delivery in developing countries exist, although we possess the scientific knowledge to produce them.

The Task Force for Child Survival, located in the United States, coordinates the child survival activities of the United Nations agencies responsible for the EPI. The Committee strongly recommends that AID provide adequate funding for the Task Force for Child Survival to accelerate the development and application of

new and improved vaccines most suitable for use by the EPI in developing countries.

INTERNATIONAL AIDS PREVENTION AND CONTROL

The Committee recommends an earmark of not less than \$42,000,000 in Development Assistance for the International AIDS prevention and control program. The Committee has earmarked \$25,000,000 of the funds earmarked for AIDS prevention and control for the World Health Organization in order to assure continuance of the work being done by that organization. While the Committee has provided \$25 million to support WHO's Global Programme on AIDS. The Committee will look at future allocations that reflect more of a balance between AID and WHO funding.

The Committee believes that both WHO and AID should accelerate their local level programs of prevention and education and concentrate on service delivery during fiscal year 1990.

The Committee also believes that if the Palestine Liberation Organization is admitted to WHO then no funds should be transferred to WHO for any health program.

The committee wishes to emphasize the importance it attaches to the role of private voluntary organizations and non-governmental organizations in the fight against AIDS. Private voluntary organizations have worked over the years with local communities in developing countries in many ways, including the provision of medical and health education, often in areas where governmental health services are limited. U.S. non-governmental organizations have had valuable expertise in training, evaluation, and in developing materials for health education efforts. Thus both are ideally suited to participate in World Health Organization and AID efforts to increase public awareness and knowledge concerning the prevention of AIDS: AID and WHO should take steps to promote and support the participation of these organizations in the campaign to prevent AIDS.

EDUCATION AND HUMAN RESOURCES

The Committee recommends that AID allocate at least \$134,390,000 for education and human resources activities in fiscal year 1990. The Committee believes that AID should follow the recommendations provided in last year's Statement of Managers on the fiscal year 1989 bill. This statement indicated that \$64,770,500 had been earmarked for secondary and primary education to illustrate Congressional concern toward addressing the educational priority that needs to be given to U.S. bilateral assistance. The language also indicated that in fiscal year 1990 and 1991 AID should initiate three new bilateral projects in basic and primary education and two of these projects per year should be in Sub-Saharan Africa.

MEXICAN PEACE SCHOLARSHIPS

The Committee continues to support the Central America Peace Scholarship (CAPS) and Andean Peace Scholarship (APSP) programs, two components of the proposed Caribbean and Latin American Scholarship Program (CLASP II). A.I.D., with Congressional approval, has expanded upon the CAPS program as originally con-

figured under the National Bipartisan Commission on Central America—and understanding that continued friendship with the government and people of Mexico is a paramount foreign policy concern of the United States—the Committee recommends A.I.D. develop a Mexican Peace Scholarship initiative as a fifth component of the CLASP II program. The Committee further recommends that the agency confer with the Congress in preparing program guidelines for this initiative and subsequently, to seek funding for the program in the fiscal year 1991 Congressional Presentation.

COLOMBO PLAN STAFF COLLEGE

The Committee notes the significant improvement in the administration of the Colombo Plan Staff College since 1986. A staff college, as an institution concerned with the retraining of senior personnel in short intensive courses, is particularly relevant in the region with its tiers of Newly Industrialized Countries (NICs) and emerging NICs. It is the belief of the Committee that renewed participation in the Colombo Plan Staff College would provide the U.S. with an opportunity, not only to put the College back on secure financial footing, but to promote American ideas and technology in the rapidly industrializing nations of South Asia and the Pacific.

The Committee recommends that at least \$60,000 in development funds should be allocated to a renewed U.S. contribution to the Colombo Plan Staff College.

CARIBBEAN LAW INSTITUTE

The Committee has retained last year's provision providing \$1,500,000 for the Caribbean Law Institute. The Caribbean Law Institute is a program to promote the reform and codification of laws in the Caribbean, particularly laws relating to trade and commerce. CLI is patterned after the American Law Institute and the Uniform Commissioners of State Laws, organizations through which model codes are developed in the United States. Current activities include harmonization efforts in maritime law and company law, a survey of commercial law, an arbitration project and a treaties project.

INTERNATIONAL STUDENT EXCHANGE PROGRAM

The Committee recognizes and supports efforts to provide opportunities for disadvantaged foreign students to study at United States institutions of higher education as an essential effort to increase the exposure of a broad cross-section of the populations of developing nations to U.S. society and culture. In this regard, the Committee applauds the work of the International Student Exchange Program and expects the Administration to maintain funding for the program at the previous year's level. The Committee believes the program's utilization of U.S. community colleges under the Central American Scholarship Program is especially worthy of praise and encourages the Administration to make greater use of community colleges in other foreign scholarship programs.

PRIVATE SECTOR, ENVIRONMENT AND ENERGY

The Committee feels that AID should allocate \$124,710,000 for programs dealing with the private sector, environment and energy.

UNITED STATES, ISRAEL AND DEVELOPING COUNTRY COOPERATIVE PROJECTS

The Committee has earmarked not less than \$7,500,000 in development funds to be used for cooperative projects among the United States, Israel and developing countries, particularly Africa. This program is designed to tap Israel's extensive experience and expertise in such areas as arid and semiarid agricultural production.

Within the \$7,500,000, the Committee has earmarked \$5,000,000 to be used under the Cooperative Development Program and \$2,500,000 to finance cooperative development research projects.

RURAL ELECTRIFICATION

The Committee strongly supports maintaining bilateral and multilateral programs for rural electrification. Rural electric needs are related to the international debt crisis because the supply of electricity and what it costs have a direct impact on a nation's productivity, especially for developing countries dependent on agricultural exports for foreign earnings.

The developing countries' per capita electricity consumption is less than 10 percent of industrial countries. Their future demand growth rate is three to four times that of the United States. Electricity production in developing countries quadrupled between 1970 and 1980 and can be expected to increase by over 1000 percent between 1970 and 1995.

Two critical issues are financing these skyrocketing energy needs, including distribution to rural areas, and the development of power supplies which do not overburden the global environment. The rural electrification experience in the United States can provide some of the answers. It is a model of government and private partnership for meeting rural energy requirements which has been successfully adopted by countries as diverse as the Philippines, Bangladesh and Costa Rica. The Committee urges the World Bank, regional multilateral banks and AID to strengthen their support of these types of proven energy programs. In particular, AID's Office of Energy can play an important leadership role.

The Committee further believes that there is an urgent need to limit energy losses in inefficient systems now in operation and to expand distributions systems critical to agricultural productivity from existing power plants. Programs are needed to build the institutional capacity of central power authorities, in particular for more efficient distribution which puts the responsibility into the hands of rural people through cooperatives or similar community based organizations.

New and less polluting technologies, such as improved hydropower and biomass generating, also should be actively pursued to lessen the environmental impact of the inevitable growth in both the urban and rural power sectors. New financing systems, including debt for development approaches, should be explored to reduce the foreign exchange burden of oil imports and to fund new and

improved technological power supply options based on nonpolluting resources available in developing countries.

CENTRAL AMERICAN RURAL ELECTRIFICATION

The Committee has earmarked \$5,000,000 for the Central American Rural Electrification Support Project. This multi-year initiative is addressing constraints to rural electrification through improvements in engineering, organization, management, power supply and end use programs for five Central American countries. Using REA standards, the project is assisting national utilities in reducing the initial capital costs, operation and maintenance of rural electric lines by 30 percent or more. The project is training public utility executives in more business like management practices such as strengthening end use applications to increase loads, and providing rural residents with credit and more reliable service. The project is advancing more private sector solutions to electric distribution including cooperatives, and lower cost generation through small hydropower. Finally, the project is exploring new financing mechanisms to make rural electrification "bankable" and ensure that lenders and donors maximize their investment in generation facilities through distribution systems which do not require heavy government subsidies.

In fiscal year 1990, the Committee recommends that AID provide \$5,000,000 in funding through ROCAP for Central American Rural Electrification Support projects, primarily for pursuing creative financing mechanisms, including debt for development, to support privately-oriented rural power supply and electric distribution initiatives in Honduras, Costa Rica, and elsewhere in the region.

SMALL SYSTEM RURAL WATER DEVELOPMENT

The Committee recognizes the effectiveness of the National Rural Water Association in supporting the development and maintenance of rural water systems in the United States. The Committee, therefore, encourages the Agency for International Development, the International Bank for Reconstruction and Development, and the World Health Organization to work with the National Rural Water Association to develop a pilot program to provide technical assistance for rural water programs in lesser developed and developing countries. The Committee understands that this program could be initiated with funding of \$150,000.

OFFICE OF ENERGY—BIODIVERSITY ACTIVITIES

The Committee has earmarked \$20,000,000 in the bill for the Office of Energy and \$10,000,000 for Biodiversity activities. This action is discussed earlier in the report under the Environmental Priorities section.

ELEPHANT CONSERVATION ACTIVITIES

The Committee feels that AID should allocate approximately \$2,000,000 in fiscal year 1990 development funds for elephant conservation activities in Africa.

African elephants now number fewer than 700,000—a decline of 50 percent from a decade ago. Experts have testified that the ille-

gal ivory trade is the major cause of the recent decline in African elephant populations. Furthermore, they agree that we are losing the war against poachers and that without a substantial increase in financial support for elephant conservation measures, there is little hope that the African elephant will survive.

As a result of this crisis and in recognition that the United States is one of the major markets for worked ivory, Congress passed the African Elephant Conservation Act at the end of the last session. The Act contains measures to end the flow of illegal ivory and authorizes \$5 million to provide financial assistance for elephant conservation projects in Africa. As of yet, AID has not allocated funds specifically for this project.

There is a growing international effort to save the African elephant. That effort is based primarily on an elephant conservation action plan recently developed by an international coalition of elephant experts and endorsed by the African Elephant Working Groups of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES). This plan outlines the various actions needed to save the African elephant—such as increased anti-poaching efforts and the protection of key populations. The European Economic Community has already pledged an annual contribution for African elephant conservation initiatives this year. As international momentum continues to grow, it is crucial to the African elephant's survival that the U.S. contribute to this international effort and maintain its leadership role.

The Committee commends the Africa Bureau of the Agency for International Development for beginning to work with African governments and non-governmental organizations on projects to protect African elephants.

The Committee is deeply disturbed by evidence that the increasingly lucrative and uncontrolled trade in illegal elephant ivory has precipitated a devastating decline in the number of African elephants surviving in the wild. The Committee is also extremely concerned that loss of the elephant, which experts warn may occur in as few as 15 years without immediate and substantial help from the international community, would harm the tourism industry, an important source of revenue in a growing number of African countries.

Until June when the authority under the African Elephant Conservation Act of 1988 was used to suspend all imports of ivory into the United States, the United States was a major importer of elephant ivory; therefore, we have a responsibility to assist efforts to save this unique species from extinction. The committee strongly urges A.I.D. to broaden the U.S. role in the protection of African elephants, and to increase its level of financial and technical assistance to the African countries and conservation organizations working to ensure the future survival of this magnificent animal.

SCIENCE AND TECHNOLOGY

The committee recommends that AID allocate \$8,370,000 for the Science and Technology program for fiscal year 1990.

OFFICE OF RURAL AND INSTITUTIONAL DEVELOPMENT

In recent years, the Committee has looked with special favor on the work funded by AID's Office of Rural and Institutional Development (S&T/RD). In our reports for fiscal year 1988 and 1989, for example, the Committee directed AID to provide minimum levels of funding for this Office. We continue to believe that research funded through the Office is important.

Just as the Committee wishes AID to understand the importance that we attach to the Office, we encourage the Office to understand the importance that we attach to the work of small, non-profit, organizations. For example, the Committee is aware of the excellent work done by the Institute for Development Anthropology under its cooperative agreement with AID, "Human Settlements and Resource Systems Analysis" (Project 931-1135). A follow-on agreement, "Systems Approach to Regional Income and Sustainable Resource Assistance" (Project 936-5452), is now being finalized and the Committee expects to follow project approval and implementation closely.

Small institutions are in special need of core funding if their critical work is to be sustained. As with other institutions, they should be treated equitably and in a professional manner. At the same time, because they are financially vulnerable, special recognition should be paid to the unique problems small institutions face.

ASSISTANCE FOR DISPLACED CHILDREN

The Committee has included a provision that earmarks not less than \$3,000,000 from development assistance funds for children who have become orphans or displaced as a result of natural and man-made disasters. This funding continues the program initiated by the Committee two years ago.

The Committee is concerned that it has yet to receive a plan from AID for a program for displaced children that was requested in last year's report. The request for a plan is renewed by the Committee and AID should submit this plan no later than February 1, 1990.

A further discussion on the program for displaced children can be found earlier in the report under Items of Special Interest.

PRIVATE AND VOLUNTARY ORGANIZATIONS

The Committee continues its support for funding the Office of Private and Voluntary Cooperation and recommends that \$60,000,000 be allocated in fiscal year 1990 for that purpose. The Committee also recommends that AID allocate \$10 million for the PVO enhancement program and \$6 million for development programs by U.S. cooperatives. Although the fiscal year 1990 House report and the Conference report both called for AID to provide \$60 million for the PVO program and \$10 million for the enhancement program, AID did not follow this directive. The Committee has received assurances from AID that the fiscal year 1990 program will be carried out.

For many years, the Committee has expressed its support for PVOs and cooperatives and the importance of AID's central office

which allows for more independent funding of worldwide programs. The 245 registered PVOs have an expanding revenue base from private sources of upwards to \$2.2 billion per year. They manage an additional \$1 billion in U.S. Government resources, including Food for Peace commodities.

With a shrinking United States development assistance budget, the Committee believes that strengthening people to people channels of assistance through the Office of Private and Voluntary Cooperation must be a priority for AID. Grants from this office build the institutional capacity of PVOs and their local partners. These grants assist PVOs in launching and expanding their grass roots development programs.

The United States is unmatched in its degree of voluntarism. The Committee views PVOs and cooperatives as one of the comparative advantages the American people bring to development. PVOs and cooperatives are also a means to educate the public about the importance of economic development, not only to those in need overseas, but in our own economic interest.

MICROENTERPRISE

Of the funds appropriated by this act to carry out part I and chapter 4 of part II of the Foreign Assistance Act of 1961, the Committee recommends that \$75,000,000 be made available for programs of credit and other assistance for micro-enterprises in developing countries. Local currencies may be used for assistance for micro-enterprises and may assist in making up the \$75,000,000 level for the micro-enterprise program.

The Administrator of the Agency for International Development is urged to target this program to individuals in the poorest 50 percent of the population in AID assisted developing countries, with clear priority given to the poorest 20 percent of the population, and at least 50 percent of all resources supporting productive activities managed by women. Credit and other forms of assistance should be channelled primarily through private community based organizations. The loans in this program should be less than \$300 per borrower.

The Agency has clearly accomplished much in the area of providing credit and other resources to small and micro-business in developing countries. The recommended level is designed to target resources to the most marginalized people in AID assisted countries, and to strengthen the community based institutions which serve this population.

The Committee expects the Administrator to report to the Committees on Appropriations on the Agency's plans for implementing this micro-enterprise program in accordance with the above guidelines no later than April 1, 1990.

WOMEN IN DEVELOPMENT

The Committee has included a provision that earmarks not less than \$5,000,000 in development funds to be used to encourage and promote the participation and integration of women in the development process in developing countries. The Committee also specifies that of this amount, not less than \$3,000,000 is to be used as match-

ing funds to support the activities of the Agency for International Development's field missions to integrate women into their programs.

The Committee acknowledges the efforts of the Agency for International Development in carrying out the mandate of Section 113 of the Foreign Assistance Act to encourage and promote the participation and integration of women as equal partners in the development process in developing countries. The importance of actively integrating women into development, for reasons of both equity and economics, has become widely understood and accepted at AID and in the larger development community. Therefore, the Committee chose to strengthen the original mandate in last year's bill. The Committee expects a continuation of that strengthening effort by AID.

In requiring AID to seek to ensure that country strategies and, where appropriate, projects and programs, are designed so that the percentage of women who receive assistance is at least in approximate proportion to their traditional participation in the targeted activities, and will increase wherever possible, the Committee continues to look to AID to adopt specific approaches likely to contribute to the achievement of those goals.

The Committee expects that agency staff and contractors will include sex-disaggregated data, where appropriate, in all country, project and program documents. This information should also be included in all relevant research projects, and project and program evaluations should include assessments, where appropriate, of the program's or project's impact on women and success in helping to integrate women into the development process. Where the goals for WID cannot reasonably be incorporated into the design of particular programs or projects, the Committee requests that program or project documents identify the obstacles to incorporating those goals.

In designing projects and programs to carry out this provision, the Committee urges AID and agency contractors to identify and take advantage of opportunities to assist women in activities that are of critical significance to their self-reliance and development. This should include appropriate extension and related services to women engaged in subsistence or cash crop production and training, technical assistance, credit and other services to strengthen the managerial skills and capabilities of women, with special attention to women's institutions and women entrepreneurs.

Of particular concern to the Committee is the level of women's involvement in AID's participant education and training programs. AID is directed to seek to increase training opportunities for women from all regions, and to make necessary provisions in its training programs for addressing the specific needs of women.

The Committee compliments AID on its efforts to date and encourages the agency to continue to provide training for all appropriate Washington, DC and mission-based professional staff. AID is also to provide guidance on strategies for achieving the goal of incorporating women in the planning, design, implementation, management, and evaluation of the agency's development activities. AID should also strongly encourage universities participating in programs under title XII of chapter 2 of part I of the Foreign As-

sistance Act of 1961, other agencies of the U.S. Government, and contractors involved in carrying out programs administered by the agency to develop and implement WID training programs for their professional staffs.

The Administrator of AID is directed to take steps to ensure that senior-level staff from each of the regional and technical bureaus who are in decisionmaking positions with respect to the integration of women in the operations of their bureaus are actively involved in, and committed to: (1) overseeing the implementation of this provision; (2) assisting agency missions in the development process; (3) designing means for ensuring that staff at all levels of the agency are similarly involved in, and committed to, achieving the goals of incorporating women into the development process; and (4) establishing specific criteria for measuring and evaluating the agency's performance in incorporating women in development activities, and developing ways to institutionalize learning within the agency on WID activities.

PRIVATE SECTOR REVOLVING FUND

(BY TRANSFER)

Fiscal year 1989 level.....	(\$9,000,000)
Fiscal year 1990 request.....	(5,000,000)
Committee recommendation.....	(4,611,502)

(LIMITATION ON DIRECT LOANS)

Fiscal year 1989 level.....	(\$12,000,000)
Fiscal year 1990 request.....	(3,500,000)
Committee recommendation.....	(3,228,051)

(LIMITATION ON GUARANTEED LOANS)

Fiscal year 1989 level.....	(\$50,000,000)
Fiscal year 1990 request.....	(50,000,000)
Committee recommendation.....	(46,115,020)

It is the Committee's intention that reflows and other income accruing to the Private Sector Revolving Fund in any fiscal year be obligated within the ceilings imposed in Appropriations Acts. The Committee has provided \$25,000,000 as a limitation on contingent liability for loan principal.

POPULATION, DEVELOPMENT ASSISTANCE

Fiscal year 1989 level.....	(\$197,940,000)
Fiscal year 1990 request.....	(201,600,000)
Committee recommendation.....	201,600,000

The Committee has included prior year language in the bill that requires that none of the Population, Development Assistance funds for this year or any unobligated balances be made available to any organization or program which, as determined by the President, supports and participates in the management of a program of coercive abortion or involuntary sterilization. The bill language also states that funds for Population, Development Assistance cannot be used to pay for the performance of abortions as a method of family planning or to motivate or coerce any person to practice

abortions. Further, the language indicates that in order to reduce reliance on abortions in developing countries population funds shall be available only to voluntary family planning projects which offer, either directly or through referral to, or information about access to a broad range of family planning methods and services. An additional provision in the bill requires in awarding grants for natural family planning under Section 104 of the Foreign Assistance Act, no applicant shall be discriminated against because of such applicant's religious or conscientious commitment to offer only natural family planning; however, all such applicants shall comply with the requirements of informed consent included in the bill.

Finally, the Committee has included language from last year's bill that states that nothing in the population section of the bill is to alter any existing statutory prohibitions against abortion which are included under section 104 of the Foreign Assistance Act.

SUB-SAHARAN AFRICA, DEVELOPMENT ASSISTANCE

(FUND FOR AFRICA)

Fiscal year 1989 level.....	\$500,000,000
Fiscal year 1990 request.....	515,000,000
Committee recommendation.....	515,000,000

The Committee recommends \$515,000,000 for development assistance activities in sub-Saharan Africa, the amount proposed by the Administration.

USE OF FUNDS

Funding provided for fiscal year 1990 is to be used to implement the third full year of what has come to be known as the Development Fund for Africa (DFA). The DFA was established originally to provide an assured and stable source of funding for sub-Saharan Africa. Recognizing that African nations face unique development challenges, the DFA was also designed to allow AID to use development assistance funds in a more flexible fashion.

As in the two previous years, the Committee expects these funds to be administered in accordance with the Statement of Managers accompanying Public Law 100-202. Consultations and reports required in the Statement of Managers should continue to be adhered to by AID in fiscal year 1990.

The Committee has refrained once again from earmarking any of the funds for Africa for functional purposes. As in the past, however, the Committee continues to expect that AID will allocate at least the equivalent of 10 percent of the funds for each of the following activities: (1) maintenance of the natural resource base, including agricultural activities that directly support this purpose, (2) improvements in health conditions, with special emphasis on the needs and education of mothers and children, and (3) voluntary family planning. AID may use funds available from this fund as well as its centrally funded programs to achieve these targets.

The Committee encourages AID to expand bilateral family planning programs in sub-Saharan Africa. It also believes that AID needs to be doing more to improve health conditions in that region

of the world. Currently, AID's health program in Africa is heavily focused on child survival activities. While the Committee commends AID for its work in this field, it believes that insufficient attention is being paid to other health problems in the region.

The Committee has included language in the bill which indicates that African Fund provisions will follow language in a fiscal year 1990/1991 authorities act. If authorizing language is not in place, then provisions in last year's Foreign Operations Appropriations Act will prevail.

EXPERIENCE TO DATE

Although experience to date with the new DFA is still early, the Committee has been encouraged by a number of developments. In particular, performance seems to be playing a more significant role in the allocation of funds to specific countries than was the case prior to the DFA. Nonetheless, the Committee would note two broad concerns in this connection.

First, the Committee is concerned that the limited resources available to AID are being spread over too many countries and programs in sub-Saharan Africa. In fiscal year 1990, for example, AID indicates that some thirty-nine countries will receive assistance from the Development Fund for Africa.

The level of U.S. commitment in most countries is very small. Of the thirty-nine countries scheduled to receive assistance, only one will receive in excess of \$30 million. Six countries will receive between \$20 million and \$30 million, and another nine will receive between \$10 million and \$20 million. The remaining twenty-three countries will receive less than \$10 million each.

At these levels of assistance, the Committee questions whether U.S. development aid can be relevant to the serious economic problems sub-Saharan African countries face. Our purpose in establishing the DFA was not to demonstrate a U.S. presence throughout Africa but rather to help those African nations that are making a serious effort to address their economic problems. If substantial additional resources were available, the Committee might have another view. Absent sufficient resources, the Committee believes that AID should make a serious effort to limit the number of countries receiving assistance from the DFA.

Second, while AID argues that DFA funds should be allocated on the basis of economic performance, it seems prepared to make some notable exceptions to its own standard. For example, Ghana continues to receive little assistance in spite of the fact that it is one of the best economic performers on the continent. Other good performers such as Madagascar and Uganda also receive little assistance.

By contrast, some countries such as Liberia, Somalia and the Sudan continue to receive assistance in spite of their unwillingness to address their economic problems. In the case of Sudan, it is difficult to justify providing any long-term development assistance given the failure of the Sudanese government to cooperate adequately with efforts to alleviate suffering in the southern part of that nation.

In any event, this Committee takes a different view of performance than AID. The Committee recognizes that sound economic policies are necessary to promote long-term development. At the same time, we continue to believe that *need* and the commitment of African governments to alleviating poverty and promoting basic human needs should be the primary criteria used for allocating scarce DFA resources.

LIMITATION ON ESA ASSISTANCE FOR SUB-SAHARAN AFRICA

In an effort to respond to the concerns of the Administration regarding excessive earmarking of the ESA account, the Committee has refrained from earmarking economic support funds for sub-Saharan Africa in fiscal year 1990. Having made a good faith effort to provide the Administration with greater flexibility in allocating ESA, the Committee will be watching closely to determine whether Administration decisions merit flexibility.

In particular, the Committee is concerned that some officials within the Administration may be tempted to stretch limited ESA funds further by substituting DFA funds in their place. In providing the Administration with greater flexibility in the ESA account, it is not the intention of the Committee to have the allocation of DFA funds politicized. Countries that are not making any serious effort to address their economic problems, like Somalia, Sudan, and Liberia, should not be allocated more DFA as a way of compensating for reduced ESA funds.

In short, the Administration should not plan on allocating more DFA assistance than was originally requested under this heading to any African country for which ESF/ESA was also requested in fiscal year 1990. The Committee will vigorously resist efforts to politicize the allocation of DFA funds, and the Administration will be making a serious mistake if it attempts to stretch limited ESA funds further by so doing.

SCHOLARSHIPS FOR DISADVANTAGED SOUTH AFRICANS

The Committee has again under the General Provisions Title earmarked \$10 million for internal and external scholarship programs for disadvantaged South Africans. The Committee also directs AID to provide an additional \$10 million in DFA resources for this purpose. The Administration recommended only \$11 million for scholarships in fiscal year 1990, but the Committee believes that amount is totally inadequate.

In providing these additional funds, the Committee directs that there should be no decline in funding from current fiscal year 1989 levels (as shown in AID's Congressional Presentation Document) for other programs that assist disadvantaged South Africans.

DEBT PROGRAM

The fiscal year 1989 Foreign Operations Appropriations Act included a provision, section 572, providing flexibility to AID in addressing the debt problems of those sub-Saharan African countries that are making a serious effort to address their economic problems. The Committee has been advised that this provision does not need to be carried forward in the current bill and therefore the

provision has not been included. The Committee, however, encourages the Administration to move forward expeditiously in implementing section 572 and to consult closely with the Committee in doing so.

NON-COUNTRY SPECIFIC AND CENTRAL FUNDING

The Committee encourages AID to continue to make every effort to better identify and explain non-country specific funding. Last year the Committee directed AID to provide at least \$110 million in centrally-funded programs in the nations of sub-Saharan Africa. The Committee expects this figure to be adhered to in fiscal year 1990 as well and directs the Africa Bureau to report on compliance with this directive.

DISASTER ASSISTANCE

The Committee continues to be concerned that funds appropriated for long-term development assistance in sub-Saharan Africa are being diverted instead for disaster relief activities under the authority of section 492(b) of the Foreign Assistance Act of 1961. Last year the Committee indicated that its patience was running thin with regard to this issue. We noted that Congress had consistently supported disaster assistance budget requests, and would have supported higher levels if requested.

It is obvious that AID continues to underestimate disaster needs, and that this has resulted in funds being diverted from the very accounts that are designed to prevent future disasters. Elsewhere in this report, the Committee has thus directed AID to submit a budget for disaster assistance in fiscal year 1991 on the assumption that section 492(b) borrowing authority will no longer be available.

PRIVATE AND VOLUNTARY ORGANIZATIONS

The Committee expects AID to consult with African and American private and voluntary organizations that have demonstrated their effectiveness in helping to address the development problems that Africa faces in order to insure that these funds will result in a process of long-term development that is equitable, participatory and environmentally sustainable. The Committee directs the Africa Bureaus to report on the nature and extent of its consultations with PVOs.

EVALUATION OF PROGRAM

By the end of fiscal year 1990 AID will have had three full years experience with the Fund. The Committee wishes to advise AID that an evaluation of the program to date by either GAO or other organizations needs to be conducted at that time.

SOUTHERN AFRICA, DEVELOPMENT ASSISTANCE

Fiscal year 1989 level.....	\$50,000,000
Fiscal year 1990 request.....	50,000,000
Committee recommendation.....	50,000,000

The Committee has earmarked \$50,000,000 for development assistance funds to be used for assistance to the front line states bor-

dering South Africa. The amount provided is in addition to other funding in the bill for Africa, and is consistent with the \$50,000,000 provided last year to assist member states of the Southern Africa Development Coordination Conference (SADCC) in carrying out the most urgent sector projects supported by SADCC. The funding under this provision is provided in support of the intentions of the Anti-Apartheid Act of 1986.

Funding under this section is prohibited to Angola and Mozambique unless, in the case of Mozambique, the President certifies that providing assistance is in the national interest.

The bill language for this provision stipulates that the funding is only to assist sector projects supported by the Southern Africa Development Coordination Conference to enhance the economic development of the nine member states forming SADCC. Funding is to be made available for one or more of the following sectors: transportation; manpower development; agriculture and natural resources; energy and industrial development and trade.

The Committee supports efforts to use SADCC funding for conservation efforts in the region. The Committee notes that funding for conservation efforts in Botswana and Zimbabwe could result in both animal conservation and economic development through increased tourism. AID is encouraged to provide increased SADCC funding in the area of conservation.

The Committee is aware of ongoing discussions concerning the replacement or modernization of rail engines for Mozambique. AID is encouraged to examine this issue carefully and to take into account the long term benefit of purchasing new rail engines. The Committee understands that the renovation process for rail engines in the past has been slow and produced engines with bad maintenance records.

AMERICAN SCHOOLS AND HOSPITALS ABROAD

Fiscal year 1989 level.....	\$85,000,000
Fiscal year 1990 request.....	30,000,000
Committee recommendation.....	30,000,000

AMERICAN UNIVERSITY OF BEIRUT

The American University of Beirut (AUB) has long held a special place in fostering American principles of tolerance and independent thought in the Middle East, and its hospital has demonstrated the American people's humanitarian concerns by treating more than 80,000 casualties of war. The university's continued operation under extraordinarily difficult conditions is a testament to both the dedication of its personnel and its importance to the people it serves.

In order to meet financial obligations arising from deterioration of the Lebanese economy and damage to its facilities caused by intensive artillery fire in Beirut in recent weeks, AUB will require approximately \$9.5 million. The Committee expects that in fiscal year 1990 AUB will receive support from the ASHA account at least equal to the assistance it has received in recent years. The Committee feels that AID should make additional funds available to AUB from other sources in order that it may meet its deficit.

The Committee anticipates that AUB will require financial support beyond what will be provided from the ASHA account in future years as well, and it requests that AID report to the Congress by December 15, 1989 on how it will fund such assistance. The Committee is concerned that a significant portion of scarce resources are being used to fund questionable institutions.

In this regard, the Committee is, at this time, avoiding bill language earmarking this level of funding for AUB. However, the Committee is concerned about the treatment accorded this institution in fiscal 1989.

Both House and Senate reports on the fiscal 1989 appropriations bill included identical language that funds were being made available, through the ASHA account and elsewhere in the bill, "to enable AID to provide \$11,000,000 in assistance to the university". In spite of this clear directive total AID resources proposed to be made available to date for AUB is \$6 million. While an additional \$2 million was raised by the university from Persian Gulf states, this still leaves a shortfall of \$3 million from the amount specified in the House and Senate reports.

If AID wishes to retain the flexibility inherent in report language and not in bill language in this regard, the Committee recommends that action be taken to respond positively to the intent of the Committee on AUB funding as expressed in both the fiscal 1989 and 1990 Committee reports.

ADDITIONAL PROGRAMS

Other examples of laudable programs are Project ORBIS, Feinberg Graduate School, and Hadassah Medical Relief Agency.

The Committee strongly urges the Agency for International Development to fully fund the requests for assistance for Project ORBIS. The Committee believes that Project ORBIS has been remarkably successful in fighting blindness worldwide, through transferring their skills to ophthalmologists in developing countries and through providing modern, on-site medical and surgical ophthalmic services. In addition, Project ORBIS has helped create an awareness of the problems of blindness on the part of heads of state, local medical communities, and other political and social leaders throughout the world.

For more than two decades, the Feinberg Graduate School of the Weizmann Institute of Science has been an outstanding model of American scientific education for post-graduate students and scholars from around the world, including developing nations in Latin America, Africa and the Middle East. Since its inception, the Feinberg School has been a major and exemplary recipient of ASHA funds. In light of the school's substantial and continuing contributions to U.S. foreign policy goals, the Committee strongly recommends that AID give favorable consideration to the school's fiscal year 1990 grant request.

The Committee is concerned that outside pressure on the Agency for International Development (AID) has resulted in a number of American Schools and Hospitals Abroad (ASHA) grants being awarded to hospitals and schools overseas which do not meet Con-

gressional intent for the program. This is in direct contradiction of Congress' intent to fund exemplary institutions overseas.

One of the exemplary grantees that the Committee believes meets the standards and intent of Congress is the Hadassah Medical Relief Agency in Israel. AID should maximize their grants to institutions that provide essential services in a manner consistent with the highest American standards.

The Hadassah Medical Relief Agency in Israel continues to be one of the outstanding grant recipients under the ASHA program. Since 1913, Hadassah has provided health care of the very highest quality to all who come in need—Jews, Christians, Muslims, Druse—regardless of their ethnic origin, religious and political beliefs or ability to pay.

With the recent problems that Israel has faced on the West Bank and Gaza Strip, the demand for Hadassah Medical Relief Agency services has significantly escalated. In the face of an increased drain on Hadassah's resources, the Medical Organization has maintained its open door policy.

This Committee strongly recommends the ASHA program carefully review the Hadassah Medical Relief Agency's needs and consider supporting Hadassah to the maximum extent possible.

INTERNATIONAL DISASTER ASSISTANCE

Fiscal year 1989 level.....	\$25,000,000
Fiscal year 1990 request.....	25,000,000
Committee recommendation.....	25,000,000

The Committee cannot direct the Administration to submit a particular budget request level for disaster assistance activities. However, the Committee does note that budget submissions for the last several years have consistently understated the amounts actually expended for disaster relief. That is because section 492(b) of the Foreign Assistance Act of 1961 allows the Administration to borrow up to \$50 million annually from other accounts to meet disaster needs.

Although it is clear that the intent of the Foreign Assistance Act was that this authority should only be used for true emergencies, AID has routinely used this authority in practice to provide far more than the \$25 million appropriated for disaster assistance. It was also the intent of the Foreign Assistance Act that the accounts from which funds were borrowed should be subsequently reimbursed. However, AID has consistently failed to make reimbursements.

The Committee direct the Office of Foreign Disaster Assistance, in preparing its fiscal year 1991 budget submission, to indicate what level of funding it would seek for disaster assistance activities in the event section 492(b) borrowing authority is not available during that fiscal year.

DISPLACED CHILDREN

The Committee has continued to provide \$500,000 in disaster assistance to allow for efforts to provide assistance to children who have been displaced because of natural and man-made disasters. The Committee intends that these funds will be used primarily in

Africa. A further discussion of issues relating to displaced children can be found earlier in the report.

PAYMENT TO THE FOREIGN SERVICE RETIREMENT AND DISABILITY FUND

Fiscal year 1989 level.....	\$40,532,000
Fiscal year 1990 request.....	40,147,000
Committee recommendation.....	40,147,000

The Committee has recommended funding at the fiscal year 1990 request level for the mandatory payment to the Foreign Service Retirement and Disability Fund.

OPERATING EXPENSES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

Fiscal year 1989 level.....	\$414,000,000
Fiscal year 1990 request.....	447,684,000
Committee recommendation.....	437,000,000

DISADVANTAGED BUSINESS PARTICIPATION

The Committee has been advised that the minority set aside program at the Agency for International Development has achieved considerable overall success. However, as in the past, participation continues to be restricted to a relatively limited number of minority businesses nationwide and has not met designated goals at all Agency Missions worldwide.

To address these concerns, the bill includes language directing AID to: (1) use appropriated funds to implement a program that will increase subcontracting opportunities for minority businesses, historically black colleges and universities and minority-controlled private voluntary organizations; (2) require that contracts be reviewed for potential set aside opportunities prior to their advertisement in the Commerce Business Daily; (3) evaluate the performance of all AID Mission Directors and Deputy Assistant Administrators with respect to the minority set aside program; (4) implement a program, in addition to negotiated procurement under the authority of the Small Business Administration's 8(a) program, to award contracts through competitions limited to socially and economically disadvantaged small businesses, historically black colleges and universities and minority-controlled private voluntary organizations, without the requirements of determinations and findings as provided in the Competition in Contracting Act of 1984. In implementing the latter provision AID should take as a model the Small Disadvantaged Business Set Aside Program established at the Department of Defense under the authority of section 1207 of Public Law 99-661.

The Committee has directed AID to report annually to Congress on the implementation of the minority set aside program.

The annual report required by this provision is to use data available both in AID/Washington and country and regional missions to provide the following information:

- (1) The number and dollar value of contracts awarded to business concerns owned and controlled by socially and economically disadvantaged Black Americans, Hispanic Ameri-

cans, Asian Americans, Native Americans and other minorities, respectively, under the authority of section 8(a) of the Small Business Act;

(2) The number and dollar value of prime contracts and sub-contracts awarded to small business concerns owned and controlled by the minority groups listed above under authorities other than section 8(a) of the Small Business Act;

(3) The number and dollar value of prime contracts and sub-contracts awarded to other business concerns under authorities other than section 8(a) of the Small Business Act;

(4) The number and dollar value of prime contracts and sub-contracts awarded under authorities of section 8(a) of the Small Business Act to small business concerns owned and controlled by women;

(5) The number and dollar value of prime contracts and sub-contracts awarded under authorities other than section 8(a) of the Small Business Act to business concerns owned and controlled by women;

(6) The number and amounts of grants, cooperative agreements and contracts with historically black colleges and universities as compared to the number and amounts of grants, cooperative agreements and contracts to all colleges and universities under this Act;

(7) The number and amount of grants, cooperative agreements, and contracts with PVOs described in subsection (a) as compared to the number and amounts of grants, cooperative agreements, and contracts to all PVOs under this Act;

(8) An analysis of trends evident in reported data and of the strengths and weaknesses of the implementation of this section.

Data should be analyzed to highlight implementation strengths and weaknesses. In the annual report to Congress on this section, the Agency should also include data on the number of contractors who, in the given fiscal year, learned about the Agency's minority set aside program through the Outreach Conferences developed to implement this section. The term "small business" as used in this section is defined by section 3(a)(1) of the Small Business Act (15 U.S.C. 632).

The Committee also urges AID, to the extent practicable, to insure the participation of minority-owned businesses in the transportation of commodities under the authority of the Agricultural Trade Development and Assistance Act of 1954 as amended by the Food for Peace Act of 1966 and section 416 of the Agricultural Act of 1949.

AID PERSONNEL PRACTICES

The Committee has repeatedly expressed its support for AID overseas missions as a way of ensuring the most effective use of foreign assistance resources. The Committee believes that the physical presence of a cadre of development professionals has had a significant and positive impact on the foreign aid program. To be most effective in this regard, however, the number of AID person-

nel and their particular skills must complement the size and nature of the AID program in particular countries.

The Committee is concerned over instances where this complementarity is not found in the overseas staffing of AID missions. Just to cite one example, although India and Uganda have roughly the same Development Assistance program levels, India has approximately three times the direct hire AID staff. Although India is a larger country both in terms of its population and land mass, most development professionals recognize that development work is more difficult in countries such as Uganda, which have lesser technical capacity to implement development programs, than a nation like India. Consequently, the Committee does not understand why there is such a disparity in staffing levels.

The Committee is aware that it is difficult and costly to adjust overseas staffing levels to meet the shifting program requirements of aid recipient countries. Nonetheless, with both program and operating resources limited by overall budget constraints, the Committee would like to examine the effectiveness of the management of our aid programs from the perspective of the efficient utilization of AID personnel. Therefore, the Committee requests that AID provide the Committee a report, to be submitted by February 1, 1990, which addresses the following areas of concern:

What mechanism does AID have in place to ensure that program, operating expense and personnel levels are integrated with one another;

What is the process by which AID adjusts personnel and operating expense levels among its bureaus, and how effective is that process given the decentralized nature of AID management;

Does the process discriminate against certain regions and countries which are considered less desirable duty posts by AID personnel; if so, what can be done to eliminate such discrimination;

Should the above operating and personnel level issues be centralized in an office at a sufficiently high level, perhaps within the Administrator's office, to make these kinds of budget and personnel decisions;

Does the Agency have a system of long-term personnel planning, and if so, how effective is the system in matching personnel requirements with program needs; what could be done to improve on the current system.

HISTORICALLY BLACK COLLEGES AND UNIVERSITIES IN DEVELOPMENT

The Committee is aware that considerable benefits can be gained in analyzing and shaping responses to development problems in Africa and the Caribbean by pooling the resources of Historically Black Colleges and Universities (HBCUs). AID has informed the Committee that the Agency not only supports, but actively encourages these kinds of efforts.

More specifically, AID in the past has provided a planning grant to develop a proposal for a consortium of HBCUs that would, among other things, analyze and respond to specific developing country problems. AID gave its favorable review to the concept de-

veloped through this planning grant: The Cooperative Institute for International Policies Research and Education (CIIPRE). To continue progress in this area, the Committee recommends that AID support the convening of a conference between CIIPRE and companion institutions in Africa and the Caribbean, in the education community and in the public and private sectors, to identify development problems and policy issues to which HBCUs, in a consortium, may have a special ability to respond.

INTERNATIONAL EXECUTIVE SERVICE CORPS

The International Executive Service Corps helps small private enterprises in poor countries overseas by providing thousands of Americans with outstanding executive and technical expertise. Since the American business experts serve as volunteers, the only expense to the U.S. Government lies in administrative and support costs, and even some of this is borne by private sources. Over the past 25 years IESC has completed 12,000 projects. Over the past 5 years its cost per project has declined 25 percent. This has translated into increasingly cost-effective results in enhancing private sector activity in developing countries and in the markets for U.S. products overseas. The Committee supports the IESC program and feels that funding should be provided above last year's level.

The Committee has been impressed by the work of the International Executive Service Corps with economically disadvantaged blacks in South Africa. IESC provides job training, business planning and entrepreneurial spirit to small disadvantaged black businessmen and women that affords real hope in a worsening situation. The Committee urges AID to continue its support for IESC work with disadvantaged blacks in South Africa.

AID PERSONNEL CONVICTED OF FEDERAL CRIME

The Committee is concerned over reports that AID has continued to pay employees that have been convicted of federal crimes. Specifically it is the Committee's understanding that AID has continued to pay the salary of an employee convicted of misusing a diplomatic passport to illegally import commodities into a foreign country.

Unlike civil service employees, who receive hearings after termination for cause, members of the Foreign Service are entitled to pretermination hearings before the Foreign Service Grievance Board, unless the employee expressly waives the right to such a hearing. This has resulted in employees, who have been convicted of job related crimes, continuing to receive public salaries pending the statutory separation hearing.

In at least one instance this has meant that the AID employee, convicted of a felony, has been kept on at full pay by AID pending the conclusion of Grievance Board procedures.

The bill would amend current law to repeal the Grievance Board's authority to stop administrative actions to suspend an individual without pay where there is a reasonable basis to believe the employee has committed a job-related crime for which a sentence of imprisonment may be imposed.

This would bring the Foreign Service system into line with the Civil Service system. If the individual is later found innocent, salary and position would be restored. In the civil service area (5 USC 7513(b)(1)), such suspensions have been upheld by the courts in order to protect public property and the integrity of public programs.

AID VISITS TO PROJECT SITES

The Committee has seen over the past several years a number of examples of AID in-country personnel directing projects from their offices in the capital of a country and seldom venturing out into the field. AID is in no position to justify additional funding unless AID personnel get out of capital cities on a regular basis to monitor projects in the field. On a number of recent visits by Committee members and staff, it has been evident that AID representatives had never seen the projects being shown, did not know where they were and, in some instances, were unaware that projects were not working and had not been working for many months.

FOREIGN AFFAIRS ADMINISTRATIVE SUPPORT

The Committee has included language in the bill limiting the amount spent for Foreign Affairs Administrative Support to \$21,000,000. The Committee feels that this is an adequate amount for this purpose.

PERSONNEL BUDGET

The Committee urges that no reductions be made in the intended increases in the personnel budget. The Committee directs that the funds designated to expand training in priority technical subject matter be designated for natural resources management environmental impact assessment and renewable energy programs. This issue is addressed further in the Environment Concerns section of this report.

SEPARATE ACCOUNTS

The Committee has again included language requiring separate dollar and local currency accounts for ESF cash transfers in order to ensure financial accountability. The Committee last year included language in its report stating:

The Committee is aware that cash transfer-like assistance is being provided under other AID programs. The Committee has expressed its intentions to have AID programs fully auditable with no commingling of funds. The Committee is fully ready if necessary to legislate separate accounts for other programs if Executive actions are not in compliance with its intentions.

The Committee has been amazed at the inability of AID management over the course of one year to clearly decide that all AID sector assistance programs, whether they receive funding through development accounts, the ESF account, or the Sub-Saharan African development or SADCC accounts, should be required to be managed through separate dollar and local currency accounts. The

Committee is aware of the heated discussions of AID personnel attempting to make distinctions between sector assistance and cash transfer assistance. The Committee remains unconvinced by these arguments and believes that for accountability and financial management purposes these theoretical distinctions are meaningless. Consequently, the Committee has included new language requiring separate accounting for all sector assistance programs administered by AID.

STANDARDIZATION OF INTERNATIONAL FINANCIAL REPORTING

The Committee has become aware that international financial statistics being reported by the Organization for Economic Cooperation and Development and those being reported in publications of the World Bank, particularly as they relate to financial flows between countries, differ in significant ways. In order to encourage the standardization of international financial reporting, the Committee requests that the Agency for International Development work with representatives of the OECD, the IBRD, the IMF, and appropriate United Nations organizations in order to standardize data and clarify differences between collected statistics.

OPERATING EXPENSES OF THE AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICE OF THE INSPECTOR GENERAL

Fiscal year 1989 level.....	\$28,500,000
Fiscal year 1990 request.....	\$1,194,000
Committee recommendation.....	30,000,000

The Committee recommends a level of \$30,000,000 for the Office of the Inspector General for AID. The recommendation is an increase of \$1,500,000 above the fiscal year 1989 funding level. The Committee has included prior language on fund transfers, office relocations, and personnel levels.

HOUSING AND OTHER CREDIT GUARANTY PROGRAMS

(LIMITATION ON GUARANTEED LOANS)

Fiscal year 1989 level.....	(\$125,000,000)
Fiscal year 1990 request.....	(100,000,000)
Committee recommendation.....	(125,000,000)

GUARANTEE RESERVE

Fiscal year 1989 level.....	\$22,000,000
Fiscal year 1990 request.....	45,000,000
Committee recommendation.....	45,000,000

The Committee commends the Administration for requesting guaranteed loan authority for the Housing Investment Guaranty Program. The program stimulates greater savings through increased homeownership in developing countries and expands access to formal credit systems, particularly to lower income households. The program is considerably less costly to the United States than other forms of development assistance loans and grants, and it supports efforts to strengthen private sector programs.

The Committee has again included bill language to insure the full use of Guaranty Authority. The Committee has added language to require that guarantees issued under this program be 100 per cent of principal and interest and prohibiting Federal Financing Bank ownership of loans or guarantees.

ECONOMIC SUPPORT ASSISTANCE

Fiscal year 1989 level.....	\$3,258,500,000
Fiscal year 1990 request.....	3,331,100,000
Committee recommendation.....	2,145,000,000

The Committee has recommended a total of \$2,145,000,000 for Economic Support Assistance. In accordance with the House passed authorization (H.R. 2655), the Committee has adjusted this account to reflect a shift of \$920,000,000 into the Development Assistance account.

ISRAEL

The Committee has earmarked \$1,200,000,000 in Economic Support Assistance for Israel, which is at the fiscal year 1989 level and the amount requested by the Administration. The Committee also requires that these funds be provided to Israel as a cash grant within thirty days of the signing of the bill or by October 31, 1989, whichever is later.

EGYPT

The Committee has earmarked not less than \$315,000,000 in Economic Support Assistance. Of this amount \$115,000,000 may be provided as a cash transfer with the understanding that Egypt will undertake significant economic reforms which are additional to those which were undertaken in previous fiscal years. The Committee has also earmarked not less than \$200,000,000 for Commodity Import Program assistance. The Committee's concerns regarding economic reform in Egypt are addressed earlier in the report.

The Committee supports the Administration's efforts to help Egypt meet its expanding energy needs. Given the urgency of those needs, the Committee believes that energy should continue to be a priority for AID in Egypt and that AID should continue to provide funds that maximize U.S. equipment content in order to provide Egypt with the greatest benefit in the shortest reasonable amount of time.

The Committee is aware of the need for measures to curb emissions from coal burning power plants responsible in part for the "greenhouse effect", which threaten serious climate changes in the next century. Therefore, the Committee urges AID to minimize the negative environmental impact caused by ash-bearing fossil fuels and consider relying primarily on high efficiency power plant designs that utilize clean fuels.

NON-MILITARY EXPORTS

The Committee has included the provision from last year's bill requiring that the President determine, in providing cash transfer assistance to Egypt and Israel, that the level of such assistance

does not cause an adverse impact on the total level of non-military exports from the United States to each such country.

CAMP DAVID ACCORDS

The Committee has included bill language that indicates that it is the sense of Congress that recommended levels of assistance for Israel and Egypt are based in great measure upon their continued participation in the Camp David accords and upon the Egyptian Israeli peace process.

JORDAN

The Committees has earmarked not less than \$18,000,000 for Jordan in Economic Support Assistance. The Committee's views on Jordan are expressed earlier in the report.

WEST BANK AND GAZA

The Committee is providing \$12,000,000 in fiscal year 1990 for assistance to the West Bank and Gaza through private and voluntary organizations (PVOs). Started in 1975, this program has focused on health, education, the construction of rural roads, and institution building. The projects funded include land reclamation, agricultural production, potable water, and credit for farmers.

The Committee commends AID and the PVOs involved for the quality and scope of the program. It recommends that the program retain its focus on the area of economic growth, improvement of the policy environment, the strengthening of local institutions, and the improvement of health, education, and other essential services.

The Committee understands that, despite the uprising in the West Bank and in Gaza, the PVOs have been able to maintain and even increase the programs they carry out. The PVOs have been able to sustain positive relations with the Palestinians in the West Bank and Gaza and the Israeli authorities as well.

The Committee believes that this assistance expresses the concern of the United States for the Palestinian people. The Committee also believes that, while these programs can contribute to the well being of the Palestinian people, they cannot be a substitute for progress in the peace process that is crucial for all the people of the region.

ADMINISTRATION OF JUSTICE

The Committee wishes to reiterate its strong support for the Administration of Justice Program, pursuant to section 534 of the Foreign Assistance Act of 1961, as a vital component of U.S. support for democratic initiatives in developing nations. It is expected that the program will continue to be funded at the levels appropriated in fiscal year 1989. This Committee has included a provision in the bill extending the Administration of Justice Program to September 30, 1990.

EL SALVADOR—INVESTIGATIONS

The Committee notes the 1988 decision by the government of El Salvador that the June 19, 1985 murders of four U.S. Marines assigned to our Embassy in El Salvador is not subject to that coun-

try's amnesty law. The basis for the government's ruling, as the Committee understands it, was a finding that the Marines were internationally protected persons under international law and thus were protected by the Vienna Convention on Diplomatic and Consular Relations and by the 1973 New York Convention on Terrorism against Internationally Protected Persons. El Salvador's constitution provides that the government's international treaty obligations supersede local statutes, thereby making the domestic amnesty law inapplicable in this case. The Committee urges the newly elected government of El Salvador to stand by the former government's decision to deny amnesty in this case, and is pleased to note that the case remains under investigation, with two additional suspects now in custody. The Administration is expected to closely monitor legal developments in the case as it progresses through the Salvadoran legal system and to keep the Committee informed of the case's status.

The Committee has earmarked \$1,500,000 for the Special Investigations Unit. The provision of these funds is no longer specifically tied to the investigation of the murders of U.S. citizens, as most of pending cases have gone beyond the investigatory phase and into the judicial process. The Committee expects, however, that the recent attack on the nun, Sister Mary Mackey, who is a U.S. citizen, will be thoroughly investigated. In addition the Committee expects that the Special Investigative Unit be incorporated into the structure of the El Salvadoran police within one year.

The Committee is very disturbed that the Special Investigative Unit was not brought into the case of the San Sebastian massacre until well after the incident occurred. The formation and funding of this unit was based on the expectation that it would be used in sensitive and controversial cases of this type. Funding for it has been continued this year with the strong expectation that this unit will be used in the future for its intended purpose.

EL SALVADOR—SAN SALVADOR ELECTRIC LIGHT COMPANY

The Committee continues to urge the Salvadoran Government to end its inaction with respect to the expropriation without compensation of the U.S.-owned San Salvador Power and Light Company (CAESS). Despite Committee report language and numerous letters from the respective House and Senate Committees to the Secretary of State, the Salvadoran Government has yet to comply with the dictates of its own Supreme Court and come to fair and equitable terms with CAESS.

Since the Salvadoran Government has made no progress toward resolving this longstanding judgment of its highest court, this bill provides that among other factors taken into consideration by the Administration when disbursing economic support funds to El Salvador, the issue of whether demonstrable progress has been made to settle valid expropriation claims of American citizens as determined by the Supreme Court of El Salvador shall be included. Specifically, the Committee would expect that the Salvadoran Government appoint a negotiator, commence discussions, and present offers for negotiation.

In light of the Salvadoran Supreme Court rulings and previous congressional efforts urging an equitable settlement, the Committee believes the time has come for the Salvadoran Government to act. Therefore, the Committee has placed a provision in the bill requiring a report from the President on the extent to which the Government of El Salvador has made demonstrable progress in settling outstanding expropriation claims on this matter prior to the obligation of fiscal year 1990 ESA funds.

TIED AID CREDITS

The Committee has included language identical to last year's bill which limits financing of tied aid credits at \$5,000,000 unless the Committee is notified through the regular notification process. In addition language has been included to the effect that none of the funds from the Economic Support Assistance account may be used for tied aid credits without the prior approval of the Administrator of the Agency for International Development.

SEPARATE ACCOUNTS AND SECTOR ASSISTANCE

The Committee has again included language requiring separate dollar and local currency accounts for ESA cash transfers. The Committee continues to believe that it is the responsibility of the United States Government to be able to ensure that tax dollars spent on foreign assistance can be clearly and easily accounted for. This need for accountability requires careful financial and program controls and the clear separate identification of U.S. funds from transfer to final end use. The Committee feels this strict accountability is necessary in order to ensure that the U.S. government is certain that its foreign assistance funds are being used for their intended purposes.

In addition the Committee has included a new requirement that sector assistance also be held in separate accounts. This additional step has been taken to expand accountability for economic support assistance and to achieve a situation where programs in this account are fully auditable with no commingling of years. The Committee continues to believe that this requirement can be used by AID to encourage foreign governments to improve their central financial management practices for economic decision-making purposes and avoidance of corruption.

CENTRAL AMERICA

The Committee has included a provision which ensures that any changes in the allocations of fiscal year 1990 economic support assistance and development assistance to the levels of economic support funds received in fiscal year 1989 by Central American countries will be made in equal proportions. In other words no country will receive a reduction from their fiscal year 1989 level that is greater in percentage terms than any other country.

CYPRUS

The Committee has earmarked \$15,000,000 in ESA for Cyprus. Of the funds earmarked for Cyprus, \$5,000,000 should be used to support bicomunal, interactive projects including, if possible, a feasi-

bility study for the establishment of a Greek and Turkish Cypriot University.

POLAND

The Committee has included two earmarks for Poland in the bill. A total of \$10,000,000 in ESA and development assistance has been made available for private sector and other economic development purposes.

The Committee has also earmarked a total of \$3,000,000 in ESA for Poland of which \$2,000,000 is for medical care to be divided between Solidarity (\$1 million) and other organizations (\$1 million). \$1,000,000 is for Solidarity through the AFL-CIO's Free Trade Institute. Funding for Poland is discussed earlier under country issues.

HUNGARY

The Committee has included an earmark of \$5,000,000 for private sector and other economic development purposes in Hungary.

AVAILABILITY OF FUNDS

The Committee included language that funds in this account with some exceptions are to remain available for two years.

ANGLO-IRISH ACCORD

Fiscal year 1989 level.....	\$(10,000,000)
Fiscal year 1990 request.....	0
Committee recommendation.....	20,000,000

The Committee recommends \$20,000,000 for the Anglo-Irish Accord. The Committee has included a provision making the funds available as they are needed for funding activities and programs initiated under the accord.

In November 1985, Britain and Ireland signed the Anglo-Irish Agreement as a step toward improving the political, economic, and social conditions existing in Northern Ireland. The agreement, aimed at promoting peace and stability in Northern Ireland and improving cooperation in combating terrorism, received international support as a major step toward reconciliation.

Article 10 of the agreement authorized the creation of an international fund to improve economic and social conditions. The International Fund for Ireland stems from the following provision in the agreement.

The two Governments shall cooperate to promote the economic and social development of those areas of both parts of Ireland which had suffered most severely from the consequences of the instability of recent years, and shall consider the possibility of securing international support for this work.

The International Fund was officially established in December 1986 to promote, in Northern Ireland and the southern bordering counties of Ireland, economic and social development and reconciliation by stimulating private investment and enterprise, supplementing public programs, and encouraging voluntary efforts.

The Committee wishes to commend the International Fund for its work to promote economic growth and social reconciliation throughout Ireland. The Anglo-Irish Agreement requires that all disbursements from the Fund be distributed in accordance with the principle of equality of opportunity and non-discrimination in employment, and without regard to religious affiliation. All grantees are required to sign a pledge, using the exact words employed by Congress, that any money be used in a nondiscriminatory manner. The letter of offer for every project makes it clear that any violation of this agreement will require the immediate repayment of Fund resources.

The Committee is impressed with the commitment the Fund has shown to eliminating discrimination in Northern Ireland. According to the last Presidential certification, for example, "the project approval and management procedures which the Secretariat have established and which the Board of Directors have endorsed, clearly demonstrate their strict adherence to equality of opportunity and nondiscrimination." The certification also notes that "the geographical distribution of approved projects confirms the Fund's effectiveness in meeting the needs of both communities, and accomplishments have been made in the areas of job creation, leveraging of private investment, and reconciliation." By itself, of course, the Fund cannot eliminate all vestiges of anti-Catholic discrimination in Northern Ireland. But it can and is helping, and deserves continuing U.S. encouragement and support.

The Committee notes that the Anglo-Irish Agreement Support Act of 1986 set forth various criteria according to which United States contributions to the Fund should be spent. Last year the conference report on P.L. 100-461 reflected the view of this Committee that job-creation in areas that have suffered most severely from the consequences of instability in recent years should receive major emphasis. Consequently, the report encouraged the Fund to focus its assistance primarily on those areas of greatest need, defined as areas with the highest unemployment. The Fund has been quite responsive to this recommendation. As of March 31, 1989, 67 percent of resources allocated by the Fund within Northern Ireland had gone to disadvantaged areas where the population is predominantly Catholic.

The Committee has included a provision in the bill indicating that funds for this account are available until expended.

MULTILATERAL ASSISTANCE INITIATIVE (PHILIPPINES)

Fiscal year 1989 level.....	0
Fiscal year 1990 request.....	\$200,000,000
Committee recommendation.....	160,000,000

The Committee has recommended \$160,000,000 for the Multilateral Assistance Initiative for the Philippines. The Committee has included language requiring that 75 percent of these funds go for project activities. The Committee has included language setting a 25 percent funding target for Private Voluntary Organization activities in the full Philippine program. The Committee has also included language requiring that all funds for the Multilateral Assistance Initiative for the Philippines be available only through the

notification process, as required by the authorization bill. The Committee also strongly recommends that at least 10 percent of the funds provided for the Multilateral Assistance Initiative be programmed for small and microenterprise activities. Funds under this account have been made available until September 30, 1991.

The Philippine assistance program is covered in "Items of Special Interest-Philippines" in the front of this report in greater detail.

AFRICAN DEVELOPMENT FOUNDATION

Fiscal year 1989 level.....	\$8,000,000
Fiscal year 1990 request.....	9,000,000
Committee recommendation.....	9,000,000

The Committee continues its support for the high priority African Development Foundation. The ADF provides the kind of grass roots support that helps the poorest of the poor to find ways to improve their lives, and the Committee has recommended an increase in funding over the amount provided in fiscal year 1989.

EXTENSION OF AFRICAN DEVELOPMENT FOUNDATION PROGRAM

The Committee has included language from the fiscal year 1990/1991 authorizing bill, extending the ADF program beyond September 20, 1990. The legislation establishing ADF includes an expiration provision. Currently, the Foundation is scheduled to expire on September 30, 1990. The intent of the original legislation to provide for a period of experimentation to see whether the organization could succeed has been accomplished. Therefore the Committee has placed a provision in the bill eliminating the expiration provision. This will allow ADF to concentrate its funding efforts on projects which will have a long-term impact and that will be sustainable over many years. The Committee has also included bill language requiring that the board of the Foundation be bipartisan.

COMPOSITION OF BOARD

The Committee has included language in the bill that requires that the Board for the African Development Foundation be bipartisan. The provision indicates that members of the Board shall be appointed so that no more than 4 members of the Board are members of any one political party. The language does not affect an appointment made to the Board before the date of enactment of the bill.

INTER-AMERICAN FOUNDATION

Fiscal year 1989 level.....	\$16,600,000
Fiscal year 1990 request.....	16,932,000
Committee recommendation.....	16,932,000

The Committee has provided the full request of \$16,932,000 for this account. The Committee continues to support the use of 100 percent of the remaining Social Progress Trust repayments for IAF activities.

The Committee is aware of the significant contributions made by the Inter-American Foundation (IAF) to grass-roots development in central and South America.

In the interest of encouraging a greater IAF presence and impact within the English-speaking nations of the Caribbean, the Committee directs the Inter-American Foundation to report to the Committee concerning its current programs in the English-speaking Caribbean. This report should also include a detailed plan for (i) increasing awareness of the Foundation's mandate throughout the region, and (ii) expanding the Foundation's support for grass roots development throughout this English-speaking region.

OVERSEAS PRIVATE INVESTMENT CORPORATION

(LIMITATION ON DIRECT LOANS)

Fiscal year 1989 level.....	(\$23,000,000)
Fiscal year 1990 request.....	(17,000,000)
Committee recommendation.....	(23,000,000)

(LIMITATION ON GUARANTEED LOANS)

Fiscal year 1989 level.....	(\$175,000,000)
Fiscal year 1990 request.....	(175,000,000)
Committee recommendation.....	(189,000,000)

(LIMITATION)

Fiscal year 1989 level.....	(\$0)
Fiscal year 1990 request.....	(3,000,000)
Committee recommendation.....	(0)

The Committee recommends a limitation of \$23,000,000 in direct loans and \$189,000,000 in guarantee loans for OPIC.

The Committee was unable to fund the new equity program due to severe outlay limitations.

PEACE CORPS

Fiscal year 1989 level.....	\$153,500,000
Fiscal year 1990 request.....	163,614,000
Committee recommendation.....	163,614,000

The Committee strongly supports the work of the Peace Corps and believes the Administration should assure that future funding requests are adequate to meet Peace Corps needs. The Committee has provided the requested level to assist in meeting these needs.

DEPARTMENT OF STATE

INTERNATIONAL NARCOTICS CONTROL

Fiscal year 1989 level.....	\$101,000,000
Fiscal year 1990 request.....	115,000,000
Committee recommendation.....	115,000,000

The Committee has again recommended the full amount requested by the Administration for International Narcotics Control. The Committee has also included a provision in the bill stating that increased emphasis should be placed on: (1) further intensifying United States efforts in the eradication and interdiction of illicit narcotics and (2) seeking international cooperation on narcotics enforcement matters in such areas as extradition treaties, mutual

legal assistance to combat money laundering, sharing of evidence, and other initiatives for cooperative narcotics enforcement efforts.

A further discussion of the program for International Narcotics Control may be found earlier in the report under Items of Special Interest.

MIGRATION AND REFUGEE ASSISTANCE

Fiscal year 1989 level.....	\$461,950,000
Fiscal year 1990 request.....	370,000,000
Committee recommendation.....	370,000,000

¹ Includes \$100,000,000 from fiscal year 1989 supplemental.

The Committee has provided the Administration's request of \$370,000,000 under the migration and refugee account and has provided \$50,000,000, instead of the \$10,000,000 requested under the Emergency Refugee and Migration account. The combination of these two accounts will provide the minimum funding needed for fiscal year 1990 refugee assistance.

The Administration's request for fiscal year 1990 represents a decrease from fiscal year 1989 in the amount of assistance for refugees. This decrease in funding has been requested even though refugee needs are growing as a result of refugee exits from the Soviet Union, and increased refugees in both Africa and Asia.

The Committee feels the Administration has grossly underestimated refugee needs for fiscal year 1990, and directs that the Administration take the necessary steps to prepare a realistic estimate of refugee needs for fiscal year 1991.

The Committee has included prior year bill language concerning equitable treatment of refugees and security clearances.

SOVIET REFUGEES

The Committee has recommended and Congress has passed two Supplemental bills during the past year to address the need for additional assistance for refugees being permitted to leave the Soviet Union. These supplementals permitted the United States to assist refugees leaving the Soviet Union and prevented Soviets with exit permits from being stranded in Moscow or other locations due to a lack of funding. Many of these refugees had been waiting more than 20 years to obtain permission by the Soviet Government to leave the Soviet Union.

Unfortunately, the Administration has not adjusted either its fiscal year 1990 refugee estimates or funding amounts to realistically address the needs for refugees leaving the Soviet Union. The Administration's fiscal year 1990 request for refugees is based on a projection that 22,500 refugees from the Soviet Union and East Bloc countries would require U.S. assistance. However, in fiscal year 1988, 28,239 refugees left the Soviet Union and came to the United States, and that number is estimated to be as high as 43,500 in fiscal year 1989. If current trends continue more than 43,500 refugees may be given exit permits from the Soviet Union and East Bloc countries in fiscal year 1990. Although the Administration has been aware of the new trend for more than a year no attempt was made to adjust the fiscal year 1990 request.

The Committee feels the United States should meet its long held commitment to assisting Soviet refugees. The Committee has provided a total amount for refugee assistance above the Administration's request in order to address Soviet and other refugee needs that may develop during fiscal year 1990, but that have not been provided for in the Administration's request. It is hoped that this funding will provide enough assistance to meet continued refugee exits from the Soviet Union.

The Administration needs to take two approaches to alleviate the potential problems associated with increased refugee admissions from the Soviet Union. First, as noted above, realistic estimates for the program have to be made and funds requested that will address the refugee needs. Second, methods of reducing program costs need to be undertaken. In this area the use of more INS officers in Moscow would greatly reduce the cost of the program. If Soviet officials allow for increased refugee exits directly from Moscow to the United States the cost for assisting refugees in Rome and in Vienna would be eliminated and assistance would be available to support a large number of people exiting the Soviet Union. In taking this approach the Committee urges that the backlog in Rome be first eliminated and that the system not result in refugees being delayed in Moscow.

The Committee continues to be concerned with the Administration's approach of providing "paroles" to Soviet refugees as an answer to refugee admission standards. This category prevents future progression to American citizenship and does not have a positive connotation.

DENIAL OF REFUGEE STATUS

The Committee continues to be concerned that a number of Jewish refugees leaving the Soviet Union are being denied refugee status by the United States. The Committee questions the abrupt and arbitrary decision of the Administration to change the admissions program and to deny some applications, even though there has been a long history of persecution of Jews and other minorities in the Soviet Union. The Committee believes that the criteria that has been used for a number of years concerning refugees status for Soviet and Eastern European refugees should not be altered at this time simply because a larger number of people have recently been allowed to leave the Soviet Union.

REFUGEE ENTRANT ASSISTANCE

The Committee has earmarked \$21,900,000 under the Migration and Refugee Account for refugee entrant assistance. These funds are necessary to provide entrant assistance for refugees funded for entrance under the fiscal year 1989 Supplemental. Although the Administration requested \$100 million in funding for the Migration and Refugee Assistance program, they failed to request any Supplemental (supplemental) or fiscal year 1990 funds for costs associated with resettlement in the United States.

The Administration's approach to budgeting for refugees coming to the United States is both misleading and inconsistent. In order to provide a workable refugee program the Administration needs to

get its act together and provide entrant assistance that corresponds to funding provided for refugee resettlement providing through the Foreign Operations bill.

ETHIOPIAN JEWISH REFUGEES

There are currently up to 20,000 Jewish Ethiopians remaining in Ethiopia, most of whom are women, children, the elderly and the infirm. The great majority wish to join their parents, children and siblings in Israel.

Consistent with the United States concern for human rights, particularly family reunification, and with the Ethiopian Government's commitment to the Universal Declaration of Human Rights, of which it is a signatory, the Committee urges the Government of Ethiopia to permit Ethiopian Jews to exercise their right to reunite with their families in Israel and elsewhere.

AMERASIANS IN VIETNAM

The Committee has included bill language which extends the "Amerasian Homecoming Act" (P.L. 100-202, Sec. 584) through the end of fiscal year 1990.

The substantial increase in funding for all accounts relating to Migration and Refugee Assistance provided by the Committee is intended, in part to permit all Amerasians and family members who desire to leave Vietnam to depart by the end of fiscal year 1990.

The Committee feels that approximately \$40,000,000 will be required in fiscal year 1990 for the Amerasian program.

Although the Committee has strongly urged the Administration to meet the objective set forth in the Amerasian Homecoming Act of having all Amerasians and family members wishing to leave Vietnam out of that country by March 21, 1990, the Committee recognizes that the unexpectedly large number of Amerasians and relatives—some 10,000 more than originally estimated—necessitates an extension.

The Committee commends the State Department and INS for the success of this program thus far and expresses its appreciation for the high level of cooperation provided by the Vietnamese government on this important humanitarian matter.

In extending the legislation, the Committee expects that the Administration will continue to give this matter a high priority, and that the goal of 30,000 departures by the end of March 1990 will still be met.

The Committee is very concerned that the Administration is not budgeting adequate funds for the Department of Health and Human Services Office of Refugee Resettlement to handle the increased number of Amerasian admissions. If the situation is not corrected, the Committee will feel obligated to provide funds to make up the shortfall.

DISPLACED PERSONS CAMPS IN THAILAND

The Committee is seriously concerned about the situation in displaced persons camps along the Thai-Cambodian border, and particularly those camps controlled by the Khmer Rouge.

Reports indicate that there are some 100,000 Cambodians in Khmer Rouge-controlled camps in Thailand, about half of whom are in camps completely closed off to international relief agencies. It appears that severe human rights abuses are occurring in those camps, including summary executions, forced relocation to combat areas, and widespread torture. Many thousands appear to be held against their will.

The Committee is very appreciative of the efforts of the Government of Thailand to improve access to and to provide protection in some of the Khmer Rouge camps. The Committee encourages the Government of Thailand to continue and to expand those efforts.

The Committee strongly believes that there should be immediate and unhindered access by international agencies to all Khmer Rouge camps on Thai soil, and that the displaced persons in those camps should have the freedom of choosing to transfer to other camps or to return to their homeland.

The Committee urges the Government of Thailand to work toward those objectives and requests the State Department to put a high priority on this matter.

ARMENIAN REFUGEES

In view of the August 1988 Administration finding that the vast majority of Soviet Armenians have not claimed to be refugees and do not qualify as refugees under U.S. law, the Committee strongly urges that for fiscal year 1990, the refugee processing and admissions programs for Armenians focus upon those from the Near East/South Asia region—mainly of Iranian, Iraqi, and Turkish nationality—who have been persecuted as an ethnic and religious minority. The Committee is concerned that current U.S. refugee processing in that region is inadequate, as evidenced by the large backlog of approved Armenians awaiting admission to the United States.

The Committee requests that the Secretary of State shall, as part of the monthly Bureau for Refugee Programs statistical reports, provide information on which Iranian, Iraqi and other refugee admissions from the Near East/South Asia region are of the ethnic Armenian minority, as is done for the Soviet Union and other regions of the world.

RESETTLEMENT OF SOVIET, EASTERN EUROPEAN AND OTHER REFUGEES IN ISRAEL

The Committee has earmarked \$25,000,000 for the resettlement of Soviet, Eastern European and other refugees in Israel. This funding will address the needs of new refugees resettling in Israel and support ongoing refugee programs.

In response to the increased number of refugee arrivals in Israel, \$28,000,000 was provided for the resettlement of Soviet, Eastern European, and other refugees in fiscal year 1989. Despite present trends indicating that Israel will absorb at least 6,000 refugees from the Soviet Union during 1989, a three-fold increase over 1988, plus another 4,000 arrivals from other countries, the Committee has provided \$25,000,000 for fiscal year 1990. The Committee recognizes the burden this \$3,000,000 reduction places on Israel. There-

fore, should the number of Soviet Jews arriving in Israel continue to increase, the Committee will consider restoring the current level or higher if the needs warrant it.

FORCED REPATRIATION OF HMONG IN THAILAND

The Committee continues to be concerned about reports of instances of forced repatriation of Hmong refugees in Thailand to Laos. The Committee urges the Government of Thailand to admit the Hmong to the refugee screening process and to allow the United Nations High Commissioner for Refugees to have access to the Hmong and provide appropriate services to them.

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

The Committee notes that the United Nations Relief and Works Agency for Palestine Refugees has increased its relief and health care activity since the Palestinian uprising began in December 1987. As a result of clashes between Palestinians and Israelis, health clinics must remain open for extended period of time, requiring additional medical personnel and supplies. Consequently, UNRWA's operating costs are projected to increase next year by more than 6 percent. The Committee feels that the level of funding for UNRWA in fiscal year 1990 should return to at least the fiscal year level of \$67,000,000.

KURDISH REFUGEES

The Committee recognizes the need for assistance to Iraqi Kurdish refugees in Turkey. More than 50,000 Kurds have fled into Turkey in the past year in response to chemical weapon and other attacks on communities in northern Iraq. Many now reside in temporary refugee camps provided by Turkey, but lack many necessities for survival. Given the critical needs of these refugees, the committee recommends that all efforts should be made to provide assistance to the Kurdish refugees.

UNITED STATES EMERGENCY REFUGEE AND MIGRATION ASSISTANCE FUND

Fiscal year 1989 level.....	\$50,000,000
Fiscal year 1990 request.....	10,000,000
Committee recommendation.....	50,000,000

The Committee has recommended \$50,000,000 for emergency refugee assistance. The recommended amount is \$40,000,000 above the \$10,000,000 requested by the Administration. The Committee has provided additional assistance up to the authorized amount in order to assure that adequate funding is available to meet unanticipated refugee needs that may arise during fiscal year 1990.

ANTI-TERRORISM ASSISTANCE

Fiscal year 1989 level.....	\$9,840,000
Fiscal year 1990 request.....	10,017,000
Committee recommendation.....	10,017,000

The Committee again has provided the full request in the anti-terrorism account due to the urgent need to address the continuing problem of international terrorism. The Committee believes that increased emphasis needs to be placed on airport security, the detection of plastic explosives and plastic weapons, and on the capacity to fully examine passenger baggage.

TITLE III—MILITARY ASSISTANCE

FUNDS APPROPRIATED TO THE PRESIDENT

FOREIGN MILITARY FINANCING PROGRAM

GRANTS AND CONCESSIONAL LOANS

Fiscal year 1989 level.....	\$4,272,750,000
Fiscal year 1990 request.....	5,027,000,000
Committee recommendation.....	4,664,404,194

The Committee has recommended \$4,664,404,194 for the Foreign Military Financing Program and \$39,000,000 for Military Assistance operating funds. The total funding for these accounts is \$4,703,404,194. The recommended amount is \$36,345,806 below the \$4,739,750,000 provided in fiscal year 1989.

ISRAEL

The Committee has earmarked a total Foreign Military Financing Program of \$1,800,000,000 in grants for Israel. The Committee has also recommended \$1,200,000,000 in Economic Support funds, for a total security assistance program for Israel of \$3,000,000,000.

The Committee has included bill language that allows, to the extent requested by the Government of Israel, funds to be used for advanced fighter aircraft programs or for other advanced weapon systems. Up to \$150,000,000 in the funds provided to Israel are available for research and development in the United States and not less than \$400,000,000 shall be available for procurement in Israel of defense articles and defense services, including research and development.

EGYPT

The Committee has earmarked a total Foreign Military Financing Program for Egypt of \$1,300,000,000 in grants. Also funds totaling \$315,000,000 in Economic Support Assistance and \$500,000,000 in Development Assistance has been earmarked for Egypt. The total earmarked program for Egypt is \$2,115,000,000.

PAKISTAN

The Committee has earmarked not less than \$230,000,000 in Foreign Military Financing grants for Pakistan.

JORDAN

The Committee has earmarked \$48,000,000 in Foreign Military Financing grants for Jordan.

GOVERNMENT TO GOVERNMENT PROCUREMENT

The Committee has included a provision in the bill setting government to government procurement of goods and services that are not sold by the U.S. Government at not more than \$687,404,194, excluding funds for Israel and Egypt.

FMS EXPENDITURE RATE

The Committee has included bill language approved in last year's continuing resolution that requires that Foreign Military Financing funds be expended at the minimum rate necessary to make timely payments for defense articles and services.

CONCESSIONAL LOANS

The Committee has recommended a provision allowing for a concessional rate of interest on foreign military financing loans at not less than 5 percent per year. The Committee also has included a provision in the bill setting the amount of direct Foreign Military Financing loans at not less than \$450,000,000.

AUDITS

The Committee is aware that the Department of Justice and the Defense Security Assistance Agency are in the process of promulgating specific changes in the existing Foreign Military Financing regulations in order to strengthen the ability of the United States Government to investigate and prosecute military related corruption cases. The Committee strongly supports strengthening these regulations. The Committee has recommended a provision in the bill that requires the Department of Defense to conduct audits of private firms and subcontractors whose contracts are made directly with foreign governments and are financed with funds made available under this bill.

GREECE AND TURKEY

The Committee has included a provision in the bill that specifies that the total amount of military assistance to Greece and Turkey is to be provided according to a seven to ten ratio.

GUATEMALA

The Committee has included language in the bill that limits aid to Guatemala to no more than \$9,000,000 in non-lethal assistance.

EL SALVADOR

The Committee has included language in the bill that limits aid to no more than \$85,000,000 in Foreign Military Financing for El Salvador.

PHILIPPINES

The Committee has included a provision in the bill that requires that all funds, including previously appropriated funds, for the Philippines are to be provided only through the Government to Government funding program.

HAITI

The Committee has included language that only non-lethal military assistance may be provided to Haiti, and that all military assistance is to be proposed through the Committee's notification process.

FOREIGN MILITARY SALES DEBT REFORM

The Committee continues to believe that the approach to military debt reform which provides the greatest benefits to the widest range of military debtors at the least cost to United States taxpayers is the "buying down" of interest rates directly. In fiscal year 1989 Congress provided an advance appropriation of \$270,000,000 for that purpose subject to a Presidential budget request. Unfortunately, the Administration has not requested the funding for either fiscal years 1989 or 1990. The Committee has provided the same advance appropriation for fiscal year 1991. The Administration is strongly urged to follow this approach to maintaining the financial integrity of the Federal Financing Bank.

STINGERS IN THE PERSIAN GULF REGION

The Committee in the past has prohibited the sale of Stingers to Persian Gulf countries, with the exception of Bahrain with conditions.

The Committee notes that the House authorization legislation, H.R. 2655, includes a provision prohibiting the sale or availability of Stingers to any country bordering the Persian Gulf, and provisions dealing with the sale of Stingers in Bahrain and Oman with conditions.

The Committee supports the provisions included in H.R. 2655, which passed the House on June 29, 1989, regarding the sale of Stingers to Persian Gulf countries.

FOREIGN MILITARY FINANCING PROGRAM—OPERATING EXPENSES

Fiscal year 1989 level.....	\$467,000,000
Fiscal year 1990 request.....	40,432,000
Committee recommendation.....	39,000,000

The Committee has recommended funding for Foreign Military Financing Operating Expenses at a level of \$39,000,000.

REPORTING ON ADMINISTRATIVE PERSONNEL

The Committee directs that the Defense Security Assistance Agency and the Office of Management and Budget provide the Committee with a full annual reporting of military sales revenues and administrative personnel and costs for both the Foreign Military Financing Program and for cash sales. This report is to be submitted by February 1, 1990 and is to provide full projection of revenues and associated program administration costs in the fiscal year 1991 Congressional Presentation Documents.

INTERNATIONAL MILITARY EDUCATION AND TRAINING

Fiscal year 1989 level.....	\$47,400,000
Fiscal year 1990 request.....	54,500,000

Committee recommendation.....	47,400,000
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The Committee recommends \$47,400,000 for fiscal year 1990 funding for the International Military Education and Training account. The Committee was unable to provide more funds for the IMET program because of the budgetary outlay squeeze. The Committee has included a burdensharing provision, enacted in fiscal year 1989, requiring that countries with gross national products exceeding \$2,349 pay for transportation and living costs for their trainees.

GUARANTY RESERVE FUND

Fiscal year 1989 level.....	\$939,500,000
Fiscal year 1990 request.....	719,545,000
Committee recommendation.....	719,545,000

The Committee is recommending full funding for the Guaranty Reserve Fund, a mandatory account. Executive and Legislative estimates concerning this account are in full agreement for fiscal year 1990.

SPECIAL DEFENSE ACQUISITION FUND

(LIMITATION OF OBLIGATIONS)

Fiscal year 1989 level.....	\$(236,865,000)
Fiscal year 1990 request.....	(325,000,000)
Committee recommendation.....	(280,000,000)

The Committee has recommended a limitation of \$280,000,000 for fiscal year 1990 for the Special Defense Acquisition Fund. The Committee has included prior year language in the bill that makes these funds available for three years.

PEACEKEEPING OPERATIONS

Fiscal year 1989 level.....	\$31,689,000
Fiscal year 1990 request.....	33,377,000
Committee recommendation.....	33,377,000

The Committee has recommended the amount requested by the Administration for voluntary contributions for International Peacekeeping Operations.

The Committee expresses its continued concern that the Cyprus Peacekeeping Force program is operating at a financial deficit. The Committee feels that the United States has been carrying a disproportionate share of this deficit. The Committee directs the Administration to expedite efforts to correct the Cyprus Peacekeeping Force deficit.

TITLE IV—EXPORT ASSISTANCE

EXPORT-IMPORT BANK OF THE UNITED STATES

LIMITATION OF PROGRAM ACTIVITY

(LIMITATION ON DIRECT LOANS)

Fiscal year 1989 level.....	\$695,000,000
Fiscal year 1990 request.....	0

Committee recommendation.....	595,000,000
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(LIMITATION ON GUARANTEED LOANS)

Fiscal year 1989 level.....	\$10,200,000,000
Fiscal year 1990 request.....	10,384,000,000
Committee recommendation.....	10,384,000,000

(LIMITATION ON ADMINISTRATIVE EXPENSES)

Fiscal year 1989 level.....	\$20,390,000
Fiscal year 1990 request.....	22,782,000
Committee recommendation.....	22,000,000

APPROPRIATION FOR TIED AID

Fiscal year 1989 level.....	\$110,000,000
Fiscal year 1990 request.....	110,000,000
Committee recommendation.....	100,000,000

APPROPRIATION FOR INTEREST SUBSIDIES

Fiscal year 1988 level.....	0
Fiscal year 1989 request.....	0
Committee recommendation.....	\$20,000,000

The Committee is a strong supporter of the Export-Import Bank. However, due to the credit ceiling insisted upon by the House Budget Committee in the Conference Agreement on the fiscal year 1990 Budget Resolution, the Committee was unable to provide for more than \$595,000,000 for the direct credit program. This inability to more fully fund the direct credit program is particularly unfortunate because the commercial demand for these credits has exceeded the supply in the past two fiscal years. The country is suffering under a large trade deficit. The perverse impact of the controlled allocation of credit authority by the Budget Committees in addition to their control of both budget authority and outlays is addressed in the "Items of Special Interest—Credit Budget Controls" section of this report. The Committee has attempted to mitigate the \$100,000,000 cut in the direct credit program by providing \$20,000,000 for the initiation of an interest subsidy program. An interest subsidy program properly developed should be able to leverage exports totalling in excess of ten times the subsidy amount provided. The Committee has also provided \$110,000,000 for a tied-aid grant program all of which is subject to the direct credit loan limitation. The Committee has included language requiring authorization of the tied-aid grant program and the proposed interest subsidy program. Funds for the tied aid program, the interest subsidy program, and the direct credit program are available until September 30, 1991.

FINANCIAL ACCOUNTING AND REPORTING

The Committee continues to believe that the Bank's accounting and reporting practices inaccurately reflect the Bank's financial condition as reported repeatedly by the General Accounting Office. The Committee believes that these practices are at best misleading and that they significantly overstate the Bank's financial condition.

The Bank holds a very significant level of non-performing loans; yet, it has repeatedly refused to create a loan loss reserve. The Committee finds this refusal inexcusable and financially irresponsible. The Committee notes that at the same time that the Export-Import Bank is refusing to take this action, a large number of private commercial banks in the United States have been making additional large contributions to their loan loss reserves in order to cover poorly performing or non-performing Third World loans. The Committee hopes that the new leadership at the Bank will reconsider its position prior to requesting any funds from Congress for its recapitalization.

The Committee further notes that the Overseas Private Investment Corporation (OPIC), which runs similar types of programs, has acted in a more responsible financial manner and has substantial reserves for bad loans. OPIC also reported to the Committee that it annually budgets for potential loan losses.

TRADE AND DEVELOPMENT PROGRAM

Fiscal year 1989 level.....	\$25,000,000
Fiscal year 1990 request.....	25,000,000
Committee recommendation.....	30,000,000

The Committee has placed special emphasis on the Trade and Development Program in recommending funding of \$30,000,000, which is \$5,000,000 above the amount requested by the Administration. The Committee continues its strong support for the Trade and Development Program and believes that this program is particularly valuable in assisting American companies in their efforts to compete for major export opportunities in the international marketplace.

TRADE CREDIT INSURANCE PROGRAM

Fiscal year 1989 level.....	(\$200,000,000)
Fiscal year 1990 request.....	(200,000,000)
Committee recommendation.....	(200,000,000)

The Committee recommends \$200,000,000, the same level as the budget request. The Committee notes that the Trade Credit Insurance Program is a secondary guarantee and as such has no effect on budget authority, direct loan, or primary guarantee levels allocated in the 302(b) process.

TITLE V—GENERAL PROVISIONS

The Committee recommends that the following new and revised general provisions be included in the bill:

SECTION 509—REPRESENTATIONAL ALLOWANCES

The Committee has revised Section 509 relating to Representational Allowances to change the name Foreign Military Sales to Foreign Military Financing Program, and the name Military Assistance to Foreign Military Financing Program—Operating Expenses.

SECTION 515—DEOBLIGATION/REOBLIGATION AUTHORITY

The Committee has revised Section 515, Deobligation/Reobligation Authority, to delete prior fiscal year language relating to Jamaica and Bangladesh and to delete the prohibition on the use of deobligation/reobligation authority for the Economic Support Fund. The revised provision also updates the date of availability of the authority to September 30, 1990.

SECTION 517—AVAILABILITY OF FUNDS

The Committee has revised Section 517 relating to the availability of funds to allow funds for balance of payments or sectoral assistance objectives to remain available until expended. The provision also allows funds allocated or earmarked for balance of payments or sectoral assistance to be reprogrammed, deobligated and reobligated in accordance with the Committee's notification procedures.

SECTION 523—NOTIFICATION REQUIREMENTS

The Committee has revised Section 523, Notification Requirements, to provide additional clarification on economic and military notifications. These changes are discussed in detail under the section on "Reprogramming" earlier in the report.

SECTION 526—LIMITATION ON AVAILABILITY OF FUNDS FOR INTERNATIONAL ORGANIZATIONS AND PROGRAMS

The Committee has revised Section 526, relating to the limitation on the availability of funds for International Organizations and Programs, to allow funds withheld in accordance with this provision to be reprogrammed to other International Organizations and Programs Accounts through the Committee's notification process.

SECTION 527—U.N. VOTING RECORDS

The Committee has revised the General Provisions relating to UN voting records to reflect House action included in the fiscal year 1990 State Department Authorization bill.

SECTION 533—ENVIRONMENTAL CONCERNS

The Committee has revised Section 533 relating to environmental concerns. The new section is discussed earlier in the report under Items of Special Interest.

SECTION 535—AFGHANISTAN—HUMANITARIAN ASSISTANCE

The Committee has revised Section 535, Afghanistan—Humanitarian Assistance, to indicate that the President may provide \$70,000,000 in economic and development assistance to the Afghan people and that \$13,500,000 is to be provided to the United Nations Afghanistan Emergency Trust Fund.

SECTION 537—EL SALVADOR—INVESTIGATION OF MURDERS

The Committee has revised Section 537 relating to the Investigation of Murders in El Salvador in order to add additional cases to the provision.

SECTION 539—IMMUNIZATION FOR CHILDREN

The Committee has updated Section 539, relating to Immunization for Children. The revised language indicates the need to complete immunization programs by 1990.

SECTION 541—COUNTRY NOTIFICATION REQUIREMENTS

The Committee has revised Section 541, Country Notification Requirements. The fiscal year 1990 provision requires the notification of economic and military programs for Sudan, Liberia, Somalia, Zaire and Lebanon. This section requires prior notification prior to the obligation of any funds for the named countries regardless of whether the proposed obligation is contained in the congressional presentation.

SECTION 543—CHILD SURVIVAL AND AIDS ACTIVITIES

The Committee has allowed AID to reimburse other agencies and institutions for AIDS personnel costs.

SECTION 548—ASSISTANCE FOR LIBERIA

The Committee has revised Section 548 relating to Assistance for Liberia in order to conform the language to language in the 1990-1991 Authorization Bill. A further discussion concerning Liberia may be found earlier in the report under "Country Issues".

SECTION 549—RECIPROCAL LEASING

The Committee has revised Section 549, Reciprocal Leasing, to change the effective date from 1989 to 1990.

SECTION 552—AUTHORIZATION REQUIREMENT

The Committee has revised Section 552, Authorization Requirement, to require that all funds appropriated in the bill be subject to authorization.

SECTION 553—NOTIFICATION CONCERNING EL SALVADOR

The Committee has revised Section 553 relating to notification concerning El Salvador by changing the dates on reporting requirements. The Committee notes that the report required on April 1, 1989 has not been submitted as yet.

SECTION 555—MIDDLE EAST REGIONAL COOPERATION AND ISRAELI ARAB SCHOLARSHIPS

The Committee has revised Section 555, Middle East Regional Cooperation, to increase the funding from \$5,000,000 to \$7,000,000 and to include, in addition, a separate program of \$5,000,000 for Israel-Arab Scholarships.

The Israeli Arab Scholarship provision follows the recommendation in the 1990-1991 Authorization Bill. This program was started two years ago. The Committee notes that Israeli Arabs frequently have accepted offers to study in East bloc countries. The intent of this program is to fund educational training in the United States and prepare Israeli Arabs for careers in Israel.

The Committee recommends a one time appropriation of \$5 million for this purpose with three conditions: (1) that the \$5 million is matched by \$5 million from the private sector; (2) that the United States Government can set up an endowment for the public and private funds and work out procedures for implementing a scholarship program from the income of the endowment; (3) that this program has the support of the Israeli government.

SECTION 559—HAITI

The Committee has revised Section 559 relating to Haiti. The new provision is discussed earlier in the report under the "Country Issues" section.

SECTION 560—ASSISTANCE FOR PANAMA

The Committee has revised Section 560, Assistance for Panama, to include an exception for a small number of students currently enrolled in a scholarship program.

SECTION 561—ELIMINATION OF THE SUGAR QUOTA ALLOCATION OF PANAMA

The Committee has revised Section 561, Elimination of the Sugar Quota Allocation of Panama, to indicate that sugar quotas transferred from Panama are to be used primarily for the English-speaking countries of the Caribbean and nations in Latin America that recently have had free and fair elections. Also no country is to receive any more than 20% of the reallocated amount.

SECTION 563—PROHIBITION ON BILATERAL ASSISTANCE TO TERRORIST COUNTRIES

The Committee has revised Section 563 concerning the prohibition of bilateral assistance to terrorist countries. Revisions in the section make the provision consistent with the 1990-1991 House passed Authorization Bill.

SECTION 566—HONDURAS—RAMIREZ CASE

The Committee has for many years been involved in a case between an American citizen and the Government of Honduras concerning compensation for property in Honduras. During the past year a fact-finding investigation has been completed and the Government of Honduras has made an offer to the American citizen, based on the fact-finding case. Although a final settlement of the issue has not been made, the Committee has released \$5,000,000 of the \$15,000,000 that is currently being withheld from Honduras in order to show that some progress has been made in moving toward a settlement.

SECTION 568—NARCOTICS CONTROL PROGRAM

The Committee has revised Section 568, Narcotics Control Program. The revised provision permits the President: (1) to provide \$69,000,000 in Economic Support Assistance for Bolivia, Ecuador, Jamaica, and Peru; and (2) to provide \$35,000,000 in military assistance to Bolivia, Ecuador, Jamaica, and Colombia. The provision

also provides \$500,000 in narcotics control assistance for the testing and use of safe and effective herbicides; \$1,000,000 for defensive arming of aircraft used in anti-narcotics control efforts; \$2,000,000 in International Military Education and Training for narcotics control training and expenses; and \$3,500,000 in Foreign Military Financing for military assistance for illicit drug control efforts.

The section also provides prior year certification requirements and reprogramming authority. A further discussion of these provisions can be found under the Narcotics Control section earlier in the report.

SECTION 571—CAMBODIAN NON-COMMUNIST RESISTANCE FORCES

The Committee has included prior year language allowing funds made available under the headings "Foreign Military Financing Program" and "Economic Support Assistance" to be available for the Cambodian Non-Communist Resistance Forces. The Committee has limited the available funds for this purpose to \$7,000,000, the amount requested by the Administration.

The Committee has included a new provision directing, to the maximum extent possible, that the United States government administer these funds. The Committee is deeply concerned about reports of corrupt activities concerning this program, which have been addressed by the AID Inspector General's Office.

SECTION 573—PAY RAISES

The Committee has revised Section 573 concerning the absorption of pay raises to make the provision apply to fiscal year 1990.

SECTION 576—DISADVANTAGED ENTERPRISES

The Committee has included a new provision on minority set asides which revises AID procurement policies as included in the 1990-1991 authorization bill.

SECTION 577—PROHIBITION ON LEVERAGING AND DIVERSION OF UNITED STATES ASSISTANCE

The Committee has included a new provision prohibiting the obligation or expenditure of any funds in the bill for the purpose of furthering any military, foreign policy or intelligence activity which is contrary by United States law.

SECTION 578—APPROPRIATIONS OF EXCESS CURRENCIES

The Committee has included a new provision restricting the use of excess currencies.

SECTION 579—INTEREST ON LOCAL CURRENCIES

The Committee has included a new provision allowing the use of interest from local currencies in aid programs.

SECTION 580—LEBANON

The Committee has included a new provision in the bill providing \$7,500,000 in Development and Economic Support Assistance for Lebanon.

SECTION 581—JOB-RELATED CRIMES

The Committee has included a new provision in the bill that restricts the authority of the Foreign Service Grievance Board to block the suspension of a foreign service officer who has committed a job-related crime for which a sentence of imprisonment may be imposed.

The Committee has taken this action because of reports this year that AID has continued to pay employees who have been tried and convicted of crimes relating to their work but continued to receive a U.S. salary.

SECTION 582—LOCATION OF STOCKPILES

The Committee has recommended a new general provision which includes Korea, Thailand, member countries of the North Atlantic Treaty Organization, or countries which are major non-NATO allies (Australia, Japan, Korea, Israel and Egypt), as countries where military stockpiles may be located.

SECTION 583—HONG KONG

The Committee has included a new provision expressing the sense of the Congress concerning the absence of human rights guarantees in the draft Basic Law, pending the colony's scheduled reversion to China in 1997.

SECTION 584—RESCISSION

The Committee has added Section 584 to the bill which rescinds \$59,000,000 in fiscal year 1989 Economic Support Funds. This rescission is to be taken unearmarked funds or from unobligated Economic Support Funds for Liberia, Sudan and Somalia. Because of a number of extenuating circumstances, the Committee feels that Economic Support Funds for these countries will not be required for fiscal year 1989. The rescission brings the outlays in the bill in conformance with the committee's 302(b) allocations under the budget process.

INFLATIONARY IMPACT STATEMENT

Clause 2(1)(4) of Rule XI of the House of Representatives requires that each committee report on a bill or resolution shall contain a statement as to whether enactment of the bill or resolution would have an inflationary impact on prices and costs in the operations of the national economy.

Practically any spending by the U.S. Government can be inflationary when Government financial policy does not provide for adequate income to cover that total spending effort such as is the case now with the budget of the United States, which is not projected to be in balance this year.

The total amount of new budget authority recommended in the accompanying bill for fiscal year 1990 will have little inflationary impact.

COMPARISON WITH BUDGET RESOLUTION

Section 308(a)(1)(A) of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344), as amended, requires that the report accompanying a bill providing new budget authority contain a statement detailing how the authority compares with the reports submitted under section 302 of the Act for the most recently agreed to concurrent resolution on the budget for the fiscal year. This information follows:

	302(b)		This bill	
	Discretionary	Mandatory	Discretionary	Mandatory
Budget authority.....	13,550	805	13,550	805
Outlays.....	11,550	805	11,550	805
Direct loans.....	1,071		1,071	
Primary guarantees.....	6,414		6,414	

The bill provides no new spending authority as described in section 401(c)(2) of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344), as amended.

FIVE-YEAR PROJECTION OF OUTLAYS

In accordance with section 308(a)(1)(C) of the Congressional Budget and Impoundment Control Act of 1974 (Public Law 93-344) as amended, the following table contains five-year projections of the outlays associated with the budget authority provided in the accompanying bill:

Budget authority.....	\$14,341,818,131
Outlays:	
1989.....	5,754,767
1990.....	2,516,222
1991.....	3,120,086
1992.....	727,657
1993 and future years.....	498,778

ASSISTANCE TO STATE AND LOCAL GOVERNMENTS

Section 308(a)(1)(D) of the Congressional Budget Act of 1974 requires that the report accompanying any bill or resolution providing new budget authority (other than continuing appropriations) shall contain a statement of the new budget authority and budget outlays provided by that bill or resolution for financial assistance to State and local governments.

The amounts recommended in the accompanying bill contain no budget authority or budget outlays for the State or local governments.

TRANSFER OF FUNDS

1. *Private Sector Revolving Fund.*—The bill allows for \$4,611,502 in necessary expenses to carry out functions of the Private Sector Revolving Fund to be derived by transfer from AID development assistance accounts included in Title II of the bill.

RESCISSION

Pursuant to clause 1(b), rule X of the House of Representatives, the following table is submitted describing the rescissions recommended in the accompanying bill.

RESCISSIONS RECOMMENDED IN THE BILL

Funds appropriated to the President:	
Economic Support Fund	\$59,000,000

The Committee has recommended a rescission in order to offset outlay increases created by the fiscal year 1989 Supplemental for refugees.

CHANGES IN THE APPLICATION OF EXISTING LAW

Pursuant to Clause 3, Rule XXI of the House of Representatives, the following statements are submitted describing the effects of provisions in the accompanying bill which directly or indirectly change the application of existing law. Most of the language has been provided in previous appropriation measures including supplements for the departments and agencies carried in the accompanying bill.

1. The bill contains appropriations for a number of items for which authorizations for fiscal year 1990 have not yet been enacted. The Committee is disturbed by the lack of authorization for programs in the bill. We strongly believe that authorization acts should be in place prior to the passage of appropriations bills. The bill requires that none of the funds appropriated in the bill may be obligated until authorizations have been enacted into law.

2. The bill provides that a few of the appropriations shall remain available for obligation beyond the current fiscal year. In all cases it is deemed desirable to carry such language in order to provide for orderly administration of such programs and effective use of funds. Also, the bill does not allow some of the funds to remain available until expended as provided for in the authorizing legislation.

3. The bill contains a number of general provisions and other language which have been carried in the bill in past years.

4. In many cases, the Committee has recommended reduction in the amounts proposed to be authorized for the various foreign aid programs in the current version of the House passed authorization.

5. On page 3, under "Contribution to the International Finance Corporation", the Committee has provided that not more than \$30,800,000 may be expended for the purchase of such stock in fiscal year 1990.

6. On page 8, under "Contribution to the Enhanced Structural Adjustment Facility of the International Monetary Fund", the Committee has provided \$150,000,000 to remain available until expended, subject to authorization.

7. On page 8, under "International Organizations and Programs", the Committee has earmarked specific levels of funding for four programs. The Committee has also earmarked funds for the International Fund for Agricultural Development available only when agreement has been reached on a third replenishment. In addition, the bill requires that all funds earmarked for UNICEF be

obligated within 30 days of enactment and requires that funds for IAEA may be provided only if Israel is not being denied its right to participate in activities of that agency.

8. On pages 9, 10 and 11 under "General Development Assistance", the Committee has included prior year references to or earmarks for surplus dairy products, the Vitamin A Deficiency Program, and agricultural activities in Poland. The Committee has earmarked funds for the AIDS program, WHO, health and child survival activities, the Caribbean Law Institute, cooperative U.S., Israel, and developing country projects, Central American Rural Electrification, activities of the Office of Energy, AID, and biological diversity activities including Parks in Peril.

9. On page 12, under "Egypt, Jordan, Pakistan, Development Assistance", the Committee has earmarked funds for these countries.

10. On page 12, under "Poland and Hungary" the Committee earmarks funds for Poland and Hungary.

11. On pages 12 and 13, under Sub-Sahara Africa, Development Assistance: the Committee provided that authorities of the fiscal year 1989 Appropriations Act apply until superceded by enactment of new authorization legislation for fiscal year 1990.

12. On page 14, under "Zaire" the Committee has encouraged funding through private voluntary organizations.

13. On page 14, under "Assistance for Displaced Children", the Committee has earmarked \$3,000,000 for children who have become orphaned as a result of drought, civil strife and other natural and man-made disasters.

14. On page 14, under "Women in Development", the Committee has earmarked \$5,000,000 to promote the involvement of women in development, of which \$3,000,000 is matching funds for AID field missions.

15. On page 15, under "Separate Accounts", the Committee has provided that non-project sector development assistance shall be subject also to prior year separate accounts provisions related to ESF cash transfer assistance.

16. On page 18, under "Operating Expenses of the Agency for International Development", the Committee has limited funds for Foreign Affairs Administrative Support.

17. On page 19, under "Housing and Other Credit Guaranty Programs", the Committee requires 100 percent guarantee of loan principal and interest, and prohibits the Federal Financing Bank from issuing any HIG loans.

18. On pages 19, 20, 21, 22, and 23, under the heading, "Economic Support Assistance", the Committee has earmarked funds for Israel, Egypt, West Bank and Gaza, Jordan, Cyprus, Hungary, and Poland. The Committee has referenced the El Salvadoran Special Investigative Unit. The Committee has required that funds to Central American countries be provided proportionately to fiscal year 1989 levels. The Committee has limited funds for Zaire. The Committee has required separate accounts for cash transfer and non-project sector assistance. The Committee has limited funds for tied-aid credits. The Committee updated section 534(e) of the Foreign Assistance Act of 1961.

19. On pages 23 and 24, under "International Fund for Ireland", the Committee has provided \$20 million, to be expended at a minimum rate, available until expended.

20. On pages 24 and 25, under the heading "Multilateral Assistance Initiative for the Philippines", the Committee provided 75 percent for project assistance, a target of 25 percent for private voluntary activities, and all funds available until September 30, 1991 through the notification process.

21. On page 25, under "African Development Foundation", the Committee amends the authorizing act to require a bipartisan board and to extend the operating dates for the Foundation.

22. On pages 27, 28 and 29, under the heading "Migration and Refugee Assistance", the Committee has earmarked funds for Refugee Entrant Assistance. The Committee has amended the fiscal year 1988 and 1989 appropriations acts to extend the immigration entrance period for Amerasians.

23. On page 30, under the heading, "Foreign Military Financing Program Operating Expenses", the Committee has provided \$39,000,000 for this new account.

24. On pages 30, 31, 32 and 33, under the heading, "Foreign Military Financing Program", the Committee has earmarked funds for Israel, Egypt, Pakistan and Jordan. The Committee has provided Greece and Turkey in a 7 to 10 ratio. The Committee has provided all uncommitted Philippine funds only to finance Arms Export Control Act sales. The Committee has provided a minimum of funds subject to financing under the Arms Export Control Act. The Committee changes all references to Foreign Military Credit Sales in Title V. The Committee places funds for Haiti subject to notification and only for nonlethal purposes. The Committee limits funds to Zaire and Guatemala and El Salvador.

25. On page 35, under the heading, "Foreign Military Sales Debt Reform", the Committee has extended the prior provision for another year.

26. On pages 38 and 39, under the heading, "Limitation on Program Activity", the Committee provided for tied aid credits and interest subsidy funding for the Export-Import Bank subject to authorization, available for two years.

27. On pages 40 and 41, under the heading "Trade and Development program", the Committee has provided deobligation and reobligation authority.

28. On pages 41 through 100:

Section 509 has been revised to reflect changes in titles of programs.

Section 515 has been revised to provide deobligation/reobligation authority for Economic Support Assistance and to delete language on Jamaica and Bangladesh.

Section 517 has been revised to reflect new terms of availability of funds and to require new reporting provisions.

Section 523 has been revised to define a new notification process for both the Agency for International Development and the Defense Security Assistance Agency.

Section 526 has been revised to include new authorization bill language on the PLO and to allow withheld funds to be available until September 30, 1991.

Section 527 has been revised to conform to authorization legislation.

Section 533 is a complete revision of Section 535 in last year's bill on Environmental Concerns and is described earlier in this report.

Section 535 is a revision of Section 537 in last year's bill. It provides \$70,000,000 for Afghanistan of which \$13,500,000 shall be provided to the United Nations Program for Afghanistan.

Section 537 is a revision of Section 539 in last year's bill adding reference to the San Francisco murder case in El Salvador.

Section 539 is a revision of Section 541 in last year's bill directing enhanced support for global effort to reach universal access to childhood immunization by 1990.

Section 541 is a revision of Section 544 in last year's bill. Notification requirements for Jamaica, Burundi, and Uganda are deleted; requirements are added for Zaire and Lebanon.

Section 543 is a revision of Section 545 in last year's bill, adding reference to AIDS to the provision.

Section 548 revises Section 551 on Assistance to Liberia in last year's bill in conformance with the Authorization bill.

Section 549 revises Section 552 of last year's bill by updating to 1990.

Section 552 revises Section 555 of last year's bill requiring authorization prior to obligation of funds appropriated by this bill.

Section 553 updates Section 556 of last year's bill by revising the dates.

Section 555 revises Section 558 of last year's bill to provide \$7,000,000 for Middle East Regional Cooperation and Israeli Scholarships.

Section 559 revises Section 563 on assistance to Haiti in last year's bill by tracking the new authorization language, and by providing a Presidential determination allowing expenditures in the national interest.

Section 560 revises Section 564 on assistance to Panama in last year's bill to exclude selected scholarship students.

Section 561 revises Section 565 in last year's bill by providing a reallocation of Panama's sugar quota primarily to the English-speaking Caribbean and to Latin American countries who have recently held democratic elections.

Section 563 revises Section 568 of last year's bill prohibiting assistance to terrorist countries by tracking the authorization language.

Section 566 revises Section 574 of last year's bill releasing an additional \$5,000,000 for Honduras.

Section 568 completely revises Section 578 of last year's bill providing funds for a narcotics control program. This new section earmarks specific funds for various purposes.

Section 571 revises Section 581 of last year's bill, providing not to exceed \$7,000,000 for non-Communist resistance forces in Cambodia.

Section 573 revises Section 585 of last year's bill by changing the dates.

Section 576 is a new provision creating a set aside program for disadvantaged enterprises as in the authorization bill.

Section 577 is a new provision prohibiting leveraging or diversion of United States assistance for purposes illegal under United States law.

Section 578 is a new provision preventing the waiver of provisions requiring appropriation of excess currencies.

Section 579 is a new provision allowing interest on local currency accounts to be used for program purposes.

Section 580 is a new provision providing \$7,500,000 in Development and Economic Support Assistance for Lebanon.

Section 581 is a new provision allowing the Secretary of State to cut off pay of Foreign Service employees in certain circumstances.

Section 582 provides a waiver for stockpiling military equipment in Korea, Thailand, NATO countries and major non-NATO allies.

Section 583 provides a sense of Congress concerning Hong Kong.

Section 584 provides a rescission of \$59,000,000 in prior year Economic Support Funds.

COMPLIANCE WITH RULE XIII—CLAUSE 3

In compliance with clause 3 of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AFRICAN DEVELOPMENT FOUNDATION

The accompanying bill would repeal section 511 of the African Development Foundation Act, as follows:

EXPIRATION OF AUTHORITIES

[SEC. 511. The authority of the Foundation to make grants, loans, and loan guarantees and otherwise to carry out the purposes of this title shall expire on September 30, 1990, except that this section shall not preclude the Foundation from acquiring obligations prior to that date which mature subsequent to that date or from assuming liability prior to that date as a guarantor of obligations which mature subsequent to that date or from continuing as a body corporate and exercising any of its powers subsequent to that date for purposes of the orderly liquidation of its activities.]

The accompanying bill would also amend Sec. 507 of the African Development Foundation Act as follows:

MANAGEMENT

SEC. 507. (a)(1) The management of the Foundation shall be vested in a board of directors (hereafter in this title referred to as the "Board") composed of seven members appointed by the President, by and which the advice and consent of the Senate. The President shall designate one member of the Board to serve as Chairperson of the Board and one member to serve as Vice Chair-

person of the Board. Five members of the Board shall be appointed from private life. Two members of the board shall be appointed from among officers and employees of agencies of the United States concerned with African affairs. All members of the Board shall be appointed on the basis of their understanding of and sensitivity to community level development processes. *Members of the Board shall be appointed so that no more than four members of the Board are members of any one political party.*

ADMINISTRATION OF JUSTICE

The accompanying bill would amend section 534(e) of the Foreign Assistance Act of 1961, as follows:

SEC. 534. ADMINISTRATION OF JUSTICE.—(a) The President may furnish assistance under this chapter to countries and organizations, including national and regional institutions, in order to strengthen the administration of justice in countries in Latin America and the Caribbean.

* * * * *

(e) Personnel of the Department of Defense and members of the United States Armed Forces may not participate in the provision of training under this section. Of the funds made available to carry out this section, not more than \$7,000,000 may be made available in [each of fiscal years 1988 and 1989] *fiscal year 1990* to carry out the provisions of subsection (b)(3) of this section. The authority of this section shall expire on [September 30, 1989] *September 30, 1990.*

MIGRATION AND REFUGEE ASSISTANCE

The accompanying bill would amend section 584(a)(1)(B) of the Foreign Operations Export Financing and Related Programs Appropriations Act, 1988 (as contained in section 101(e) of Public Law 100-202, as follows:

AMERASIAN IMMIGRATION

SEC. 584. (a)(1) Notwithstanding any numerical limitations specified in the Immigration and Nationality Act, the Attorney General may admit aliens described in subsection (b) to the United States as immigrants if—

(A) they are admissible (except as otherwise provided in paragraph (2)) as immigrants, and

(B) they are issued an immigrant visa and depart from Vietnam [during the 2-year period beginning 90 days after the date of the enactment of this Act.] *during the period beginning on March 22, 1988 and ending on September 30, 1990.*

RECIPROCAL LEASING

The accompanying bill would amend section 61(a) of the Arms Export Control Act or extend the leasing authority of that section through FY 1990, as follows:

SEC. 61. LEASING AUTHORITY.—(a) The President may lease defense articles in the stocks of the Department of Defense to an eligible foreign country or international organization if—

(1) he determines that there are compelling foreign policy and national security reasons for providing such articles on a lease basis rather than on a sales basis under this Act;

(2) he determines that the articles are not for the time needed for public use; and

(3) the country or international organization has agreed to pay in United States dollars all costs incurred by the United States Government in leasing such articles, including reimbursement for depreciation of such articles while leased, the costs of restoration or replacement if the articles are damaged while leased, and the replacement cost (less any depreciation in the value) if the articles are lost or destroyed while leased.

The requirement of paragraph (3) shall not apply to leases entered into for purposes of cooperative research or development, military exercises, or communications or electronics interface projects, or to any defense article which has passed three-quarters of its normal service life.

The President may waive the requirement of paragraph (3) with respect to a lease which is made in exchange with the lessee for a lease on substantially reciprocal terms of defense articles for the Department of Defense, except that this waiver authority—

(A) may be exercised only if the President submits to the Committee on Foreign Affairs and the Committee on Appropriations of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate, in accordance with the regular notification procedures of those Committees, a detailed notification for each lease with respect to which the authority is exercised; and

(B) may be exercised only during the fiscal year [1989] 1990 and only with respect to one country, unless the Congress hereafter provides otherwise.

JOB RELATED CRIMES

The accompanying bill would amend section 1106(8) of the Foreign Service Act of 1980, as follows:

SEC. 1106. BOARD PROCEDURES.—The Board may adopt regulations concerning its organization and procedures. Such regulations shall include provision for the following:

* * * * *

(8) If the Board determines that the Department is considering the involuntary separation of the grievant, disciplinary action against the grievant, or recovery from the grievant of alleged overpayment of salary, expenses, or allowances, which is related to a grievance pending before the Board and that such action should be suspended, the Department shall suspend such action until the Board has ruled upon the grievance. Notwithstanding such suspension of action, the head of the agency concerned or a chief of mission or principal officer may exclude the grievant from official premises or from the performance of specified functions when such exclusion is determined in writing to

be essential to the functioning of the post or office to which the grievant is assigned. *Notwithstanding the first sentence of this paragraph, the Board's authority to suspend such action shall not extend to instances where the Secretary, or his designee, has reasonable cause to believe that a grievant has committed a job-related crime for which a sentence of imprisonment may be imposed and has taken action to suspend the grievant without pay pending a final resolution of the underlying matter.*

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1989 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR 1990

Agency and item (1)	New budget (obligational) authority appropriated, 1989 (enacted to date) (2)	Budget estimates of new (obligational) authority, 1990 (3)	New budget (obligational) authority recommended in bill (4)	Bill compared with new budget (obligational) authority, 1989 (5)	Bill compared with budget estimates of new (obligational) authority, 1990 (6)
TITLE I - MULTILATERAL ECONOMIC ASSISTANCE					
FUNDS APPROPRIATED TO THE PRESIDENT					
International Financial Institutions					
World Bank Group					
Contribution to the International Bank for Reconstruction and Development:					
Paid-in capital.....	50,000,795	90,251,869		-50,000,795	-90,251,869
Limitation on callable capital subscriptions.....	(2,292,972,540)	(2,241,863,586)		(-2,292,972,540)	(-2,241,863,586)
Total, contribution to the International Bank for Reconstruction and Development.....	(2,342,973,335)	(2,332,115,455)		(-2,342,973,335)	(-2,332,115,455)
Budget authority.....	50,000,795	90,251,869		-50,000,795	-90,251,869
Limitation on callable capital.....	(2,292,972,540)	(2,241,863,586)		(-2,292,972,540)	(-2,241,863,586)

Contribution to the International Development Association.....	995,000,000	965,000,000	965,000,000	-30,000,000	
Contribution to the International Finance Corporation.....	4,891,528	114,936,472	88,000,000	+ 83,108,472	-26,936,472
Total, contributions World Bank Group.....	(3,342,864,863)	(3,412,051,927)	(1,053,000,000)	(-2,289,864,863)	(-2,359,051,927)
Budget authority.....	1,049,892,323	1,170,188,341	1,053,000,000	+ 3,107,677	-117,188,341
<i>Limitation on callable capital.....</i>	<i>(2,292,972,540)</i>	<i>(2,241,863,586)</i>		<i>(-2,292,972,540)</i>	<i>(-2,241,863,586)</i>
Contribution to the Inter-American Development Bank:					
Fund for special operations.....		63,724,629	63,724,629	+ 63,724,629	
Inter-regional paid-in capital.....		31,617,983			-31,617,983
Inter-American Investment Corporation.....		25,500,000			-25,500,000
Total, contribution to the Inter-American Development Bank.....		120,842,612	63,724,629	+ 63,724,629	-57,117,983

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1989 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR 1990--Continued

Agency and item (1)	New budget (obligational) authority appropriated, 1989 (enacted to date) (2)	Budget estimates of new (obligational) authority, 1990 (3)	New budget (obligational) authority recommended in bill (4)	Bill compared with new budget (obligational) authority, 1989 (5)	Bill compared with budget estimates of new (obligational) authority, 1990 (6)
Contribution to the Asian Development Bank:					
Development fund	152,392,036	230,711,964	221,896,000	+69,503,964	-8,815,964
Contribution to the African Development Fund:	105,000,000	105,000,000	105,000,000		
Contribution to the African Development Bank:					
Paid-in capital	7,345,371	10,641,308	9,641,308	+2,295,937	-1,000,000
<i>Limitation on callable capital</i>	<i>(135,062,946)</i>	<i>(134,809,613)</i>	<i>(134,809,613)</i>	<i>(-253,333)</i>	
Total, contributions to the African Development Bank:	(142,408,317)	(145,450,921)	(144,450,921)	(+2,042,604)	(-1,000,000)
Budget authority	7,345,371	10,641,308	9,641,308	+2,295,937	-1,000,000
<i>Callable capital</i>	<i>(135,062,946)</i>	<i>(134,809,613)</i>	<i>(134,809,613)</i>	<i>(-253,333)</i>	
IMF - Enhanced structural adjustment facility:		150,000,000	150,000,000	+150,000,000	
Total, contribution to International Financial Institutions:	(3,742,665,216)	(4,164,057,424)	(1,738,071,550)	(-2,004,593,666)	(-2,425,985,874)
Budget authority	1,314,629,730	1,787,384,225	1,603,261,937	+288,632,207	-184,122,288
<i>Limitation on callable capital</i>	<i>(2,428,035,486)</i>	<i>(2,376,673,199)</i>	<i>(134,809,613)</i>	<i>(-2,293,225,873)</i>	<i>(-2,241,863,586)</i>

Department of State					
International organizations and programs	226,115,000	209,000,000	230,115,000	+4,000,000	+21,115,000
International Fund for Agricultural Development			40,000,000	+40,000,000	+40,000,000
Total, title I, contribution for Multilateral					
Economic Assistance	(3,968,780,216)	(4,373,057,424)	(2,008,186,550)	(-1,960,593,666)	(-2,364,870,874)
Budget authority	1,540,744,730	1,996,384,225	1,873,376,937	+332,632,207	-123,007,288
<i>Limitation on callable capital</i>	(2,428,035,486)	(2,376,673,199)	(134,809,613)	(-2,293,225,873)	(-2,241,863,586)
TITLE II - BILATERAL ECONOMIC ASSISTANCE					
FUNDS APPROPRIATED TO THE PRESIDENT					
Agency for International Development					
Agriculture, rural development, and nutrition,					
Development Assistance	493,715,000	477,760,000		-493,715,000	-477,760,000
Population, Development Assistance	197,940,000	201,600,000	201,600,000	+3,660,000	
Health, Development Assistance	122,459,000	125,994,000		-122,459,000	-125,994,000
International AIDS prevention and control program	40,000,000	42,000,000		-40,000,000	-42,000,000
Child Survival Fund	71,000,000	71,000,000		-71,000,000	-71,000,000
Education and human resources development,					
Development Assistance	129,541,000	139,000,000		-129,541,000	-139,000,000

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1989 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR 1990--Continued

Agency and item (1)	New budget (obligational) authority appropriated, 1989 (enacted to date) (2)	Budget estimates of new (obligational) authority, 1990 (3)	New budget (obligational) authority recommended in bill (4)	Bill compared with new budget (obligational) authority, 1989 (5)	Bill compared with budget estimates of new (obligational) authority, 1990 (6)
Private sector, environmental, and energy,					
Development Assistance	120,709,000	128,984,000	-----	-120,709,000	-128,984,000
Science and technology, Development Assistance	8,662,270	8,662,000	-----	-8,662,270	-8,662,000
<i>Private sector revolving fund:</i>					
<i>(By transfer)</i>	<i>(9,000,000)</i>	<i>(5,000,000)</i>	<i>(4,611,502)</i>	<i>(-4,388,498)</i>	<i>(-388,498)</i>
<i>(Limitation on direct loans)</i>	<i>(12,000,000)</i>	<i>(3,500,000)</i>	<i>(3,228,051)</i>	<i>(-8,771,949)</i>	<i>(-271,949)</i>
<i>(Limitation on guaranteed loans)</i>	<i>(50,000,000)</i>	<i>(50,000,000)</i>	<i>(46,115,020)</i>	<i>(-3,884,980)</i>	<i>(-3,884,980)</i>
Development Assistance	-----	-----	968,400,000	+968,400,000	+968,400,000
Development assistance transfer from ESP	-----	-----	920,000,000	+920,000,000	+920,000,000
Subtotal, development assistance	1,184,026,270	1,195,000,000	2,090,000,000	+905,973,730	+895,000,000
Reappropriation (deobligation/reobligation) authority	12,500,000	39,000,000	39,000,000	+26,500,000	-----
Sub-Saharan Africa, Development Assistance	500,000,000	565,000,000	515,000,000	+15,000,000	-50,000,000
Southern Africa Development Assistance	50,000,000	-----	50,000,000	-----	+50,000,000
Total, development assistance	1,746,526,270	1,799,000,000	2,694,000,000	+947,473,730	+895,000,000
American schools and hospitals abroad	35,000,000	30,000,000	30,000,000	-5,000,000	-----
International disaster assistance	25,000,000	25,000,000	25,000,000	-----	-----

Payment to the Foreign Service Retirement and Disability Fund.....	40,532,000	40,147,000	40,147,000	-385,000	
Operating expenses of the Agency for International Development.....	414,000,000	447,684,000	437,000,000	+23,000,000	-10,684,000
Operating expenses of the Agency for International Development Office of the Inspector General.....	28,500,000	31,194,000	30,000,000	+1,500,000	-1,194,000
Housing and other credit guaranty programs: (Limitation on guaranteed loans).....	(125,000,000)	(100,000,000)	(125,000,000)		(+25,000,000)
Guarantee reserve, indefinite borrowing authority.....	22,000,000	45,000,000	45,000,000	+23,000,000	
Subtotal, Agency for International Development.....	2,311,558,270	2,418,025,000	3,301,147,000	+989,588,730	+883,122,000
Economic support fund.....	3,258,500,000	3,331,100,000	2,145,000,000	-1,113,500,000	-1,186,100,000
Reappropriation (deobligation/reobligation) authority.....		18,000,000	18,000,000	+18,000,000	
Rescission.....			-59,000,000	-59,000,000	-59,000,000
Subtotal, Economic support fund.....	3,258,500,000	3,349,100,000	2,104,000,000	-1,154,500,000	-1,245,100,000
Anglo-Irish Accord.....			20,000,000	+20,000,000	+20,000,000
Multilateral Assistance Initiative.....		200,000,000	160,000,000	+160,000,000	-40,000,000
Total, ESF/MAI/AIA.....	3,258,500,000	3,549,100,000	2,284,000,000	-974,500,000	-1,265,100,000
Total, Agency for International Development.....	5,570,058,270	5,967,125,000	5,585,147,000	+15,088,730	-381,978,000

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1989 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR 1990—Continued

Agency and item (1)	New budget (obligational) authority appropriated, 1989 (enacted to date) (2)	Budget estimates of new (obligational) authority, 1990 (3)	New budget (obligational) authority recommended in bill (4)	Bill compared with new budget (obligational) authority, 1989 (5)	Bill compared with budget estimates of new (obligational) authority, 1990 (6)
Independent Agencies					
African Development Foundation					
Appropriations.....	8,000,000	9,000,000	9,000,000	+1,000,000	
Inter-American Foundation					
Appropriations.....	16,600,000	16,932,000	16,932,000	+332,000	
Overseas Private Investment Corporation					
<i>(Limitation on direct loans)</i>	<i>(23,000,000)</i>	<i>(17,000,000)</i>	<i>(23,000,000)</i>		<i>(+6,000,000)</i>
<i>(Limitation on guaranteed loans)</i>	<i>(175,000,000)</i>	<i>(175,000,000)</i>	<i>(189,000,000)</i>	<i>(+14,000,000)</i>	<i>(+14,000,000)</i>
<i>(Limitation)</i>		<i>(3,000,000)</i>			<i>(-3,000,000)</i>
Total, Funds Appropriated to the President	5,594,658,270	5,993,057,000	5,611,079,000	+16,420,730	-381,978,000
Peace Corps					
Appropriations.....	153,500,000	163,614,000	163,614,000	+10,114,000	

Department of State					
International narcotics control.....	101,000,000	115,000,000	115,000,000	+14,000,000	
Migration and refugee assistance.....	461,950,000	370,000,000	370,000,000	-91,950,000	
United States Emergency Refugee and Migration Assistance Fund.....	50,000,000	10,000,000	50,000,000		+40,000,000
Anti-terrorism assistance.....	9,840,000	10,017,000	10,017,000	+177,000	
Total, Department of State.....	622,790,000	505,017,000	545,017,000	-77,773,000	+40,000,000
Total, title II, Economic assistance - bilateral:					
New budget (obligational) authority.....	6,370,948,270	6,661,688,000	6,319,710,000	-51,238,270	-341,978,000
<i>(Limitation on direct loans).....</i>	<i>(35,000,000)</i>	<i>(20,500,000)</i>	<i>(26,228,051)</i>	<i>(-8,771,949)</i>	<i>(+5,728,051)</i>
<i>(Limitation on guaranteed loans).....</i>	<i>(350,000,000)</i>	<i>(325,000,000)</i>	<i>(360,115,020)</i>	<i>(+10,115,020)</i>	<i>(+35,115,020)</i>
TITLE III - MILITARY ASSISTANCE					
FUNDS APPROPRIATED TO THE PRESIDENT					
Foreign Military Financing Program:					
Grants and concessional loans.....	4,272,750,000	5,027,000,000	4,664,404,194	+391,654,194	-362,595,806
Military Assistance.....	467,000,000	40,432,000	39,000,000	-428,000,000	-1,432,000
International Military Education and Training.....	47,400,000	54,500,000	47,400,000		-7,100,000
Subtotal, Military Assistance Programs.....	4,787,150,000	5,121,932,000	4,750,804,194	-36,345,806	-371,127,806

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1989 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR 1990--Continued

Agency and item (1)	New budget (obligational) authority appropriated, 1989 (enacted to date) (2)	Budget estimates of new (obligational) authority, 1990 (3)	New budget (obligational) authority recommended in bill (4)	Bill compared with new budget (obligational) authority, 1989 (5)	Bill compared with budget estimates of new (obligational) authority, 1990 (6)
Guarantee Reserve Fund.....	939,500,000	719,545,000	719,545,000	-219,955,000	.....
<i>Special Defense Acquisition Fund (limitation on obligations)</i>	<i>(236,865,000)</i>	<i>(325,000,000)</i>	<i>(280,000,000)</i>	<i>(+43,135,000)</i>	<i>(-45,000,000)</i>
Peacekeeping operations.....	31,689,000	33,377,000	33,377,000	+1,688,000	.....
Total, title III, Military Assistance Programs:					
New budget (obligational) authority.....	5,758,339,000	5,874,854,000	5,503,726,194	-254,612,806	-371,127,806
<i>(Limitation on obligations)</i>	<i>(236,865,000)</i>	<i>(325,000,000)</i>	<i>(280,000,000)</i>	<i>(+43,135,000)</i>	<i>(-45,000,000)</i>
 TITLE IV - EXPORT ASSISTANCE					
 EXPORT-IMPORT BANK OF THE UNITED STATES					
Limitation of Program Activity:					
New budget (obligational) authority.....	695,000,000	100,000,000	615,000,000	-80,000,000	+515,000,000
<i>(War Chest)</i>	<i>(110,000,000)</i>	<i>(100,000,000)</i>	<i>(110,000,000)</i>	.....	<i>(+10,000,000)</i>
<i>(I Match)</i>.....	.....	.....	<i>(20,000,000)</i>	<i>(+20,000,000)</i>	<i>(+20,000,000)</i>
<i>(Limitation on direct loans)</i>	<i>(695,000,000)</i>	.....	<i>(595,000,000)</i>	<i>(-100,000,000)</i>	<i>(+595,000,000)</i>
<i>(Limitation on guaranteed loans)</i>	<i>(10,200,000,000)</i>	<i>(10,384,000,000)</i>	<i>(10,384,000,000)</i>	<i>(+184,000,000)</i>	.....

<i>(Limitation on administrative expenses)</i>	(20,390,000)	(22,782,000)	(22,000,000)	(+1,610,000)	(-782,000)
Total, Export-Import Bank of the United States:					
New budget (obligational) authority.....	695,000,000	100,000,000	615,000,000	-80,000,000	+515,000,000
<i>(Limitation on use of corporate funds)</i>	(11,025,390,000)	(10,506,782,000)	(11,111,000,000)	(+85,610,000)	(+604,218,000)
FUNDS APPROPRIATED TO THE PRESIDENT					
Trade and Development Program					
Trade and development	25,000,000	25,000,000	30,000,000	+5,000,000	+5,000,000
Agency for International Development					
Trade credit insurance program (limitation on program activity).....	(200,000,000)	(200,000,000)	(200,000,000)		
Total, title IV, export assistance:					
New budget (obligational) authority.....	720,000,000	125,000,000	645,000,000	-75,000,000	+520,000,000
<i>(Limitation on direct loans)</i>	(695,000,000)		(595,000,000)	(-100,000,000)	(+595,000,000)
<i>(Limitation on guaranteed loans)</i>	(10,310,000,000)	(10,484,000,000)	(10,494,000,000)	(+184,000,000)	(+10,000,000)
<i>(Limitation on administrative expenses)</i>	(20,390,000)	(22,782,000)	(22,000,000)	(+1,610,000)	(-782,000)
<i>(Limitation on program activitiv)</i>	(200,000,000)	(200,000,000)	(200,000,000)		

COMPARATIVE STATEMENT OF NEW BUDGET (OBLIGATIONAL) AUTHORITY FOR 1989 AND BUDGET ESTIMATES AND AMOUNTS RECOMMENDED IN THE BILL FOR 1990—Continued

Agency and item (1)	New budget (obligational) authority appropriated, 1989 (enacted to date) (2)	Budget estimates of new (obligational) authority, 1990 (3)	New budget (obligational) authority recommended in bill (4)	Bill compared with new budget (obligational) authority, 1989 (5)	Bill compared with budget estimates of new (obligational) authority, 1990 (6)
Grand total, all titles:					
New budget (obligational) authority.....	14,390,032,000	14,657,926,225	14,341,813,131	-48,218,869	-316,113,094 *
<i>(Limitation on obligations)</i>	<i>(236,865,000)</i>	<i>(325,000,000)</i>	<i>(280,000,000)</i>	<i>(+43,135,000)</i>	<i>(-45,000,000)</i>
<i>(Limitation on guaranteed loans)</i>	<i>(10,660,000,000)</i>	<i>(10,809,000,000)</i>	<i>(10,854,115,020)</i>	<i>(+194,115,020)</i>	<i>(+45,115,020)</i>
<i>(Limitation on direct loans)</i>	<i>(730,000,000)</i>	<i>(20,500,000)</i>	<i>(621,228,051)</i>	<i>(-108,771,949)</i>	<i>(+600,728,051)</i>
<i>(Limitation on callable capital)</i>	<i>(2,428,035,486)</i>	<i>(2,376,673,199)</i>	<i>(134,809,613)</i>	<i>(-2,293,225,873)</i>	<i>(-2,241,863,586)</i>
<i>(Limitation on administrative expenses)</i>	<i>(20,390,000)</i>	<i>(22,782,000)</i>	<i>(22,000,000)</i>	<i>(+1,610,000)</i>	<i>(-782,000)</i>
<i>(Limitation on program activity)</i>	<i>(200,000,000)</i>	<i>(200,000,000)</i>	<i>(200,000,000)</i>		

* Amount of reduction is \$716,113,094, when Administration unofficial request for Ex-Im Bank is considered.