

**COMPILATION OF INFORMATION
ON THE
OPERATION AND ADMINISTRATION
OF THE
AGRICULTURAL TRADE DEVELOPMENT AND ASSISTANCE ACT OF 1954
(COMMONLY KNOWN AS PUBLIC LAW 480)**

PART II



**UNITED STATES GENERAL ACCOUNTING OFFICE
DECEMBER 1960**

PART II

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Letter dated August 11, 1958, from the Director, ICA, to the Secretary of Agriculture regarding responsibilities under title III, Public Law 480, program and the Secretary's reply dated August 14, 1958	N	597
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DEPARTMENT OF STATE

RESPONSIBILITIES OF THE DEPARTMENT UNDER PUBLIC LAW 480

The Department of State is responsible for activities under the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691) as follows:

1. Coordinating all functions under the act with United States foreign policy, as such policy relates to the said functions.
2. Coordinating, through the chiefs of United States diplomatic missions, the activities of all United States Government personnel administering functions under the act in the countries to which diplomatic missions are assigned.
3. Negotiating and entering into agreements with foreign governments.
4. Sharing with the Department of Defense the responsibility for the use, pursuant to section 104(c) of the act, of foreign currencies to procure military equipment, materials, facilities, and services for the common defense.
5. Using foreign currencies, pursuant to section 104(d) of the act, for financing the purchase of goods or services for other friendly nations.
6. Sharing with the Export-Import Bank of Washington the responsibility for the use of foreign currencies, pursuant to section 104(e) of the act, for promoting balanced economic development and trade among nations.
7. Using foreign currencies, pursuant to section 104(f) of the act, for United States obligations abroad which the Department is authorized to pay.
8. Administering foreign currencies used under section 104(f) of the act for the payment of expenses of congressional travel abroad.
9. Using foreign currencies, pursuant to section 104(g) of the act, for loans to promote multilateral trade and economic development.
10. Using foreign currencies, pursuant to section 104(h) of the act, for the financing of certain international educational exchange activities.

11. Using foreign currencies, pursuant to section 104(j) of the act, to provide assistance to American-sponsored schools abroad.
12. Using foreign currencies, pursuant to section 104(k) of the act, to promote and support programs of cultural and economic development.
13. Using foreign currencies, pursuant to section 104(l) of the act, for the acquisition of sites and buildings and grounds abroad, for United States Government use.
14. Using foreign currencies, pursuant to section 104(o) of the act, to assist in the expansion or operation in foreign countries of established schools, colleges, or universities founded or sponsored by citizens of the United States.
15. Using foreign currencies, pursuant to section 104(p) of the act, for supporting workshops in American studies or American educational techniques and supporting chairs in American studies.

A draft Executive order proposed by the Bureau of the Budget on January 26, 1960, would assign the function of assistance to meet emergency relief requirements, other than those for surplus food, as authorized under section 104(q) of the act, to the Department of State. The proposed order would also assign to State a shared responsibility with United States Information Agency (USIA) for preparing, distributing, and exhibiting audio-visual informational and educational materials abroad as authorized under section 104(r).

When responsibility for currency uses under section 104(o) was delegated to the Department of State on June 25, 1959, that section also included the purpose authorized in section 104(p). Public Law 86-341, approved September 21, 1959 (73 Stat. 606), separated section 104(o) into sections 104(o) and 104(p).

Under the proposed Executive order, the Department of State would be responsible for currency uses under both sections.

ORGANIZATIONAL COMPONENTS PERFORMING
PUBLIC LAW 480 FUNCTIONS

The regular organization of the Department performs or supervises the work for which the Department is responsible under Public Law 480. An organizational chart is included in appendix C, page 483.

Organizational components of the Department with principal advisory, review, or operating responsibilities in connection with Public Law 480 programs are those under the supervision of the Legal Adviser, the Special Assistant for the Coordination of International Educational and Cultural Relations, and the Assistant Secretaries for Economic Affairs, Inter-American Affairs, European Affairs, Far Eastern Affairs, Near Eastern and South Asian Affairs, African Affairs, and Administration.

The Legal Adviser provides counsel and service in legal matters, including the clearance of agreements and negotiating instructions for title I sales programs and uses of foreign currency.

Each regional bureau, under the direction of an Assistant Secretary of State, is responsible for the general conduct of foreign relations with the countries within its area as they relate to political, security, economic, public affairs, social, consular, administrative, and other policies and practices, including Public Law 480 programs.

The Department of State, as coordinator of the Mutual Security Program, issues policy guidelines for the development of Mutual Security country programs. These guidelines supplement the policy reports of the National Security Council and the Operations Coordinating Board and take into consideration the availability of other non-Mutual Security Program resources, such as programs involving the disposal of agricultural surpluses, to help in achieving United States objectives. The Under Secretary of State is responsible for (a) supervising and directing the various forms of assistance authorized by the Mutual Security Act of 1954, (b) ensuring that the assistance authorized by the Mutual Security Act of 1954 serves the foreign policies of the United States, and (c) directing International Cooperation Administration (ICA) and coordinating the functions of the ICA with the other affairs of the Department of State.

On July 30, 1956, the Under Secretary of State delegated to the Assistant Secretary for Economic Affairs authority to clear all title I sales agreements and negotiating instructions except those in excess of \$10 million in value. As to agreements in excess of \$10 million, the substance of the agreements and the negotiating instructions were to have the final clearance of the Secretary or the Under Secretary. On November 18, 1957, the Under Secretary of State delegated to the Deputy Under Secretary for Economic Affairs the authority for final clearance of the substance of agreements and negotiating instructions for programs which exceed \$10 million in value. He authorized the Deputy

Under Secretary for Economic Affairs to delegate the approval of such programs to the Assistant Secretary for Economic Affairs and the Deputy Assistant Secretary for Economic Affairs whenever he (the Deputy Under Secretary for Economic Affairs) deemed it appropriate. On January 6, 1958, the Deputy Under Secretary for Economic Affairs delegated authority to approve such programs to the Assistant Secretary for Economic Affairs and, in his absence, to the Acting Assistant Secretary.

On January 4, 1956, the Secretary of State delegated the authority to review and to sign title I agreements, or to authorize their signature by chiefs of missions, to the Deputy Under Secretary of State for Economic Affairs, the Deputy Assistant Secretary of State for Economic Affairs, and the Assistant Secretaries for the regional bureaus.

Prior to July 1, 1958, the Deputy Under Secretary of State for Economic Affairs assisted the Secretary and Under Secretary in the development and coordination of the basic economic and mutual security aspects of over-all United States foreign policy. These functions were transferred on July 1, 1958, to the new position of Under Secretary of State for Economic Affairs, which was abolished recently. Effective June 12, 1959, the Under Secretary of State, in addition to being the principal assistant to the Secretary of State for all aspects of the conduct of United States foreign relations, was made responsible for the coordination of the Mutual Security Program and for the direction and control of the International Cooperation Administration.

The Bureau of Economic Affairs formulates policy, in consultation with other bureaus as required, and takes appropriate action with respect to foreign economic affairs which have a multilateral effect or require multilateral action, including Public Law 480 programs. The Bureau is under the supervision of the Assistant Secretary for Economic Affairs who also represents the Department on the Interagency Committee on Agricultural Surplus Disposal (the Francis Committee).

The Bureau of Economic Affairs consists of the Office of International Resources, the Office of International Financial and Development Affairs, the Office of International Trade, and the Office of Transport and Communications. The Commodities Division, Office of International Resources, discharges the Bureau's major responsibilities with respect to the coordination and clearance, within the Department, of Public Law 480 programs and the related instructions and agreements. The Assistant Chief, Commodities Division, is the Department of State representative on the Interagency Staff Committee on Agricultural Surplus Disposal (ISC).

The Secretary of State has granted authority for the appropriate Assistant Secretary (Inter-American Affairs, European Affairs, Far Eastern Affairs, Near Eastern and South Asian Affairs, or African Affairs) or the chief of mission to sign executive agreements with foreign governments for the establishment of educational exchange programs. These agreements, however, must receive prior approval by the Legal Adviser, the

Bureau of International Cultural Relations, the Bureau of Economic Affairs, the Bureau of Administration, and the Assistant Secretary for the geographic area concerned.

The Bureau of International Cultural Relations, under the direction of the Special Assistant to the Secretary for the Coordination of International Educational and Cultural Relations, performs the Department's responsibilities with respect to the educational exchange programs, including programs for the use of foreign currencies under section 104(h), (j), (k), and (p) of Public Law 480. The International Educational Exchange Service, Bureau of International Cultural Relations, plans and conducts Department of State programs for the use of foreign currencies under these sections. Prior to June 1, 1959, the International Educational Exchange Service was in the Bureau of Public Affairs.

The Under Secretary of State has granted authority to the Special Assistant for the Coordination of International Educational and Cultural Relations for the initiation, modification, and extension of educational exchange agreements to utilize foreign currency under section 104(h) of Public Law 480, subject to concurrence of the appropriate regional bureaus, the Legal Adviser, and the Bureau of Administration.

The Secretary of State has authorized the Special Assistant for the Coordination of International Educational and Cultural Relations and the Director, International Educational Exchange Service, to sign letters of working agreement with other Government agencies concerning the details of projects under the Educational Exchange Program.

The Director, International Educational Exchange Service, has been authorized by the Secretary of State to prescribe regulations for, and to negotiate, review, authorize or approve or disapprove, annual budgets of United States foundations or commissions established under Public Law 584, Seventy-ninth Congress (50 U.S.C. app. 1641(b)).

The Bureau of Administration is one of the organizational components of the Department with principal advisory, review, and operating responsibilities in connection with Public Law 480 programs, both in the Department and in the field. The Bureau provides counsel and services in budgetary programing and management matters, including the clearance of agreements and negotiating instructions pertaining to the utilization of foreign currencies for educational exchange. The Office of Budget, the Office of Finance, and the Management Staff are the principal offices in the Bureau of Administration involved in Public Law 480 programs. The Office of Budget coordinates planning for effective programing of foreign currencies, participates in program determinations, reviews budgetary requests and apportionment proposals, effects allotment authorizations for United States uses, and controls budget execution of foreign currency uses. The Office of Finance maintains accounts and issues fiscal reports on the status of foreign currency programs. The Management Staff coordinates the Department's reactions to the proposed uses of foreign currencies by other agencies. (All uses of currencies are subject to the responsibilities of the

Secretary of State with regard to the foreign policy of the United States as such policy relates to the said programs.)

The chiefs of United States diplomatic missions are responsible for coordination, general direction, and leadership in all matters under Public Law 480 in the countries to which they are assigned, in order to assure that the United States foreign policy objectives are properly met, that the activities of the field representatives of all agencies connected with Public Law 480 are effectively coordinated, and that friendly relations with the foreign governments are not impaired.

ACTIVITIES AND PROCEDURES OF THE DEPARTMENT
IN TITLE I SALES

The principal activities and procedures of the Department of State in the sale of surplus agricultural commodities under title I of Public Law 480 are outlined below.

Chief of diplomatic mission
coordinates field study of programs

The field coordination mechanism for Public Law 480 is the same as for the Mutual Security Program, with joint consideration by field representatives of the agencies concerned, under the leadership of the chief of the United States diplomatic mission. See joint State-ICA-USDA message of May 8, 1956, to American Diplomatic Missions, appendix P, page 603.

A request for a title I sales program is considered in the field mission by a country team which usually includes representatives of the Department of State, the Department of Agriculture, and the International Cooperation Administration. The division of duties among the field representatives considering sales programs varies from post to post depending on the types of personnel available, the program under consideration, and other local factors.

The country team assembles information on the needs of the country, the trade and development of the country, the usual marketings, the uses that can be made of the local currency, other United States programs in the country, the United States foreign policy, and any other matter that seems to affect substantially the value of the proposed title I sales program. The

recommendations of the country team, together with supporting information, are dispatched to the Department of State.

The Department assists
in the preparation of a sales program

The recommendations of the country team, together with supporting information, are distributed to the interested areas in the Department of State, including ICA, and to the Department of Agriculture, the Bureau of the Budget, and other interested agencies for information, review, and coordination. The Department of Agriculture has the primary responsibility for preparing and coordinating the program, the negotiating instructions, and the sales agreement.

The Department of State, through its ISC representative, area officers, international educational exchange officers, field missions, and other interested officials, assists the Foreign Agricultural Service, Department of Agriculture, in preparing the sales program. It furnishes information on United States foreign policy, political and economic conditions in the country concerned, and the estimated use of foreign currency for international educational exchange activities and assistance to American-sponsored schools.

The Department of Agriculture provides member agencies of ISC with copies of the draft of the program, negotiating instructions, and sales agreement, for review and clearance prior to the ISC meeting.

Bureau of Economic Affairs coordinates
and clears a proposed sales program

The coordination and clearance of a proposed title I program within the Department of State is the responsibility of the Bureau of Economic Affairs which is under the direction of the Assistant Secretary for Economic Affairs. The Commodities Division, Office of International Resources, does most of this work. The Assistant Chief, Commodities Division, who is also the Department's representative on the ISC, coordinates and clears the proposed program with the Office of International Resources, the Office of International Financial and Development Affairs, and other interested units of the Bureau of Economic Affairs. He also obtains clearance from other offices within the Department. The other offices primarily concerned with the review and clearance of the major aspects of a proposed title I program are the regional bureaus (geographical areas), the International Educational Exchange Service, and the office of the Legal Adviser. Coordination and clearance are effected through conferences, telephone conversations, and exchange of copies of communications.

How the Department's position
on a sales program is determined

The Department of State position on a proposed sales program is determined by its ISC representative on the basis of the results of reviews of the program by the offices in the Department which have responsibility for certain aspects of the program or for foreign relations with the country concerned. In appropriate cases the decisions are made or approved by the

Director of the Office of International Resources, the Assistant Secretary for Economic Affairs, or the Under Secretary. Two of the most significant reviews are made by the regional bureau concerned and the Office of International Financial and Development Affairs, Bureau of Economic Affairs. These reviews are explained in detail below.

Review and clearance of a proposed program by regional bureau

The regional bureau which is responsible for relations with the country concerned reviews a proposed program to determine whether it will help in achieving United States foreign policy objectives in the countries under the jurisdiction of the bureau. In reviewing the program, the regional bureau is governed by the United States foreign policy for the particular country as established by the National Security Council. The review generally takes into consideration the following:

1. The needs of the particular country.
2. The usual marketings of the country and the possible effect on the program or markets of other countries under the bureau's jurisdiction.
3. The economy of the country and the ability of the country to buy the commodities.
4. The political aspects of the program.
5. The terms of the sales program and the types and quantities of the commodities to be sold.
6. The proposed uses to be made of the foreign currency resulting from the sale.

The regional bureau generally coordinates with the ICA regional desk officers and the Department of Agriculture, if

necessary, on the proposed sales program and with the Department of Commerce, the Export-Import Bank, and the Bureau of the Budget on the proposed foreign currency uses.

Clearance of a program is generally given by the officer in charge of economic affairs for the country involved, but matters requiring decisions by higher authority are referred to the director of the office or to the Assistant Secretary who has responsibility for the bureau.

The regional bureau consults with the Bureau of Economic Affairs in establishing the position on a proposed program and sometimes assists the Department's representative on ISC in presenting the Department position at the ISC meeting.

Review and clearance of program
by Office of International Financial
and Development Affairs

The Economic Development Division, Office of International Financial and Development Affairs, Bureau of Economic Affairs, reviews and clears proposed title I programs. This division is governed principally by the general economic policy established by the Under Secretary. In the review of a program the division is interested principally in the proposed foreign currency uses, particularly those involving the economic development of the country concerned, under section 104(e), (f), and (g). It is responsible for the preparation of letters to the Bureau of the Budget requesting waiver of section 1415 of the Supplemental Appropriation Act of 1953, as it applies to section 104(e) of Public Law 480 grants to foreign countries. When the Department of

State initiates action to change or eliminate the provision making available 25 percent of currencies generated under the sales agreement for loans to private business firms, as required by section 104(e), the Economic Development Division prepares the letter of justification for the proposed action. The letter is cleared by the appropriate regional bureau.

The Director, Office of International Financial and Development Affairs, represents the Department of State on the staff of the National Advisory Council on International Monetary and Financial Problems, where the general policies relating to the interest rates, period of loans, and maintenance of value in connection with section 104(g) loan agreements are established.

Decisions relating to proposed title I programs are usually made within the Economic Development Division. Decisions requiring consideration by higher authority are referred to the Director, Office of International Financial and Development Affairs; to the Assistant Secretary for Economic Affairs; and to the Under Secretary. The Economic Development Division coordinates its activities with the Bureau of the Budget, the Treasury Department, the International Cooperation Administration, and the Export-Import Bank. Suggestions or recommendations of this Division on Public Law 480 matters are referred to the Department's representative on the ISC for coordination.

How the Department's position is presented to ISC

The Department of State representative on ISC presents the Department's position on a proposed title I program at the ISC

meetings. He is assisted usually by one or more representatives from the regional bureaus who furnish supporting information. Representatives of the International Education Exchange Service assist in presenting the Department's estimate for the use of foreign currency under sections 104(h), (j), (k), and (p).

The ISC representative may change the Department's position on a proposed program. However, when the problem warrants it, the ISC representative obtains the approval of the Assistant Secretary for Economic Affairs, or higher authority, before stating the change in position and approving the program.

Department negotiates and enters
into sales agreement with friendly nation

By Executive Order 10560 of September 9, 1954, the President delegated to the Secretary of State the functions under the act of negotiating and entering into agreements with friendly nations or organizations of friendly nations.

The negotiation of a sales agreement is usually conducted in the friendly country. In some instances, however, interagency teams headed by Department of State representatives negotiate agreements in Washington, D.C., with representatives of friendly countries.

There is no formal transmittal of an approved sales program to the Department of State from the Department of Agriculture or the ISC. After ISC approves the drafts of the sales agreement and the negotiating instructions, the action copies are handed to the Department of State's ISC representative.

The Assistant Secretary for Economic Affairs clears the agreement and negotiating instructions and obtains clearance from the Legal Adviser's office and the appropriate regional bureau. In the Legal Adviser's office the agreement and instructions are reviewed by the Assistant Legal Adviser for Treaty Affairs and the Assistant Legal Adviser for Economic Affairs. They must have final clearance by the Under Secretary or by the Assistant or Deputy Assistant Secretary for Economic Affairs before they are sent to the field mission.

The negotiating instructions show the names of the person who prepared the original draft submitted to ISC (usually one of the program coordinators of the Foreign Agricultural Service, Department of Agriculture), the person who drafted the Department of State instructions to the field (usually in the Commodity Division, Bureau of Economic Affairs), the key officials in the Department of State who cleared the instructions, the members of the ISC who cleared the instructions, and the official in the Department of State authorized to approve the instructions, as well as the required authorization of the Secretary of State.

The approved negotiating instructions together with a draft of the sales agreement are sent in a Department of State instruction to the chief of the diplomatic mission, as a joint State-Agriculture-ICA message, authorizing him to negotiate with the foreign government. Upon receipt of the instructions, the chief of the diplomatic mission opens negotiations with the foreign government. He conducts these negotiations in accordance with

Department Circular 175, dated December 13, 1955, and in most instances relies on a country team to carry out the negotiations. This team consists of officers from agencies with specific implementation responsibilities for the agreement under consideration, usually Department of Agriculture representatives for the commodity aspects of the negotiations, ICA representatives with regard to the uses of foreign currency proceeds and the relationship between Public Law 480 and Mutual Security Act programing, and United States diplomatic mission representatives for advice on United States foreign policy.

Problems arising either before negotiations are initiated with foreign governments or during the course of negotiations may be referred to Washington. Joint State-Agriculture-ICA replies thereto are usually prepared, action responsibility being in the agency in whose area the problem falls, with other agencies participating with respect to matters affecting them. Any departures from the negotiating instructions must receive such joint clearance.

When agreement between the United States and a foreign government has been reached or is imminent, Washington is notified. The standard negotiating instructions provide that the chief of the mission shall notify Washington several days in advance of the date set for signing the agreement. The chief of the United States diplomatic mission is then authorized, usually by telegram, to sign the agreement. The Under Secretary, the Assistant Secretary for Economic Affairs, or the Assistant Secretary for the

geographical area involved have been delegated authority by the Secretary of State to sign these sales agreements or to authorize their signature by the chiefs of mission in the field.

The office responsible for the negotiation of an agreement is also responsible for assuring the transmission of the signed original text, together with all accompanying papers, such as agreed minutes, exchange of notes, and plans, to the Office of the Legal Adviser.

USE OF FOREIGN CURRENCIES

Under Executive Order 10560 of September 9, 1954, all foreign currency programs authorized by Public Law 480, as amended, are subject to the responsibilities of the Secretary of State with respect to the foreign policy of the United States as such policy relates to the said programs. Agencies with foreign currency programs authorized by section 104 of the act are expected to consult informally with the Department of State, prior to submission of their budget estimates to the Bureau of the Budget, with respect to the foreign policy aspects of their proposed budget request, contracts with the foreign government which will be needed, the size and nature of any proposed establishments overseas, any administrative support expected from the State Department, and the availability of the currencies for international travel. Following receipt of agency submissions, the Bureau of the Budget seeks the advice of the Department of State on the relation of the proposed programs to United States foreign policy interests. The Department advises the Bureau of its clearance in principle of the various programs and/or of any reservations it may have with regard to these programs.

When appropriations are allocated, agencies with foreign currency programs are expected to obtain the Department of State's approval from a foreign policy standpoint of their specific projects prior to implementing them.

Under Executive Order 10560 of September 9, 1954, as amended, the Department of State shares with other Government agencies the responsibility for foreign currency uses under section 104(c),

(e), (f), (g), and (j) of Public Law 480, and it has full responsibility for currency uses under section 104(d), (h), and (o). The Department and any other agencies designated by the Secretary of State are responsible for currency uses in carrying out the purposes of section 104(1).

Currency uses, under Public Law 480, by and on behalf of the Department of State are outlined below.

Section 104(c)--procurement for the common defense

Section 104(c) of the act provides for the use of foreign currencies for the procurement of military equipment, materials, facilities, and services for the common defense.

Executive Order 10560, as amended, provides that the purposes of section 104(c) shall be carried out by the Department of Defense or the Department of State, as those agencies shall agree, or in the absence of agreement, as the Director of the Bureau of the Budget shall determine.

Under State Department Delegation of Authority No. 85-2 of September 4, 1957, the Director of ICA, under the direction and control of the Secretary of State, was responsible for carrying out the functions of the Department of State under section 104(c) of Public Law 480. Delegation of Authority No. 85-3 of December 5, 1957, made the Deputy Under Secretary of State for Economic Affairs responsible for coordinating the functions of ICA with the other affairs of the Department of State. Delegation of Authority No. 85-5 of February 3, 1959, placed ICA under the direction and control of the Under Secretary of State for Economic Affairs and delegated to him the responsibility for carrying out the functions

of the Department of State under section 104(c) of Public Law 480, and Delegation of Authority No. 85-6 of July 15, 1959, transferred this authority and responsibility to the Under Secretary of State.

The operations of ICA under section 104(c) are discussed on pages 199 to 203.

Section 104(d)--purchase of goods
for friendly countries

Responsibility for the use of foreign currencies under section 104(d) of the act for financing the purchase of goods or services for other friendly countries was delegated to the State Department by Executive Order 10827, dated June 25, 1959. Prior to that time, ICA had this responsibility. ICA operations under section 104(d) are discussed on pages 203 to 208.

Section 104(e)--grants for
economic development and trade

The Department of State is responsible, under Executive Order 10827 of June 25, 1959, for the use of foreign currencies pursuant to section 104(e) of the act except to the extent that the section pertains to loans by the Export-Import Bank of Washington. Prior to June 25, 1959, ICA had this responsibility.

Operations of ICA and the Export-Import Bank under section 104(e) are discussed on pages 208 and 362, respectively.

Section 104(f)--payment of
United States obligations abroad

Responsibility for the use of foreign currencies under section 104(f) of the act was delegated by Executive Order 10560 to the respective agencies of the Government having authority to pay United States obligations abroad.

Obligations resulting from
Department of State activities

Because of its many activities and programs abroad, the Department of State has a substantial responsibility for the use of foreign currencies under section 104(f). When it uses such currency for a purpose for which funds have been appropriated, it pays the dollar equivalent into the Treasury.

Expenses of congressional committees
traveling abroad

Foreign currencies received from the sale of agricultural commodities are made available by the Treasury Department pursuant to requests by the Department of State for local currency expenses of committees of the Congress traveling abroad.

Section 502(b) of the Mutual Security Act of 1954, as amended (22 U.S.C. 1754(b)), provides that, notwithstanding section 1415 of the Supplemental Appropriation Act, 1953 (31 U.S.C. 724), or any other provision of law, local currencies owned by the United States shall be made available to certain committees of Congress for their local currency expenses.

When a congressional committee needs foreign currencies, it notifies the Assistant Secretary of State for Congressional Relations who advises the United States diplomatic missions in the appropriate countries and authorizes the local disbursing officers to use foreign currencies in the Congressional Travel Account to defray the official transportation and travel expenses in the foreign countries.

The Department's Office of Finance has the primary responsibility for making foreign currencies available and maintaining

records of the use of such currencies for congressional travel. It ascertains the availability of foreign currencies and takes steps to utilize them. If sufficient funds are not available in the State Department account to cover the estimated expenses in a foreign country, the Office of Finance requests the Treasury Department to authorize the disbursing officer at the foreign post to transfer foreign currency from the Treasury Department's account to the State Department's account. The Director, Office of Finance, certifies in a letter to the Treasury Department that the currency requested will be used pursuant to the authority in section 502(b) of the Mutual Security Act of 1954, without United States dollar reimbursement to the Treasury Department. This certification is required by section 281.6 B of Treasury Department Circular No. 930.

Because of delays in prior years in obtaining allocations of Public Law 480 foreign currencies, the Department of State now uses Public Law 480 currency only when United States-owned local currency obtained from other sources is not available or the amount thereof is insufficient.

Section 104(g)--loans to foreign governments

Section 104(g) of the act authorizes the use of foreign currencies for loans to promote multilateral trade and economic development.

Executive Order 10827 of June 25, 1959, provides that the purposes of section 104(g) of the act shall be carried out by the Department of State and by the Development Loan Fund as they shall agree. The function of determining the manner in which the loans

shall be made was delegated to the Secretary of State with respect to loans made by the Department of State and to the Development Loan Fund with respect to loans made by the Development Loan Fund. The Development Loan Fund, with respect to these loans, is subject to the supervision and direction of the Secretary of State, and the Department of State may allocate or transfer to the Development Loan Fund foreign currencies to be used for the loans.

Prior to June 25, 1959, the authority of the President to make loans under section 104(g) of the act was exercised by ICA and the Director of ICA pursuant to Executive Order 10560. The operations of ICA under this section are described on pages 210 to 219.

Section 104(h)--international educational exchange activities

Foreign currencies generated by sales of agricultural commodities to foreign countries are used by the Department of State to supplement the activities of international educational exchange programs. The general purpose of these programs is to promote better understanding between the people of the United States and the peoples of participating foreign countries.

In implementing the exchange-of-persons programs, foreign currencies generated under Public Law 480 may be used for (a) travel, tuition, books, and maintenance for American grantees, (b) international and United States internal travel of foreign grantees, (c) expenses and rent of offices of binational commissions and foundations, and (d) other approved expenses incident to the programs. In countries where exchange programs under section 32(b)(2) of the Surplus Property Act of 1944 (50 U.S.C. App. 1641 (b)) are

in operation, grants in foreign currency are often made in combination with dollar grants under the United States Information and Educational Exchange Act of 1948 (22 U.S.C. 1431).

Statutory authority for exchange programs

Section 2(b)(2) of the act of August 1, 1946, amended section 32(b)(2) of the Surplus Property Act of 1944 (50 U.S.C. App. 1641 (b)), to authorize the Secretary of State to enter into executive agreements with foreign governments for the use of certain foreign currencies, held or available for expenditure by the United States, for the purpose of providing, by the formation of foundations or otherwise, for (a) financing studies, research, instruction, and other educational activities of or for American citizens in schools and institutions of higher learning located outside the continental United States, Hawaii, Alaska (including the Aleutian Islands), Puerto Rico, and the Virgin Islands, including payment for transportation, tuition, maintenance, and other expenses incident to scholastic activities or (b) furnishing transportation for citizens of such foreign countries who desire to attend American schools and institutions of higher learning in the continental United States, Hawaii, Alaska (including the Aleutian Islands), Puerto Rico, and the Virgin Islands, and whose attendance will not deprive citizens of the United States of an opportunity to attend such schools and institutions. This amendment is usually referred to as the Fulbright Amendment or the Fulbright Act.

Title II of the United States Information and Educational Exchange Act of 1948, as amended (22 U.S.C. 1446-1448), provides for the interchange of persons, knowledge, and skills between the

United States and foreign countries. This act is usually referred to as the Smith-Mundt Act. Section 201 (22 U.S.C. 1446) authorizes the Secretary of State to provide for interchanges on a reciprocal basis between the United States and other countries of students, trainees, teachers, guest instructors, professors, and leaders in fields of specialized knowledge or skill and states that wherever possible the Secretary shall provide these interchanges by using the services of existing reputable agencies which are successfully engaged in such activity.

Section 104(h) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1704), as amended, authorizes the use of foreign currencies, received from the sale of surplus agricultural commodities to other nations, for the financing of international educational exchange activities authorized by the Fulbright Act and for the financing in such amounts as may be specified from time to time in appropriation acts of programs for the interchange of persons under title II of the Smith-Mundt Act. It provides that, in the allocation of funds among the various purposes set forth in section 104 of the act, a special effort shall be made to provide for the purposes of section 104(h), including a particular effort with regard to (1) countries where adequate funds are not available from other sources for such purposes and (2) countries where agreements can be negotiated to establish a fund with the interest and principal available over a period of years for such purposes, such special and particular effort to include the setting aside of such amounts from sale proceeds and loan repayments under this title, not in excess of \$1,000,000

a year in any one country for a period of not more than 5 years in advance, as may be determined by the Secretary of State to be required for the purposes of section 104(h).

No foreign currencies have been appropriated
for Smith-Mundt Act programs

The language providing for the financing, in such amounts as may be specified from time to time in appropriation acts, of programs for the interchange of persons under title II of the Smith-Mundt Act was added to section 104(h) of Public Law 480 by Public Law 85-931, approved September 6, 1958 (72 Stat. 1791).

On July 17, 1959, the President recommended that an authorization for the use of foreign currencies for this purpose be included in a supplemental appropriation for fiscal year 1960. However, no foreign currencies have been appropriated for Smith-Mundt Act purposes under section 104(h).

In the budget for 1961, the President requested a dollar appropriation for 1961 for the purchase of currencies for Smith-Mundt Act purposes and a permanent, indefinite dollar appropriation for the purchase of currencies for academic exchange programs under the Fulbright Act.

Responsibilities involved
in educational exchange programs

The development and administration of educational exchange programs under the Fulbright Act and section 104(h) of Public Law 480 involve the following responsibilities of the Department of State:

1. General supervision of the initiation and conduct of the programs in behalf of the Board of Foreign Scholarships.

2. Negotiation and execution of the executive agreements providing for the establishment and operations of the United States educational foundations and commissions.
3. Designation of depositaries for funds for the foundations and commissions, approval of acquisitions of real property by the foundations and commissions, and approval of annual program budgets.
4. Promulgation of regulations governing the expenditure of funds and general administration.
5. Assistance in the recruitment of executive officers and assistants for the foundations and commissions.
6. Issuance of expenditure authorizations making available to the foundations or commissions foreign currencies which have been allocated and apportioned by the Bureau of the Budget and allotted by the Office of Budget, Department of State.

Organizations established to develop and administer educational exchange programs

Organizations whose activities are limited to educational exchange programs are discussed below. They include the International Educational Exchange Service, the Board of Foreign Scholarships, and the commissions and foundations established by or pursuant to the Fulbright Act and the Smith-Mundt Act.

International Educational Exchange Service--The International Educational Exchange Service, Bureau of International Cultural Relations, consists of the following organizational units:

Office of the Director
Operations Staff of the Board of Foreign Scholarships
Financial Management Staff

Office of the Assistant Director for Area Programs
Area Programs Staff
Evaluation Staff

Office of the Assistant Director for Program Operations
Professional Activities Division
Study Programs Division
Leaders--Specialists Division
Special Projects Division

The International Educational Exchange Service (IES) is the organizational unit in the Department of State which deals exclusively with the educational exchange programs. The Service is the focal point in the Department for developing and implementing, through long-range planning and day-to-day operations, the over-all policies of the Department for the conduct of educational exchange activities with other nations. In this capacity IES:

1. Develops and conducts, directly and by agreement or contract with public or private agencies, educational exchange programs with other nations within approved global policies and with the review of the regional bureaus as to the character of the programs developed for each region and the review of the Office of Budget from a budgetary and fiscal management standpoint.
2. Coordinates the relationship of the Department of State's Educational Exchange Program to similar programs conducted by other Federal agencies under public authority and provides administrative and technical services to such agencies.
3. Cooperates with the foreign governments and American and foreign voluntary organizations and individuals in conducting educational exchange activities which are in accord with the aims of United States foreign policy, by furnishing information, advice, services, and financial support when possible and desirable.
4. Coordinates the negotiation of international agreements necessary to educational exchange projects and participates in the development of related international agreements.
5. Instructs United States missions abroad on the educational exchange program.
6. Approves, amends, or terminates grants awarded to individuals under the educational exchange program.
7. Provides reception center services to persons visiting the United States under the educational exchange program and, on request, to other foreign visitors.
8. Analyzes and evaluates reports from Foreign Service establishments and regional bureau appraisals thereof and conducts studies to determine the effectiveness of the educational exchange program.

9. Develops and directs the operation of all orientation programs and other operational phases of the Department's exchange program and cooperates with other agencies in developing orientation plans for educational exchange programs under their jurisdiction.

The Director, IES, has the following authority:

1. To sign letters of working agreement with other Federal agencies concerning the details of projects under the educational exchange program (Delegation of Authority No. 46B, April 5, 1954).
2. To prescribe regulations for, and to negotiate, review, authorize or approve or disapprove, annual budgets of the United States educational foundations or commissions established under the Fulbright Act (Delegation of Authority No. 75, December 21, 1953).
3. To authorize or approve or disapprove travel for grantees under the educational exchange program and to issue travel orders covering such travel (Delegation of Authority No. 76, March 4, 1954).

In the formulation and execution of exchange programs, IES is required to consult, in their respective areas of interests, with the United States Advisory Commission on Educational Exchange and the Board of Foreign Scholarships, with the regional bureaus and other appropriate areas of the Department, and with other qualified public and private agencies.

Board of Foreign Scholarships--The Fulbright Act provided that for the purpose of selecting students and educational institutions qualified to participate in the program, and to supervise the exchange program, the President of the United States is authorized to appoint a Board of Foreign Scholarships, consisting of 10 members who serve without compensation, composed of representatives of cultural, educational, student and war veterans' groups, and including representatives of the United States Office of Education,

the United States Veterans Administration, State educational institutions, and privately endowed educational institutions.

The Board formulates, reviews for approval, and recommends policies and programs to implement the objectives of the Fulbright Act, reviews and recommends for approval all annual budgets for United States educational foundations, establishes standards to be met by educational institutions which are to receive grantees participating in approved programs, and selects all persons to receive grants for educational activities under the Fulbright Act.

The policies governing the administration of the educational exchange program under the Fulbright Act are covered in the manual entitled "The Policy Statements of the Board of Foreign Scholarships," revised May 1955.

Commission on Educational Exchange--The Smith-Mundt Act created the United States Advisory Commission on Educational Exchange (herein referred to as the Commission or the Commission on Educational Exchange). The Commission consists of five members who are appointed by the President, by and with the advice and consent of the Senate, and serve without compensation. They represent the public interest and must be selected from a cross section of educational, cultural, scientific, technical, and public service backgrounds.

The Commission formulates and recommends to the Secretary policies and programs for carrying out the act but has no authority over the Board of Foreign Scholarships or the program created by the Fulbright Amendment to the Surplus Property Act of 1944.

Educational foundations and commissions--Each educational foundation or commission is a binational organization established by executive agreement made pursuant to the Fulbright Act.

Under the executive agreements, each foundation or commission has general responsibility for the effective conduct in the host country of the educational exchange program, utilizing foreign currency made available by the Department of State.

The membership of the foundations and commissions varies from country to country according to the agreements but usually includes an equal number of Americans and nationals of the country concerned.

The management and direction of the affairs of the foundation or commission are vested in a board of directors. Usually, the chief of the United States diplomatic mission serves as honorary chairman. The number of members of the board may vary, but the board must consist of members of the staff of the United States diplomatic mission, nonofficial United States citizens resident in the host country, and nationals of the host country.

Cooperating agencies

The American agencies, in the educational exchange field, are used in conducting nationwide competitions for American candidates and placing foreign grantees throughout the country. These agencies are the United States Office of Education, the Institute of International Education, and the Conference Board of Associated Research Councils.

United States Information Agency assists
in overseas operations of exchange programs

Responsibility for the conduct of educational exchange programs overseas is shared by Department of State personnel in Foreign Service posts and personnel of the United States Information Agency. The United States information service elements of Foreign Service posts administer the overseas operational aspects of the International Educational Exchange Program, on a reimbursable basis, in accordance with an agreement between the United States Information Agency and the International Educational Exchange Service and through general policy directives and instructions by the Department which are transmitted through the principal officers of the Foreign Service posts. The chiefs of missions and other principal officers of American Foreign Service posts are responsible for the policy control, supervision, and servicing of educational exchange activities overseas.

Procedures for exchange programs

The procedures used in establishing and administering educational exchange programs under the Fulbright Act and section 104(h) of Public Law 480 are described below. The procedures outlined under the first two subheadings will not be applicable under the policies announced and/or recommended in the President's 1961 budget message, extract from which is included as appendix Q, page 611.

IES determines need for exchange program--IES has primary responsibility for the development and coordination of country educational exchange programs. When a Public Law 480 sales agreement

for a country is in the "probable stage" the Area Programs Staff, IES, organizes and assembles the planning resources of IES, the United States missions, the regional bureaus, and other offices concerned to determine (a) whether an educational exchange program is needed, (b) the nature and scope of the program needed, (c) the immediacy of need, and (d) the relative priority of an IES program as compared with other possible educational exchange uses of the foreign currencies. The United States missions furnish advice, background information, and recommendations for the development of country plans. The regional bureaus furnish advice and background information on the political priority of individual countries and on political and economic considerations in their respective areas which affect the development of the program.

The Area Programs Staff develops and coordinates these country plans by:

1. Reviewing the requests of foreign countries for the purchase of surplus U.S. agricultural commodities, to determine the estimated amount of foreign currency to be developed.
2. Contacting other United States agencies interested in using foreign currency to develop a reliable estimate of competitive priorities and requested amounts.
3. Determining the amount of foreign currency which can be justified and defended for IES uses, the nature and scope of the program needed, and the United States objectives.
4. Coordinating the proposals with the Department's representative on the ISC and with the Bureau of International Cultural Relations, the regional bureaus, and the Legal Adviser's Office to develop the Department's position on IES needs.

An IES proposal for foreign currency uses under section 104(h) is submitted through the Department's representative to the

ISC for review and inclusion in the sales program for the foreign country. Representatives of the Area Programs Staff attend the ISC meetings and usually serve as spokesmen to present the IES plan and the justification to ISC. The distribution of foreign currencies to the various uses authorized by a title I agreement is determined by ISC, and the breakdown of planned currency uses is incorporated in broad outline in the negotiating instructions and the sales agreement which are sent to the United States diplomatic mission.

Department requests allocation of foreign currency--After the sales agreement has been signed, a concurrence memorandum establishing and justifying the Department's position in financing an international educational exchange program or amending an existing agreement, is cleared within IES and by the regional bureaus, the Bureau of Administration, the Bureau of International Cultural Relations, and the Office of Legal Adviser. Upon clearance of the memorandum the Financial Management Staff, IES, drafts a request to the Bureau of the Budget for an allocation of foreign currency to cover the exchange agreement. This request is cleared through the same channels within the Department as a regular budget request before forwarding to the Bureau. Under present procedure, the request is supported by a determination by the Secretary of State of the amounts of foreign currencies that are required in the countries listed in the determination for the financing of programs authorized by the Fulbright Amendment. Hearings are held by the Bureau of the Budget, and, if the request is approved, the amount involved is allocated to the Department.

Preparation and negotiation of executive agreements--A draft of the proposed executive agreement between the United States Government and the foreign government for financing an educational exchange program and a draft of the negotiating instructions to the United States diplomatic mission are prepared in IES and approved by the Director of IES and the Special Assistant to the Secretary for the Coordination of International Educational and Cultural Relations, with concurrence by the appropriate regional bureau, the Bureau of Administration, and the Legal Adviser's Office. After approval and clearance in the Department of State, the negotiating instructions and draft agreement are sent to the United States diplomatic mission for negotiation.

The negotiations in the field are conducted by personnel of the United States diplomatic mission and the United States Information Agency. When the negotiations have been completed and the agreement is ready to be signed, the chief of the diplomatic mission obtains authorization from the Department to sign the agreement. The Secretary of State has granted authority to the Assistant Secretary for the regional bureau concerned or the chief of mission, as appropriate, to sign these agreements after they have been approved by the Legal Adviser's Office, the Bureaus of International Cultural Relations, Administration, and Economic Affairs, and the Assistant Secretary for the geographic area concerned.

The provisions of the agreements for educational exchange programs under the Fulbright Act follow generally a standard pattern which provides for (a) the establishment of a binational educational commission or foundation, (b) the responsibilities of the

respective countries, and (c) the extent of participation and basic requirements for the binational conduct of educational exchanges between the cooperating country and the United States Government. Variances are limited usually to such things as the amount of money to be expended, the number of members on the board of the foundation, and other administrative matters. The agreements contain monetary limitations and in some instances limitations as to time. In these instances periodic amendments, by exchange of notes, are necessary. Also, as new sources of foreign currencies develop through the sale of surplus agricultural commodities, new agreements may be made or existing agreements may be extended or amended.

Based upon the planned uses of foreign currency under Public Law 480 sales agreements signed from the beginning of the program through June 30, 1959, the Department of State has entered into executive agreements with 18 countries for the use of about \$14 million equivalent of foreign currencies for the conduct of educational exchange programs as authorized under the Fulbright Act.

Submission, review, and approval of annual program proposals--

After an educational exchange agreement has been signed, the binational foundation is required to submit to the Department annual program proposals for educational exchanges for the local academic year in accordance with instructions and time schedules set forth in the "Guide to Preparation and Submission of Annual Country Proposals" issued February 1955 by the International Educational Exchange Service. The annual program proposal must show (a) the program objectives, (b) the projects, (c) the institutions

recommended for participation, (d) the program budget, and (e) the schedule of recommended maintenance allowances. The projects are planned activities directed toward the achievement of particular objectives within the framework of educational exchange activities authorized by the Fulbright Act and the Smith-Mundt Act.

The overseas post in a country in which a program under the Fulbright Act is operating is required to review the annual program proposals of the binational foundation in the light of the program's relationship to the total country program and its contribution to the program objectives in the country. The overseas post is required to submit appropriate comments to the Department concerning the proposals.

The IES duplicates and distributes program proposals to appropriate units in IES and to the regional bureaus of the Department, the United States Information Agency, the Board of Foreign Scholarships, the United States diplomatic missions, and the contract agencies cooperating in the administration of the programs. A joint review conference, arranged and chaired by IES, is held on each country program proposal at which time the interested parties review the proposal and suggest modifications which may appear desirable. After review of the proposal by the joint review conferences, IES prepares an analysis of the country program, incorporating comments and recommendations agreed upon in the joint conference, and submits it to the Board of Foreign Scholarships for consideration. The Board of Foreign Scholarships' recommendations and approval are reported by IES to the binational foundations. Final approval of program proposals in accordance with the Board

of Foreign Scholarships' recommendations and approval is made by the Director, IES.

Apportionment of and accounting for foreign currency--After the annual program proposal has been approved by the Director of IES, a schedule is prepared by the Financial Management Staff, IES, for apportionment of the currency. The schedule is forwarded to the Office of Budget where it is reviewed for accuracy, for consistency, for availability of currency, and for adequacy of justification. A letter of request is then drafted by the Office of Budget for the use of the Budget Officer of the Department in transmitting the apportionment schedule to the Bureau of the Budget. The Bureau may hold hearings on the request, in which event representatives of IES and the Office of Budget support the request.

The Bureau of the Budget notifies the Office of Budget when action has been completed on the apportionment request. Upon receiving the apportionment schedule, the Office of Budget issues an Allotment Authorization to IES in accordance with the approved apportionment and financial plan. The Office of Finance of the Department then requests the United States mission to transfer the amount of foreign currency involved from the Treasury Department account to the State Department account. The United States mission disbursing officer is authorized to place the funds at the disposal of the binational foundation by preparing a voucher in favor of the treasurer of the foundation and depositing the funds in the approved bank in the name of the treasurer of the foundation. Copies of this authorization are furnished to IES and the Treasury

Department. Prior approval of the State Department must be obtained before an individual is designated as treasurer of the foundation and before bank accounts are opened in the name of the treasurer.

The procedural instructions covering uniform administrative accounting, auditing, and reporting practices for guidance of the United States educational commissions and foundations are covered in the manual "Administrative Procedures for United States Educational Foundations and Commissions" revised July 12, 1954.

The foundation must obtain a reputable public accounting firm to make periodic audit, usually as of the close of business of each calendar year, of the accounts of the foundation. The Board of Directors of the foundation recommends to the Department the names of several accounting firms, and the Secretary of State makes the final selection and advises the foundation. The audit reports of the accounting firm are reviewed by IES.

The Financial Management Staff, IES, makes an administrative audit of the foundations' records on a spot-check basis.

Reports to the Congress--An annual report on the operations of the Department of State under the Fulbright Act is prepared by the Bureau of International Cultural Relations and submitted through appropriate channels to the Congress, as required by the act. The report contains a summary of educational exchange operations carried out under the act during the preceding calendar year, including the executive agreements concluded with foreign governments; names and addresses of American citizens awarded grants and names and location of their institutional affiliations abroad; names of

foreign citizens awarded grants and names and locations of their institutional affiliations in the United States; statement of expenditures; distribution list of grantees by State, country, and field of study; and other information deemed necessary to provide Congress with a full accounting of the operations of the program. The report for the calendar year 1958 was submitted on July 7, 1959 (H. Doc. 194, 86th Cong., 1st sess.).

Semiannual reports containing data on expenditures made and exchange activities carried out under the Smith-Mundt Act are prepared by the Bureau of International Cultural Relations, cleared by the Department, and submitted to Congress as required under the law.

Section 104(j)--aid to American-sponsored schools

Foreign currencies generated by sales of surplus agricultural commodities to other nations are used by the Department of State to provide assistance to American-sponsored schools in friendly foreign countries where there are schools that meet the Department's criteria.

Statutory authority for aid to schools

Section 203 of the United States Information and Educational Exchange Act of 1948 (22 U.S.C. 1448) authorizes the Secretary of State to provide for assistance to schools, libraries, and community centers abroad, founded or sponsored by citizens of the United States and serving as demonstration centers for methods and practices employed in the United States. It states that, in assisting any such schools, the Secretary shall exercise no control over their educational policies and shall in no case furnish

assistance of any character which is not in keeping with the free democratic principles and the established foreign policy of the United States.

In the division of responsibilities under section 203 as provided in Reorganization Plan No. 8 of 1953 (67 Stat. 642), the Department of State continued to be responsible for aid to American-sponsored schools and the United States Information Agency became responsible, subject to certain limitations, for aid to libraries and community centers.

Section 104(j) of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1704), as amended, authorizes the use of foreign currencies received from the sale to other nations of surplus agricultural commodities for providing assistance to activities and projects authorized by section 203 of the United States Information and Educational Exchange Act of 1948, but no foreign currencies which are available under the terms of any sales agreement for appropriation for the general use of the United States may be used for the purposes of section 104(j) without appropriation therefor.

Executive Order 10560 of September 9, 1954, as amended, provides that the purposes described in 104(j) of the Agricultural Trade Development and Assistance Act of 1954 shall be carried out by the Department of State and by the United States Information Agency in accordance with the division of responsibilities for the administration of section 203 of the United States Information and Educational Exchange Act of 1948 provided by Reorganization Plan No. 8 of 1953 and Executive Order 10477 of August 1, 1953, and by

subsequent agreement between the Department of State and the United States Information Agency.

Responsibilities involved in aid to schools

The development and administration of programs of assistance to American-sponsored schools abroad under the United States Information and Educational Exchange Act of 1948 (the Smith-Mundt Act) and section 104(j) of Public Law 480 involve responsibilities of the Department of State for:

1. Establishing criteria to be used in determining the eligibility of schools for assistance under Public Law 480.
2. Initiating, planning, developing, and conducting programs of assistance.
3. Negotiating and executing the agreements providing assistance to eligible schools.
4. Issuing expenditure authorizations making available such amounts of foreign currencies as have been allocated and apportioned by the Bureau of the Budget for aid to American-sponsored schools abroad.

IES has primary responsibility for school aid programs

IES, discussed on pages 269 to 271, has primary responsibility for providing assistance to American-sponsored schools abroad. Other organizational units of the Department participate in the development, evaluation, and execution of the programs.

Procedures for school aid programs

In using foreign currency pursuant to the Smith-Mundt Act and Public Law 480 for assistance to American-sponsored schools abroad, the Department of State may enter into agreements with schools to (a) provide scholarships for nationals of the country where the schools are located and resident foreign nationals, (b) provide for and augment United States teachers' salaries, (c) provide

instruction equipment and materials, and (d) plan, develop, and construct capital additions, thus providing more classrooms, laboratories, and living space. The procedures for developing, establishing, and administering programs for aid to schools abroad are discussed below.

Criteria used in determining eligibility of schools for financial assistance--The Department has prescribed the following criteria for use in determining eligibility of schools for grants-in-aid under Public Law 480:

1. Financial aid will be given only to already-established schools.
2. A school must be a nongovernmental, nonprofit school.
3. There must be evidence that the school is located physically so that it can be influential in the community and region.
4. The school must have been established by United States citizens, with or without the participation of nationals of other countries.
5. The school must operate with the approval of the national government of the host country and must be nonpolitical in character.
6. The board of directors must include United States citizens.
7. The director or principal of the school should be a United States citizen.
8. Depending on the size of the student body, there should be a sufficient number of teachers from the United States to assure adequate contact for the students with United States teaching methods and ideals.
9. The curriculum and instruction of the school should reflect United States theory and practice in education to the greatest extent possible within the framework of local laws and regulations.

10. The school should offer courses of study in the language, literature, geography, and history of the country in which the school is located and also of the United States.
11. The school should supplement rather than compete with the work and activities of national schools.
12. High educational standards and practices must be employed by the school.
13. The student body should include a substantial number of foreign nationals.
14. The financial condition of the school must be such that there is reason to believe that it will be able to continue operations without substantial continuing United States Government aid.
15. Financial aid will not be given to church-connected, company, or private profit-earning schools.

Planning and evaluating programs--The United States missions in the foreign countries with which sales agreements are under preliminary consideration examine the needs of the American-sponsored schools located in their areas which may qualify for assistance and report their findings and recommendations to the Department. The Special Projects Division, Office of the Assistant Director for Program Operations, IES, reviews the reports and consults with the regional bureaus and operational elements of IES. It furnishes the Area Programs Staff of IES an evaluation of the relative merits of the findings as shown in the reports for use in requesting authorization by the ISC of foreign currency for subsection 104(j) use under sales agreements.

The Area Programs Staff coordinates its requirements for foreign currencies with the Department's representative on the ISC with the view of having the requirements for foreign currency under section 104(j) included in the title I sales agreements.

After the inclusion of authorization for foreign currency for schools has been approved by ISC and a sales agreement has been signed, the Special Projects Division develops information necessary to establish the eligibility of the schools applying for financial assistance. Generally this information is furnished by the United States mission and is reviewed by a committee composed of representatives from the Special Projects Division and the Financial Management Staff of IES to assure that all necessary information concerning a school has been developed and that the school is eligible to receive financial assistance. A separate review of the information is made by the appropriate regional bureau and the Area Program Staff of IES to determine whether assistance to the particular school meets with the United States foreign policy and the general educational exchange objectives in the country.

Allocation and apportionment of foreign currencies--When the school has been approved by all concerned to receive financial assistance, the Special Projects Division requests the Financial Management Staff, IES, to prepare a request for an allocation of foreign currency. The request is cleared by the Office of Budget, Bureau of Administration, Department of State, and submitted to the Bureau of the Budget. The requirements for foreign currency are justified at hearings held by the Bureau of the Budget, and, upon approval by the Bureau of the request for allocation, the United States mission is notified of the amount allocated.

After the allocation is made, the Budget Bureau, upon request by the Department, apportions currency for specified aid to American-sponsored schools. The apportionment is not made until

the foreign currency accruing under the sales agreement has been deposited to the credit of the United States.

Preparation and negotiation of agreements with schools--When the Department receives the apportionment, the Financial Management Staff, IES, prepares the negotiating instructions to the United States diplomatic mission and a draft of the proposed agreement or agreements with the school. These documents are cleared within IES by the Assistant Director for Program Operations and the Area Programs Staff; outside IES, they are cleared by the regional bureaus concerned and the Legal Adviser's Office.

The negotiating instructions to the diplomatic mission consist of a breakdown, by activities and projects, of the apportionment of foreign currency, an outline of the fiscal procedure to be followed, and instructions on preparing agreements and obtaining approval of the Department. Drafts of agreements are sent with the instructions for the guidance of the mission in preparing the formal memorandum agreements. One agreement is prepared for construction and another for teacher salaries, scholarships, and educational material.

Changes proposed during negotiations are usually cleared with the offices that approved the negotiating instructions, and before a memorandum of agreement is executed by the United States diplomatic mission, it is forwarded to the Department for approval. Final approval is given by the Director of IES.

Allocations have been made for foreign currencies under section 104(j) for the support of 28 schools located in 12 countries. The amount in dollar equivalent for each of the countries in which

these schools are located is: Austria \$450,000; Brazil, \$565,000; Colombia, \$600,000; Ecuador, \$220,000; France, \$500,000; Greece, \$500,000; Italy, \$1 million; Mexico, \$500,000; Morocco, \$200,000 (by conversion of French francs); Peru, \$235,000; Philippines, \$600,000; Turkey, \$1 million. Of the \$6,370,000 equivalent allocated to June 30, 1959, grants-in-aid totaling \$5,194,000 have been made.

Special Projects Division monitors agreements--The Special Projects Division, IES, monitors and coordinates the activities and projects under the grants-in-aid agreements. It is responsible for taking appropriate action on field communications concerning these programs and for reviewing reports from the field and taking appropriate action to ensure improved operations and the attainment of the established objectives.

Access to records--Grantees agree that the Department of State or the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to and the right to examine any books, documents, papers, and records of the grantees pertaining to work under the agreements during the terms of the agreements and until the expiration of 3 years after final or terminal payment. Grantees also agree to include similar provisions in all contracts or subcontracts entered into in connection with capital construction under the agreements.

Section 104(1)--acquisition of sites and buildings and grounds abroad

Public Law 480, as amended by Public Law 85-931, approved September 6, 1958 (72 Stat. 1791), provides for the use of foreign currencies for the acquisition by purchase, lease, rental, or

otherwise of sites and buildings and grounds abroad for United States Government use, including offices, residence quarters, community, and other facilities, and for construction, repair, alteration and furnishing of such buildings and facilities. The act requires that the foreign currencies be made available through the appropriation process.

Executive Order 10827 of June 25, 1959, provides that the purposes of section 104(1) shall be carried out by the Department of State and by any other agency or agencies designated therefor by the Secretary of State.

On July 17, 1959, the President recommended that the Congress include in a supplemental appropriation for the fiscal year 1960 an authorization for the use, without fiscal-year limitation, of foreign currencies for the purposes of section 104(1) of Public Law 480, in an amount not to exceed the equivalent of \$3,475,000. However, no appropriation was made for this purpose.

Section 104(o)--American educational studies

Public Law 480, as amended by Public Law 85-931, approved September 6, 1958 (72 Stat. 1791), provides for the use of foreign currencies for providing assistance, in such amounts as may be specified from time to time in appropriation acts, by grant or otherwise, in the expansion or operation in foreign countries of established schools, colleges, or universities founded or sponsored by citizens of the United States, for the purpose of enabling such educational institutions to carry on programs of vocational, professional, scientific, technological, or general education; and in the supporting of workshops in American studies or American educational techniques, and supporting chairs in American studies.

Executive Order 10827 of June 25, 1959, provides that the purposes of section 104(o) shall be carried out by the Department of State.

On July 17, 1959, the President recommended that the Congress include in a supplemental appropriation for fiscal year 1960 an authorization for the use, without fiscal-year limitation, of foreign currencies for assistance as authorized by section 104(o) of Public Law 480 in an amount not to exceed the equivalent of \$1,460,000. However, no foreign currencies have been appropriated for this purpose.

The authorization for supporting workshops in American studies or American educational techniques and supporting chairs in American studies was deleted from section 104(o) and placed in new section 104(p) by Public Law 86-341, approved September 21, 1959 (73 Stat. 606). No foreign currencies will be available for the purposes of 104(p), except in such amounts as may be specified from time to time in appropriation acts, and no foreign currencies may be allocated after June 30, 1960, under any provision of Public Law 480 for the purposes specified in section 104(p), except in such amounts as may be specified from time to time in appropriation acts.

On January 18, 1960, the President recommended, in the 1961 budget, that the Congress authorize the use of \$1,475,600 in Public Law 480 currencies for assistance authorized by section 104(p). He requested a dollar appropriation for the purchase of these currencies.

ACTIVITIES AND PROCEDURES
OF THE DEPARTMENT UNDER TITLE II

The function under title II, Public Law 480, of furnishing surplus agricultural commodities to friendly people abroad to meet famine or other urgent or extraordinary relief requirements has been delegated to the International Cooperation Administration (ICA), subject to the foreign policy responsibilities of the Secretary of State and the chiefs of the United States diplomatic missions. ICA operations under title II are discussed on pages 220 to 226.

Department coordinates ICA programs with foreign policy

The Department is responsible for the clearance of ICA programs under title II insofar as they relate to foreign policy objectives, and the Secretary of State concludes any necessary bilateral agreements with foreign governments.

The Commodities Division, Bureau of Economic Affairs, is the focal point in the Department for all title II activities and is responsible for seeing that there is appropriate liaison with offices, divisions, and regional bureaus within the Department. The appropriate political desk officers of the regional bureaus maintain day-to-day contact with staffs of ICA which are developing title II programs. They provide information and advice on the foreign policy aspects of proposed programs. During the development of programs, differences of opinion between the staffs of ICA and the State Department are usually resolved informally. When there is a difference that cannot be resolved informally, the appropriate political desk officer of the State Department prepares a

written statement of the issue, which is cleared with the Commodities Division and then submitted by the Assistant Secretary for the geographic area concerned to the Under Secretary for final decision. The Under Secretary informs the Director, ICA, of the decision reached and requests that the program be prepared accordingly.

Joint State-ICA instructions
to United States Operations Missions

After a program is approved, the State Department receives from ICA a draft of instructions to the United States Operations Mission (USOM) or the United States representative in the country affected. The instructions are cleared in the Department by the Commodities Division and the political desk officer who participated in the program development. The instructions are then transmitted by the Department or ICA as a joint State-ICA message to the appropriate USOM or United States representative. Copies of the approved instructions are furnished to ICA and the interested offices, divisions, and regional bureaus of the Department.

ACTIVITIES AND PROCEDURES
OF THE DEPARTMENT UNDER TITLE III

The Department of Agriculture and the ICA administer the title III, Public Law 480, program under which surplus foods are donated to relief agencies for use in assisting needy persons outside the United States. The Department of State coordinates proposed programs of relief agencies with United States foreign policy objectives.

A staff member of the Commodities Division, Bureau of Economic Affairs, represents the Department on an ISC subcommittee which is

comprised of representatives of the Departments of State and Agriculture, the International Cooperation Administration, the Bureau of the Budget, and other interested agencies. The subcommittee reviews proposed foreign donation programs of relief agencies before they are approved or disapproved by the ISC. The Department of State representative is responsible for giving clearance to these programs if they do not conflict with United States foreign policy. When necessary, he consults with appropriate regional desk officers in the Department prior to clearing a program.

A staff member of the Commodities Division, Bureau of Economic Affairs, clears an annual ICA program estimate of ocean freight charges to be paid from title II funds for the shipment of commodities donated to relief agencies under title III. He coordinates the estimate with the appropriate regional desk officers in the State Department and notifies ICA by telephone of the Department's clearance.

DEPARTMENT OF THE TREASURY

RESPONSIBILITIES UNDER PUBLIC LAW 480

The Department of the Treasury is responsible for activities relating to the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691) as follows:

1. Prescribing regulations governing the purchase, custody, deposit, transfer, and sale of foreign currencies received under the act.
2. Custody and accounting for foreign currencies received under the act, including the examination of basic documents covering the operations of United States disbursing officers handling the foreign currency transactions.
3. Preparing reports on foreign currencies for the information of the President, the Congress, the Bureau of the Budget, and the public.

ORGANIZATIONAL COMPONENTS PERFORMING PUBLIC LAW 480 FUNCTIONS

The regular organization of the Treasury Department is used in the activities of the Department under Public Law 480. An organizational chart of the Department is included in appendix C, page 485. The organizational components of the Department which carry out the principal foreign currency activities are the Office of International Finance, the Office of the Fiscal Assistant Secretary, and the Bureau of Accounts.

The Office of International Finance, as part of its general function of advising and assisting the Secretary of the Treasury in the formulation and execution of policies and programs relating to the international financial and monetary field, represents the Treasury on the Interagency Committee on Agricultural Surplus Disposal (Francis Committee) and the Interagency Staff Committee

on Agricultural Surplus Disposal (ISC). The Director, Office of International Finance, is the representative of the Treasury Department on the Francis Committee, and the legal adviser of that Office is an alternate. An adviser on financial policy in the Office of International Finance is the designated representative of the Department on the ISC and is an alternate on the Francis Committee.

The Fiscal Assistant Secretary, under the direction of the Under Secretary for Monetary Affairs, administers fiscal activities of the Treasury Department through the Bureau of Accounts, the Bureau of Public Debt, and the Office of the Treasurer of the United States and coordinates the financial operations of other departments, agencies, and corporations of the Government with those of the Treasury. He is responsible for the administration of Treasury Circular No. 930, the basic regulation governing the purchase, custody, transfer, and sale of foreign currency by executive departments and agencies. The Fiscal Assistant Secretary resolves questions of policy which arise under the circular.

The Bureau of Accounts, under the Commissioner of Accounts, carries out most of the detailed operations relating to the administration of Circular No. 930. The Division of Central Reports, Bureau of Accounts, maintains the central foreign currency accounts, examines the documents and accountable statements on foreign currency submitted by the disbursing officers, and prepares periodic reports on the purchase, custody, transfer, sale, and disbursement of foreign currencies. The Division of

Disbursement, under the Chief Disbursing Officer, exercises technical supervision over the United States disbursing officers and assistant disbursing officers who perform disbursing functions under delegation of authority from the Chief Disbursing Officer.

The disbursing officers who maintain foreign currency accounts are responsible in general for the custody of foreign currency assets (usually kept in bank accounts), the acceptance of deposits, the payment of certified vouchers, the maintenance of foreign currency balances at adequate working levels, the maintenance of accounting records, and the rendition of accountability reports. The United States disbursing officers handle most of the foreign currency acquired by the Government without purchase with dollars. This entails the maintenance of foreign transaction (FT) accounts for the Treasury Department and for most of the agencies, other than the Department of Defense, which are involved in foreign currency activity. The United States disbursing officers also maintain the Foreign Service Advance (FSA) account through which foreign currency transactions relating to dollar receipts and appropriations are processed.

The United States disbursing officers are located in countries where the United States maintains diplomatic posts and are employees of the Department of State who disburse on behalf of the Treasury Department under delegation from the Chief Disbursing Officer. The assistant disbursing officers are employees of the International Cooperation Administration who disburse on behalf of the Treasury Department under delegation from the Chief

Disbursing Officer. There is only a small number of assistant disbursing officers, most of whom are in the South American countries. The assistant disbursing officers maintain a few foreign currency accounts.

ACTIVITIES OF THE TREASURY DEPARTMENT
IN TITLE I SALES

The principal activities of the Treasury Department in title I sales programs are outlined below.

Treasury assists in preparation of sales agreements

The Treasury Department, through the Office of International Finance, assists the Foreign Agricultural Service, Department of Agriculture, in preparing title I sales agreements by furnishing information and advice on the requirements of the United States for the currencies of the respective countries, the amount of foreign currencies which should be earmarked for United States uses under section 104(f) of Public Law 480, and the exchange rates at which currencies should be acquired under title I sales agreements. This assistance is furnished through meetings, telephone conversations, and informal discussions with representatives of the Foreign Agricultural Service or other organizational units prior to or during the drafting of the agreements.

The Foreign Agricultural Service, Department of Agriculture, furnishes the draft of each proposed title I sales agreement to the Treasury Department and other ISC members in advance of the committee meeting at which the agreement is to be considered. This enables the Department to determine its position on the

programed uses and to present the position at the ISC meeting during review of the agreement.

ISC representative coordinates and clears sales agreements

The Treasury Department's representative on the ISC reviews a proposed sales agreement and coordinates and clears it with the appropriate country specialists, the exchange rate technicians concerned, and the legal adviser in the Office of International Finance. The agreement is coordinated also with interested officials in the Office of the Fiscal Assistant Secretary and the Bureau of Accounts and with the Treasury representative on the Supplemental Stockpile Advisory Committee on Barter. The purposes of the review, coordination, and clearance are to determine whether the programed uses fall within the international financial policies of the Secretary of the Treasury and the National Advisory Council on International Monetary and Financial Problems (NAC) and to establish a coordinated Department position to present to the ISC.

How the Treasury position on a sales agreement is determined and presented to the ISC

The Treasury Department's position on a proposed sales agreement is established by the ISC representative on the basis of the results of reviews of the programed uses by the Office of International Finance and other offices of the Treasury Department concerned with such programs. This position is usually based on the general policies established by the Secretary of the Treasury in advising on prior programs, current analysis of

information obtained from reports on uses of foreign currency, known requirements of other agencies, previous experience in these programs, and other pertinent background information. When appropriate, the decision as to the Treasury position is made or approved by the Director of the Office of International Finance, the Assistant Secretary, or the Under Secretary of the Treasury.

The Treasury representative on the ISC presents the Treasury position at the ISC meetings. He may change the Department's position on a program, but, when the problem involved warrants it, he obtains the approval of the Director of the Office of International Finance or higher authority before stating the change and approving the program.

The Treasury Department furnishes information and advice to the ISC on the appropriate rate of exchange for foreign currency to be derived from the proposed sale of surplus agricultural commodities. This is done through the Treasury representative on the ISC subcommittee on foreign exchange on which the Departments of State and Agriculture, the Bureau of the Budget, and ICA are also represented. The information and advice are based on the general policies governing exchange rates established by the National Advisory Council on International Monetary and Financial Problems. In most instances surplus agricultural commodities are sold under Public Law 480 sales agreements at the exchange rate applicable, on the date of dollar payment, to the largest percentage of imports of the country to which the sale is made.

After the sales agreement has been approved by the ISC, the Treasury Department representative returns from the ISC meeting with copies of the approved drafts of the sales agreement and the negotiating instructions. Copies are distributed to interested offices within the Department. Later, the Department receives copies of the sales agreement and negotiating instructions sent by the Department of State to the embassies for negotiation. Questions on financial matters which arise during the negotiations are generally referred to the Treasury Department for advice.

TREASURY DEPARTMENT REGULATIONS AND INSTRUCTIONS UNDER PUBLIC LAW 480

The President, by Executive Order 10560, dated September 9, 1954, authorized the Secretary of the Treasury to prescribe regulations governing the purchase, custody, deposit, transfer, and sale of foreign currencies received under Public Law 480. The principal regulations and instructions issued by the Treasury Department are described below.

Treasury Department Circular No. 930 made applicable to Public Law 480

Under authority of Executive Order 10488 of September 23, 1953, the Secretary of the Treasury, by Department Circular No. 930, dated October 19, 1953, prescribed regulations for administration of the purchase, custody, transfer, and sale of foreign exchange (including credits and currencies) by executive departments and agencies of the United States.

Pursuant to Executive Order 10560 of September 9, 1954, the Secretary of the Treasury amended Circular No. 930, by supplement No. 1, dated December 28, 1954, to make the regulations and instructions issued thereunder apply to the purchase, custody, deposit, transfer, and sale of all foreign currencies received by executive departments and agencies of the United States under Public Law 480. The supplement provides that collections under the act shall be deposited only with United States disbursing officers who are employees of the Department of State operating under delegation from the Chief Disbursing Officer of the Treasury Department.

The regulations in Department Circular No. 930 are based on the following general principles:

1. All foreign currencies collected must be turned over to disbursing officers of the Federal Government to be held for account of the Secretary of the Treasury in specially designated foreign transaction (FT) accounts.
2. The currencies must be accounted for in the official accounts of the disbursing officers. The accounts are subject to audit by the General Accounting Office, and reports relating to the currencies are prepared from them.
3. Withdrawals of the currencies are permitted only upon authorizations from the Treasury Department for sales for dollars or for use without reimbursement to the Treasury as authorized by law.
4. The currencies must be deposited only in depositaries designated by the Treasury Department.
5. The purchase of a particular currency in the market is prohibited if the currency is available with the Treasury for the use intended.
6. No disbursing officer may purchase foreign currency which, together with the balance on hand at the time of purchase, would exceed estimated requirements for a 30-day period or for shorter periods in some instances.

Other instructions and regulations

In addition to Department Circular No. 930, instructions on the custody, control, accounting, and reporting for foreign currency have been issued as follows:

1. CA-2516, dated November 6, 1953--a joint State, Treasury, Foreign Operations Administration, and United States Information Agency instruction to certain American diplomatic and consular posts on the general effect of Executive Order 10488, dated September 23, 1953, which provides for the issuance of regulations by the Treasury Department for the purchase, custody, transfer, or sale of foreign exchange.
2. CA-4325, dated January 5, 1955--general instructions from the Fiscal Assistant Secretary of the Treasury to certain American diplomatic and consular posts relating to accounting and reporting foreign currencies received from the sale of agricultural commodities under various provisions of law. Part I deals with foreign currencies received under Public Law 480.
3. Department Circular No. 967, revised June 17, 1957--instructions to heads of Government departments and agencies and others concerned for reporting estimated foreign currency collections and foreign currency requirements. Reports, submitted annually, contain estimates for the current fiscal year (the year in progress at the time of the report) and the next succeeding year. They are used by the Treasury Department in compiling for the President's Budget the over-all estimates of dollar receipts to be derived from the sale of foreign currencies to Government agencies.
4. Detailed accounting and reporting instructions issued jointly by the Treasury and State Departments to United States disbursing officers and other authorized personnel of agencies designated to use foreign currencies received from sales under Public Law 480. These instructions which supplement and amend CA-4325, dated January 5, 1955, are issued separately for each title I sales agreement.

The detailed accounting and reporting instructions are drafted in the Foreign Currency Branch, Division of Central Reports, after the sales agreement has been signed. They are sent

to the Department of Agriculture (Foreign Agricultural Service and Commodity Credit Corporation), the Department of State, and the International Cooperation Administration for clearance by telephone or by return of the draft. The instructions are cleared with appropriate officials within the Fiscal Service of the Treasury Department and are approved by the Fiscal Assistant Secretary of the Treasury. The approved instructions are forwarded to the Department of State for dispatching as joint Treasury-State messages to the appropriate United States disbursing officer abroad and other authorized personnel of agencies designated to use the foreign currency. The Department of State (Office of Finance), the Department of Agriculture, Commodity Credit Corporation (CCC) and Foreign Agricultural Service (FAS), the Bureau of the Budget, and the General Accounting Office usually receive copies of the accounting instructions sent to the disbursing officers.

CUSTODY, CONTROL, ACCOUNTING, AND REPORTING OF FOREIGN CURRENCIES

The principal activities and procedures of the Treasury Department relating to the custody, control, accounting, and reporting of foreign currencies under Public Law 480 are outlined below.

Deposit and custody of foreign currency

Section 105 of Public Law 480 requires that foreign currencies received from the sale of surplus agricultural commodities under the act be deposited in a special account to the credit of the United States and that these currencies be used only pursuant

to section 104 of the act. The currencies are deposited in banks in the foreign countries as designated in the sales agreements. If a sales agreement does not designate a bank, the selection is made by the Fiscal Assistant Secretary of the Treasury, usually upon the recommendation of his Technical Assistant. This is a case-by-case determination based on the pertinent facts and conditions. Consideration is given to the wishes of the country, the reliability and economic condition of the bank, and other factors affecting the United States interests and foreign policy.

American banks in the purchasing country are used whenever possible. If no American bank is available, the funds are deposited in the Central Bank of the country. In some cases Public Law 480 funds are deposited in American banks, the Central Bank, and commercial banks, all in the same country.

Commodity Credit Corporation verifies deposits

The Commodity Credit Corporation finances the sale of surplus agricultural commodities to foreign countries and is responsible for making sure that the foreign currencies derived from these sales are deposited in the United States disbursing officers' accounts in accordance with the arrangements made between the Government of the United States and the importing countries. The Treasury Department furnishes deposit information and other data for use by the Commodity Credit Corporation in discharging this responsibility.

The Foreign Currency Branch, Treasury Department, furnishes the Fiscal Division, Commodity Stabilization Service, a copy of

the examined account current of the disbursing officer, together with either duplicate copies of documentation or an adding machine tape which shows the amounts of foreign currency deposits, the amounts of related dollar disbursements, and the amount of each dollar disbursement times the deposit rate of exchange and the resulting amount of foreign currency. These calculations are identified by the applicable Department of Agriculture purchase authorization numbers.

When there is an overdeposit of local currency, the Commodity Stabilization Service submits a certified refund voucher (SF-1166) to the Division of Disbursement, Treasury Department. This Division examines the refund voucher for proper certification and forwards it with a covering memorandum to the United States disbursing officer for payment to the foreign country or bank from the Treasury Public Law 480 foreign currency account. The refund is reported by the disbursing officer on his monthly account current.

Treasury and agency Public Law 480
foreign currency accounts

Foreign currencies acquired under Public Law 480 are credited to the Treasury foreign transactions (FT) account for Public Law 480 collections where they are held pending transfer to agency FT accounts (withdrawals without reimbursement) for expenditure without charge to appropriations, or transfer to dollar accountability (sales for dollars) for expenditures chargeable to agency appropriations. The FT designation is used to identify

all foreign currency funds which are acquired without payment of dollars and handled outside the regular dollar accounts of the Government.

A symbol consisting of three basic parts is assigned to each FT account as follows:

1. A prefix number identifies the agency which is responsible for the account. Each agency has a two-digit numerical symbol which identifies all its accounts, dollar funds as well as foreign currency funds. The number 20 identifies the Treasury Department.
2. The letters "FT" designate "foreign transactions."
3. The basic account symbol identifies the source of currency and its general availability for sale or free use. A three-digit account symbol denotes free-use currencies, and a four-digit symbol identifies currencies to be sold for dollars. The symbol "580" identifies foreign currency collected under Public Law 480.

The Treasury "FT" account symbol for the deposit of foreign currency received under Public Law 480 is "20 FT 580." The basic symbol "580" is used to designate the first nonguaranteed sales agreement for each country. The suffixes "2," "3," etc., after the basic symbol designate the second, third, etc., nonguaranteed agreements. The suffix "G" is used to designate agreements which provide for a guarantee of the exchange rate. Public Law 480 foreign currencies are maintained in this account until the currencies are transferred to the Treasury sales account or to the agency accounts.

The Treasury "FT" account symbol for Public Law 480 foreign currencies available for sale for dollars to United States agencies is "20 FT 4336."

An agency Public Law 480 "FT" account is identified by the agency's prefix number, the letters "FT," and the basic account symbol "580."

Procedure for withdrawal of foreign currency without reimbursement to the Treasury

Foreign currency received under Public Law 480 may be withdrawn under section 104 by designated departments and agencies, after apportionment by the Bureau of the Budget, for certain authorized purposes without reimbursement to the Treasury. This is done by transfer of foreign currency from the Treasury FT accounts to the agency FT accounts without charge to agency appropriations.

After receiving an allocation and apportionment of funds from the Bureau of the Budget, the department or agency submits a requisition to the appropriate United States disbursing officer abroad requesting that a specific amount of foreign currency be transferred from the Treasury FT account to the agency FT account.¹ The requesting officer certifies that the foreign currency is to be used in accordance with the provisions of the sales agreement and is within available allocations and apportionments made by the Bureau of the Budget for specific purposes and may be used without reimbursement to the Treasury on the basis of information from headquarters. The disbursing officer makes the

¹When this section was being reviewed, the Treasury Department and the Bureau of the Budget were considering a change in the procedure for the transfer of foreign currencies to agency FT accounts.

transfer in his accounts and reports the amount in foreign currency units on his account current which is sent through the Division of Disbursement to the Foreign Currency Branch of the Division of Central Reports.

The Foreign Currency Branch, Division of Central Reports, examines the disbursing officer's account current and supporting documents to determine whether such transfers were made under proper authorization. The transfers are posted from the account current to the central summary accounts and the allocation control ledger.

The Foreign Currency Branch computes the United States dollar equivalent of withdrawals of foreign currency in the central summary accounts at a weighted average collection rate when the transfer is made to an agency account for the purpose of making loans or grants to foreign governments. When the transfer is for other purposes, the United States dollar equivalent usually is computed at the prevailing rate at which the United States disbursing officer sells foreign currencies to other agencies.

Procedures for sale of foreign currencies for dollars

Treasury regulations (Department Circular No. 930) provide that, unless authorized by the Secretary of the Treasury, no department or agency or accountable officer shall purchase, or direct the purchase of, foreign exchange from any source outside the Government of the United States other than to the extent that exchange for the purpose intended is not available for purchase from the Treasury Department.

The dollars derived from sale of Public Law 480 foreign currencies are credited to the CCC. Through June 30, 1959, Treasury had been authorized to sell \$417.6 million in Public Law 480 foreign currencies to agencies, and total reimbursements to CCC were \$228.5 million.

The transfer and sale of Public Law 480 foreign currency for dollars is handled and accounted for as follows:

1. The Director, Bureau of the Budget, notifies the Secretary of the Treasury, by letter, as to the amount of Public Law 480 foreign currency which is allocated to Treasury for sale to any United States agency for any purpose for which appropriations are available. This allocation by the Bureau is made after the sales agreement is signed and is recorded in the allocation control ledger maintained by the Foreign Currency Branch.
2. The Bureau of the Budget authorizes the Treasury Department, by letter, to transfer specific amounts of foreign currencies, previously allocated for sale, from the Public Law 480 collection account 20FT580 to the Treasury's Public Law 480 sales account 20FT4336. If an additional amount of a particular foreign currency is needed for sale and there is a balance available from amounts previously allocated for sale, the Treasury prepares and forwards to the International Division, Bureau of the Budget, a form "Request for and Authorization for the Transfer of Foreign Currency Received under Public Law 480 to Secretary of the Treasury Sales Account 20FT4336" signed by the Fiscal Assistant Secretary of the Treasury, which requests authorization to transfer a specific amount or the maximum amount of the currency available for sale to Treasury sales account 20FT4336.
3. When a foreign currency has been deposited in a Public Law 480 collection account and the currency is needed by the Treasury Department for sale, but no allocation of the currency for sale has been received from the Bureau of the Budget, the Treasury prepares and forwards to the International Division, Bureau of the Budget, a form "Request for Allocation and Authorization for the Transfer of Foreign Currency Received under Public Law 480 to Secretary of the Treasury Sales Account 20FT4336," signed by the Fiscal Assistant Secretary of the Treasury, which requests the allocation for sale and authorization to

transfer a specific amount or the maximum amount of the currency available for sale to Treasury's sales account 2OFT4336. Letters allocating Public Law 480 foreign currencies for sale are signed by the Director, Bureau of the Budget, and authorization letters and forms authorizing the transfer of such currencies to the sales account are signed by the Chief, International Division, Bureau of the Budget.

4. The staff of the Treasury Department maintains a continuing informal check with the staff of the Bureau of the Budget regarding the status of foreign currency deposits to determine whether they may be released for Treasury sales or are committed by the sales agreement for other purposes.
5. Upon receipt of the Bureau of the Budget authorization, the Fiscal Assistant Secretary instructs the appropriate United States disbursing officer to transfer a specific amount of foreign currency from the Treasury's Public Law 480 collection account, 2OFT580, to the Treasury's Public Law 480 sales account, 2OFT4336. Copies of this instruction are furnished the Departments of State and Agriculture and the Bureau of the Budget.
6. The disbursing officer makes the transfers of foreign currency in his accounts and reports these transactions in foreign currency units on his account current through the Division of Disbursement to the Division of Central Reports.
7. The United States disbursing officer sells the currencies from Public Law 480 sales account to himself (Foreign Service Advance account) and other disbursing officers for the payment of United States obligations for which foreign currencies must be purchased with dollars. This results in transfers of foreign currency from Treasury 20 FT account into the Foreign Service Advance account (FSA), the dollar accountability account of United States disbursing officers, or into dollar accountability accounts of disbursing officers other than United States disbursing officers. The transfers are considered as sales in the Treasury FT account and as purchases in the Foreign Service Advance account of United States disbursing officers and in other similar dollar accountability accounts. In some instances the Treasury Department in Washington sells FT currency to other agencies in Washington. The Treasury receives dollar checks and in turn instructs the disbursing officers to disburse the foreign currency from the Treasury FT account in the field.

8. The Fiscal Assistant Secretary, upon the advice of the Office of International Finance, establishes the rates of exchange at which foreign currencies are sold by the Treasury Department to other agencies. The rates generally used are those that would otherwise be available to the United States Government for the acquisition of foreign currency for its official disbursements. The Treasury Department in consultation with the agencies concerned determines the rate of exchange to be used if the rate is not readily ascertainable.
9. Proceeds from sales of Treasury Public Law 480 FT funds to United States disbursing officers and disbursing officers of other agencies are credited to Commodity Credit Corporation fund account 12X4336 and reported to the Division of Disbursement on Form SF-1221, Statement of Transactions--Commodity Credit Corporation. Sales are shown in the Treasury FT account and reported by disbursing officers on the monthly foreign currency accounts current, Form FS-488.
10. The credit to the Commodity Credit Corporation checking account of dollar proceeds of foreign currency sold from Treasury's Public Law 480 sales account is effected through the use of Treasury Form 593, Funding Authorization for Checking Account. The Division of Disbursement prepares this funding document on the basis of information reported on Form SF-1221 by United States disbursing officers. The document is signed and sent to the Treasurer of the United States by the Division of Central Accounts which maintains the central dollar accounts of the disbursing officers. After crediting the corporation's checking account as directed, the Treasurer sends two copies of the funding document to the corporation and returns a copy to the Division of Central Accounts for posting to the accounts. All copies are dated and signed manually for the Treasurer.

Central summary accounts

The Foreign Currency Branch, Division of Central Reports, maintains a set of central summary accounts, consisting of a foreign currency subsidiary ledger and a control ledger, for foreign currency transactions. The ledgers are used to establish and maintain central control over foreign currency acquired without purchase with dollars, under various programs of the Government,

including Public Law 480 programs, until such time as the currency is sold for dollars and becomes part of disbursing officers' dollar accountability, or until it is withdrawn for use by agencies without charge to dollar appropriations as specifically authorized by law.

The foreign currency subsidiary ledger is the basic record of transactions and balances in all currency under Treasury Department custody and accounting control. It consists of about 275 accounts maintained by country and by program or source of currency. About 76 countries and 25 major active sources of currency are involved. Postings to the ledger are made from the Treasury FT accounts current of United States disbursing officers, from summaries of bank documents supporting informational media guaranty accounts, and from other documents.

The necessity for determining the appropriate exchange rates and converting foreign currency units to dollar equivalent makes the maintenance of the subsidiary ledger difficult. At least 76 different currencies are involved, and, due to international agreement or special conditions, two or more accounts for the same country may require the use of different rates of exchange.

The subsidiary ledger shows the foreign currency units and the dollar equivalent of opening and closing balances, return of unexpended balances, transfers and conversions, collections, withdrawals without reimbursement, sales for dollars, and adjustments due to rate fluctuation.

The foreign currency control ledger summarizes transactions and balances by country in contrast to the detail by country and

account in the subsidiary ledger. Postings are made in foreign currency units only, and transactions are summarized into two categories--receipts and withdrawals. Postings are made monthly from summary totals of transactions reported on disbursing officers' accounts current and other media. The subsidiary ledger is reconciled to this control ledger each month.

Public Law 480 allocation control ledger

In addition to the foreign currency subsidiary and control ledgers, the Foreign Currency Branch maintains a ledger for controlling allocations of foreign currency by the Bureau of the Budget to Government agencies as authorized under Public Law 480. The amount of foreign currency allocated to the agencies, as shown by the Bureau of the Budget's allocation letters, and the amount of foreign currency actually transferred to agency foreign transaction accounts, as reported on the disbursing officers' monthly accounts current, are posted to the allocation control ledger. Although currencies authorized for loans under section 104(e) and (g) of the act are exempt from the allocation requirement, the amounts authorized for loans, as stated in the agreements, are also posted to the allocation control ledger. This ledger is the only formal central control maintained of Public Law 480 allocations in the Government and is used to reveal unauthorized withdrawals of funds and to supply data for reports on the Public Law 480 programs.

Administrative examination of
Treasury FT accounts current

Public Law 480 foreign currency transactions are recorded in United States disbursing officer FT accounts abroad and reported monthly on Form FS-488, Foreign Currency Funds Statement of Transactions and Accounts Current, to the Division of Central Reports through the Division of Disbursement. The Division of Disbursement makes a preliminary audit of the accounts current for mathematical accuracy and consistency with related agency foreign transaction accounts current and dollar accountability reports. The Foreign Currency Branch, Division of Central Reports, examines them for compliance with foreign currency legislation and regulations.

The administrative examination of the accounts current is one of the key operations of the Foreign Currency Branch. The examination involves a review of each transaction for conformity with:

1. General Accounting Office regulations and generally accepted accounting principles.
2. Treasury regulations governing the fiscal control of foreign currency.
3. Public laws, international agreements, and administrative regulations pertaining to the sources and uses of foreign currency.

The examination includes analysis of documents supporting transactions and balances, determination of compliance with procedural instructions, and the resultant writing of exception notices and adjustment of accounts.

Treasury examination of budget status reports

The Treasury Department and the Bureau of the Budget have agreed to use the Report on Budget Status, Standard Form 133, prescribed by Bureau of the Budget Circular A-34, as the basic reporting document for agency FT accounts. Administrative agencies acquiring foreign currencies from the Treasury without payment of dollars are required by Treasury Department Circular No. 930, as amended on August 2, 1957, to furnish a copy of each report on budget status, Standard Form 133, to the Division of Central Reports, Treasury Department, at the same time the form is sent to the Bureau of the Budget.

Under an informal memorandum of understanding between the Treasury Department and the Bureau of the Budget, the Division of Central Reports examines approximately one fourth of these reports each quarter to verify that:

1. Transfers, disbursements, and balances of foreign currency are consistent with data reported on disbursing officers' accounts current.
2. Balances of allocations agree with the Foreign Currency Branch allocation control ledger.
3. Conversions of currency figures to dollar equivalents conform to the principles set forth in Budget Circular A-34 and Treasury Circular No. 930.

The agency concerned and the Bureau of the Budget are notified of any exceptions taken to the reports submitted by administrative agencies.

Treasury Department foreign currency reports

The Budget and Accounting Procedures Act of 1950, approved September 12, 1950 (64 Stat. 832), directs the Secretary of the Treasury to prepare reports for the information of the President, the Congress, the departments and agencies concerned, and the public, which will present the results of the financial operations of the Government. The Division of Central Reports is responsible for preparing these reports.

The major reports issued by the Treasury Department relating to Public Law 480 foreign currency are as follows:

1. Monthly report on transactions in Public Law 480 Treasury accounts showing, by country and agreement, the cumulative totals of collections, withdrawals, and balances,
2. Quarterly report on all foreign currencies in custody of the Treasury Department, showing the fiscal year transactions and balances by sources and countries,
3. Cumulative quarterly report on status of funds under Public Law 480 agreements, showing the transactions and balances by countries, agreements, programs, and agencies, the agreement totals, programmed amounts, collection of currencies, allocations, withdrawals, and balances in Treasury and agency accounts, and
4. An annual report, for publication in the Combined Statement of Receipts, Expenditures, and Balances of the United States Government, of all foreign currency funds--both Treasury and agency--detailed by country and account.

The Office of the Fiscal Assistant Secretary issues a monthly flash report of foreign currency balances held by the Treasury Department and a quarterly estimate of the amounts of foreign currencies needed by executive departments and agencies for the ensuing quarter exclusive of the balances of such

currencies on hand or to be made available under specific programs. The quarterly estimate is based on reports submitted by the departments and agencies.

BUREAU OF THE BUDGET

RESPONSIBILITIES OF THE BUREAU UNDER PUBLIC LAW 480

The Bureau of the Budget is concerned principally with the allocation and the apportionment of foreign currencies which accrue under title I of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691). The Director is responsible under Executive Order 10560, dated September 9, 1954, as amended, for specific functions in the administration of the act as follows:

1. Fixing, within the terms of a sales agreement and relevant appropriations, the amounts of foreign currencies which accrue under title I of the act to be used for the purposes described in the respective lettered paragraphs of section 104 of the act, except amounts to be used for loans under section 104(g) and loans by the Export-Import Bank under section 104(e) and, to the extent necessary, allocating amounts so fixed among the Government agencies concerned.
2. Waiving the applicability of section 1415 of the Supplemental Appropriation Act, 1953 (31 U.S.C. 724), to foreign currencies used under Public Law 480 for grants under sections 104(d) and (e) and for payment of United States obligations involving grants under section 104(f) and to not less than 10 percent of the foreign currencies which accrue under title I when the Director determines that such applicability would be inappropriate or inconsistent with the purposes of title I.
3. Designating the agency or agencies, other than the National Science Foundation, to carry out the purposes authorized by section 104(k) of the act.

ORGANIZATIONAL COMPONENTS PERFORMING PUBLIC LAW 480 FUNCTIONS

The regular organization of the Budget Bureau performs the functions for which the Bureau is responsible under Public Law 480. An organizational chart of the Bureau is included in appendix C, page 488.

An Assistant Director represents the Budget Bureau on the Interagency Committee on Agricultural Surplus Disposal (Francis

Committee). A staff member of the International Division represents the Bureau on the Interagency Staff Committee on Agricultural Surplus Disposal (ISC) and serves on the Francis Committee in the absence of the designated Budget Bureau representative.

Each division of the Budget Bureau is concerned with a broad segment of the Government program and, for its program area, examines agency programs and requests for funds and for apportionments of appropriations and foreign currencies, gives continuing attention to the execution of the budget, reviews and develops recommendations on proposed legislation, stimulates and assists the agencies in the improvement of management and organization, and undertakes special projects, including those relating to long-range budgetary and fiscal analysis and organizational planning. The International Division is the focal point in the Bureau for title I, Public Law 480, programs and is responsible for coordinating and clearing, or obtaining clearance of, these programs within the Bureau.

The Office of Budget Review establishes basic procedures for agency submissions and Bureau action and coordinates the review of budget proposals, including those which relate to Public Law 480. The General Counsel provides legal advice as needed.

The Director, Bureau of the Budget, allocates foreign currencies to an agency for authorized uses under Public Law 480. The approval of the apportionment of foreign currencies is delegated, under general delegation of authority for apportionments, to the chiefs of the divisions of the Budget Bureau.

ACTIVITIES AND PROCEDURES OF THE BUREAU
IN TITLE I SALES PROGRAMS

The Foreign Agriculture Service, Department of Agriculture, furnishes to the Budget Bureau, in advance of each ISC meeting, a draft of the proposed programs for the sales of surplus agricultural commodities under title I of Public Law 480 which are scheduled to be discussed at the meeting. This procedure enables the Bureau to determine its position on programs for presentation at the ISC meeting.

The principal activities and procedures of the Budget Bureau in the review and clearance of proposed title I sales programs are outlined below.

ISC representative coordinates
and clears sales programs

The ISC representative of the Bureau reviews proposed sales programs and coordinates and clears them with the appropriate budget examiners in the interested divisions in the Bureau.

In clearing the sales programs the Bureau is concerned principally with the proposed uses of foreign currency and whether (1) the maximum feasible amount of foreign currency is made available for sale for dollars in the countries where United States-owned foreign currency is needed, (2) the preference implied in Public Law 480 for using foreign currency for economic development loans instead of grants is properly implemented in an agreement, and (3) account is taken of the relationship between the Mutual Security and Public Law 480 programs in programming shipments of surplus agricultural commodities and proposed uses of foreign currency. In addition, the Bureau is concerned with whether the usual

marketings of the United States have been considered in the proposed sales programs and whether the clearance of the Secretary of Agriculture has been obtained where non-price-support commodities are included in the programs.

How the Bureau's position on a sales program is determined and presented to ISC

The position of the Budget Bureau on a proposed sales program is established by the ISC representative on the basis of the results of reviews by the divisions of the Bureau concerned with the program. This position is usually based on the general policies established by the Director for prior programs, a current analysis of information obtained from reports on uses of foreign currency, the known requirements of the using agencies, the experience of the Bureau with title I programs, and other pertinent background information. When appropriate, the decision as to the Budget Bureau position is made or approved by the Chief of the International Division, an Assistant Director, the Deputy Director, or the Director.

The Bureau representative on the ISC is a member of an ISC ad hoc working group, the duties of which include reviews of the proposed uses of foreign currency under title I sales programs. He is also a member of the ISC subcommittee which reviews the financial problems, such as exchange rates, of these programs.

The ISC representative presents the Budget Bureau position on proposed sales programs at ISC meetings. He may alter the Bureau position within the area of responsibility delegated to him, but, when a problem warrants it, he submits the problem to the Chief of

the International Division or higher authority in the Bureau for decision before stating any change in the Bureau position.

When a waiver of section 1415 of the Supplemental Appropriation Act, 1953, is desired for a proposed use of foreign currency in a sales program, the ISC representative reserves final approval of the program until the waiver is approved by the Director of the Bureau.

After a sales program has been approved by the ISC, the Bureau representative returns from the ISC meeting with a copy of a revised draft of the sales agreement and the negotiating instructions. Later, the Bureau representative receives copies of the ISC approved sales agreement and the negotiating instructions dispatched by the Department of State to the appropriate United States Embassy.

Director of the Bureau waives applicability of section 1415 of the Supplemental Appropriation Act, 1953, when appropriate

Public Law 480 provides that section 1415 of the Supplemental Appropriation Act, 1953 (31 U.S.C. 724), unless waived, shall apply to not less than 10 percent of the foreign currencies received under title I and to all foreign currencies used for grants under 104(d) and (e) and for payment of United States obligations involving grants under 104(f). Section 1415 provides that, with certain exceptions, foreign currency credits owed to or owned by the United States Treasury will not be available for expenditure by agencies of the United States unless provided for annually in appropriation acts. This section also authorizes the inclusion in general appropriation acts of provisions for the utilization of such credits for purposes authorized by law.

The President of the United States is authorized by Public Law 480 to waive the applicability of section 1415 in any case in which he determines that it would be inappropriate or inconsistent with the purpose of title I of Public Law 480. The President, by Executive Order 10560, delegated his function of waiving the applicability of section 1415 to the Director, Bureau of the Budget.

Requests for waivers of section 1415 for grants under section 104(e) are submitted in writing to the Director of the Budget Bureau by the Department of State or other using agency prior to approval of a sales program by the ISC. Waiver requests for grants under sections 104(d) and (f) are included in allocation requests from the using agency. Requests must show the basis for a finding by the Director that the application of section 1415 in the particular instance would be inappropriate or inconsistent with the purposes of title I of the act.

A request for waiver for a specific program is normally reviewed in the Budget Bureau by the same staff that examines the agency dollar budget. This staff generally considers (1) the nature and purpose of the proposed project, (2) the specific needs of the foreign country for a foreign currency grant, and (3) whether foreign currency in excess of United States use requirements is available for the proposed grant. The examining staff submits recommendations through the General Counsel to the Director for final action.

The Director notifies the requesting agency in writing of his decision and, when he intends to issue a formal waiver, includes this information in the notice to the agency. The Bureau ISC

representative notifies the ISC of the Director's action which enables the Committee to proceed accordingly with the development and approval of a particular sales agreement. The Director includes a formal waiver of section 1415 in his allocation letter to the requesting agency.

INSTRUCTIONS ISSUED BY THE BUREAU
RELATING TO PUBLIC LAW 480 ACTIVITIES

The principal instructions issued by the Bureau of the Budget relating to foreign currency accruing under title I sales programs, excluding foreign currency sold for dollars, are as follows:

1. Circular No. A-11, revised, dated July 22, 1959, sets forth the instructions for the preparation and submission of annual budget estimates. Section 73 of the circular describes the schedules required to be submitted for foreign currency accounts.
2. Circular No. A-34, dated July 25, 1957, issued pursuant to section 3679 of the Revised Statutes (31 U.S.C. 665), prescribes the procedures and standard forms for making apportionments and reports on the budget status of funds, appropriations, and other authorizations. Section 64 of the circular provides for apportioning and reporting foreign currency funds and for converting the currencies to United States dollar equivalents.
3. Circular No. A-20, revised, dated August 1, 1958, sets forth the procedures to be followed under Executive Order 10560, as amended, in requesting the allocation and apportionment of foreign currencies received under Public Law 480.

In addition, the Budget Bureau issued supplementary budget instructions dated March 18 and September 24, 1959, providing for the submission by Federal agencies of budget estimates for fiscal years 1960 and 1961, respectively, for foreign currency programs as authorized by section 104 of Public Law 480, other than programs for loans and grants in the country purchasing the surplus agricultural commodities.

ACTIVITIES AND PROCEDURES OF THE BUREAU RELATING
TO THE USE OF FOREIGN CURRENCY

The principal activities and procedures of the Bureau of the Budget relating to the use of foreign currencies which accrue under title I of the act are outlined below.

Fixing amounts of foreign currency
to be used for purposes under section 104

Within statutory authority, appropriation acts, and the terms of a title I sales agreement, the Director of the Budget Bureau fixes the amounts of foreign currency that may be used by authorized agencies for purposes described in section 104 of the act except where such amounts are fixed pursuant to law or Executive order as follows:

1. Foreign currency to be used for loans under 104(e) and (g)--Executive Order 10560, as amended, limits the amounts of foreign currency for such loans to (a) the amounts of foreign currency specified in title I sales agreements or (b) the amounts of foreign currency corresponding to the dollar amounts specified in sales agreements.
2. Foreign currency to be used under 104(h) for academic exchanges in the international educational exchange program (Fulbright Act)--Foreign currency for this use is subject to the determination of the Secretary of State as to amounts for program requirements up to \$1 million a year in a country, for 5 years.

Bureau requires agencies to submit
budget estimates for foreign currency

The Budget Bureau requires that agencies assigned responsibility by Executive Order 10560, as amended, for foreign currency uses under section 104 submit budget estimates for all foreign currency programs other than loans and grants in the country purchasing the surplus agricultural commodities.

The Budget Bureau instructions for the fiscal year 1961 budget required agencies to prepare the budget estimates on a

country basis within existing allocations of foreign currencies and additional amounts of foreign currencies available, and estimated to become available, under current title I sales agreements for section 104 uses, other than for Treasury sale and for economic or military grants and loans. Agencies were required to explain and support their estimates and to furnish a summary of proposed foreign currency activities or projects together with additional information as may be necessary to fully explain currently proposed programs. Agency justifications were required to show the contribution of proposed programs to United States domestic and/or foreign policy goals, particularly the results which would benefit the economy of the United States, and include an analysis of the relationships of proposed foreign currency programs to dollar-financed programs of the agency showing dollar support costs of the foreign currency programs, dollar amounts which would need to be obligated for similar programs in the absence of foreign currencies, and requested dollar funds which might be reduced if foreign currencies become available.

Bureau examines and acts upon agency estimates for foreign currency

Agency budget estimates for foreign currency under section 104 are normally examined in the Budget Bureau by the same staff that examines the agency dollar budget. The examination includes a review of the agency justification and, when necessary, meetings with agency representatives. The advice of the Department of State is obtained on the relation of the proposed programs to United States foreign policy interests. In reviewing the 1961 agency estimates, consideration was generally given to uses

previously recommended by the Bureau for congressional action which was not taken, i.e., 1960 supplemental estimates, as well as the unallocated portion of foreign currency previously earmarked by the ISC for uses under section 104.

After examination of the agency budget estimate, the budget examiners submit their recommendations to the International Division for preparation of consolidated information, by country, on the availability of foreign currency, agency requests, and recommendations of the staff, for the Director's review and decision. The Director notifies the agency of the amounts of foreign currency approved for inclusion in the budget document. An agency's revised budget estimates, based on the approved amounts, are included in the regular budget for submission by the President to the Congress for information or appropriation action. Following approval of agency estimates in the Budget Bureau or by the Congress, the Director formally allocates the foreign currency to the requesting agency. The 1961 budget submission recommends dollar appropriations to cover all United States uses of Public Law 480 foreign currency, including uses for which congressional action is not required by Public Law 480.

Bureau requires written requests
for allocation of foreign currency

Agency requests for allocation of foreign currencies under section 104 are submitted by letter from the agency concerned to the Director, Bureau of the Budget. These requests are usually submitted in groups on a quarterly or yearly basis. The Bureau of the Budget requires agencies to furnish with each request the following information:

1. Amount of currency needed.
2. Purposes for which currency is needed, with justification.
3. When applicable, a statement correlating the requirements for the currency with the programs of the agency for which funds have been appropriated or other free-use currencies have been provided.
4. When applicable, a justification for waiver of section 1415 of the Supplemental Appropriation Act, 1953 (31 U.S.C. 724).

The allocation of foreign currency for payment of United States obligations abroad under section 104(f) of Public Law 480 is made by the Director, Budget Bureau, without a formal request. The Director, after a title I sales agreement is signed, allocates to the Secretary of the Treasury the total amount of foreign currency stipulated under 104(f) in the sales agreement. This allocation is not subject to apportionment.

Examination and approval by the Bureau of allocation requests

Agency requests for allocation of foreign currency under section 104 are normally examined by the same staff in the Bureau that examines the agency dollar budget. This staff, working with other interested examiners in the Bureau, usually considers (1) any available information on currency uses developed during the negotiation of the sales agreements, (2) agency program requirements in relation to available appropriated funds, (3) relationship to programs of other agencies, (4) possible future requirements resulting from the proposals, and (5) possible competing uses for foreign currencies. Hearings may be held by the budget examiners at which agency representatives explain and justify the requests in detail. Recommendations are submitted by the examining staff

through the International Division (for recommendations concerning potential availability of currency), the General Counsel, and the Assistant Director in charge of programs in the area concerned to the Director for approval. When the requests are approved, the Director notifies the requesting agency by letter of the amount of foreign currency allocated, and copies of the letter are furnished to the International Division of the Budget Bureau and to the Treasury Department. The International Division maintains a record of allocations. Amounts allocated are stated in foreign currency units except where a sales agreement guarantees an exchange rate, in which instance the amount is stated in dollars.

Allocations by the Bureau do not authorize the transfer of currency to agency accounts but establish the limits of an agency's plans for the program involved. Agencies must await apportionment of currencies by the Budget Bureau before incurring actual obligations against such allocations.

Bureau requires formal agency request
for apportionment of foreign currency

The Bureau of the Budget requires an agency to which foreign currency has been allocated for use under section 104 to submit a formal request for apportionment or reapportionment of such currency in accordance with Bureau of the Budget Circular No. A-34 on a quarterly, project, or other agreed basis. Circular No. A-34 states that the request for apportionment or reapportionment shall be submitted on Standard Form 132, or approved substitute form, signed by an officer duly authorized by the head of the requesting agency, and supported by sufficient data to justify the financial requirements of the program.

Examination and approval by the Bureau
of requests for apportionments

Agency requests for apportionments of foreign currency under section 104 are examined in the Bureau, usually by the same staff that examined the corresponding allocation requests. The apportionment requests are given a detailed examination as to the usefulness of the proposed programs or projects. The International Division, on the basis of monthly reports and other information from the Department of the Treasury of transactions in Treasury accounts for Public Law 480 currency, including foreign currency collections, clears agency requests for apportionments of foreign currency under section 104 as to availability of foreign currency for the agency program. In most instances, the Bureau requires that United States uses be given priority over country uses and normally withholds apportionment of foreign currency for loan purposes until it is clear that the conditions of the sales agreement are being met and that the foreign currency for United States uses is or very soon will be available in full.

After clearance by the International Division, the recommendations of the examining staff are submitted to the chief of the division concerned for approval. The chief of the division concerned notifies the requesting agency of the Bureau action by signing and returning the original S.F. 132 or approved substitute form. Apportionments are stated in the same monetary terms (foreign currency units or dollars) as the corresponding allocations.

Bureau examining processes for each
foreign currency program under section 104

The examining processes of the Budget Bureau for each foreign currency program under section 104(a) through (o) of the act are

outlined below. Agency functions referred to are delegated by Executive Order 10560, as amended, unless otherwise stated.

Section 104(a)--agricultural market development programs

The Department of Agriculture is responsible for the use of foreign currency under section 104(a) to help develop new markets for United States agricultural commodities on a mutually benefiting basis.

Requests for allocations and apportionments of foreign currency under 104(a) submitted by the Department of Agriculture are examined in the Resources and Civil Works Division of the Budget Bureau on a case-by-case basis. In addition to the general considerations given by examiners to agency requests, consideration is given to the benefits to the United States agricultural economy under the program and whether the program is in harmony with the United States foreign policy. The Bureau requires that the requesting agency clear the proposed programs with the appropriate chief of the United States diplomatic mission in the foreign country concerned as being in accordance with United States foreign policy.

The Director, Budget Bureau, allocates the foreign currency and the Chief, Resources and Civil Works Division, approves the apportionment of available currency to the agency.

The act of September 21, 1959 (7 U.S.C. 1704), amended Public Law 480 by providing that no funds shall be allocated under section 104(a) after June 30, 1960, except as may be specified from time to time in appropriation acts. The act also requires that "From sale proceeds and loan repayments *** not less than the

equivalent of 5 per centum of the total sales" shall be made available for purposes of section 104(a).

Section 104(b)--purchase of strategic and other materials for the supplemental stockpile

The Office of Civil and Defense Mobilization is responsible for the use of foreign currency under section 104(b) to purchase or contract to purchase, in such amounts as may be specified from time to time in appropriation acts, strategic or other materials for a supplemental United States stockpile.

One allocation of foreign currency was made under section 104(b), but the allocation was later withdrawn.

Section 104(c)--procurement of military equipment, materials, facilities, and services for common defense

The Department of Defense or the Department of State, as those agencies may agree or, in the absence of agreement, as the Director of the Bureau of the Budget shall determine, is responsible for the use of foreign currency under section 104(c) to procure military equipment, materials, facilities, and services for the common defense. We were informed by representatives of the Budget Bureau that the Director had made no agency determinations under subsection (c).

Requests for allocations and apportionments of foreign currency for purposes authorized by section 104(c) are submitted to the Budget Bureau by the Department of Defense or the International Cooperation Administration (ICA), Department of State.

During review in the Budget Bureau of proposed title I sales programs, the budget examiners consider proposals for the use of

foreign currency under 104(c) in relation to the availability of Mutual Security Program funds and the need for support for the military programs of friendly countries. Since uses under 104(c) are stipulated in the title I sales agreements, or by amendments of the agreements, allocations of currency by the Director are usually made without further detailed examination.

Requests for apportionments, however, are subject to detailed examination by the appropriate budget examiners in the International Division of the Bureau. The chief of this division approves the apportionment of currency to the requesting agency.

Section 104(d)--purchase of goods or services
for other friendly countries

The Department of State is responsible for the use of foreign currency under 104(d) for financing the purchase of goods or services for other friendly countries.

Request for allocations and apportionments for the use of foreign currency under section 104(d) submitted by the International Cooperation Administration¹ to the Budget Bureau are examined in the International Division. In addition to the general considerations given by examiners to agency requests, consideration is given to whether the proposed uses of foreign currency may disrupt

¹By Executive Order 10560 of September 9, 1954, the President delegated the functions under section 104(d) to the Foreign Operations Administration (now ICA), and by Executive Order 10827 of June 25, 1959, he delegated these functions to the Department of State. The functions of the Department of State under section 104(d) were delegated to the Under Secretary of State, who directed that ICA continue to perform these functions pending formal delegation of authority.

normal trade patterns and whether proposed purchases of goods or services are to be made at competitive prices.

Proposed grants under this section are subject to the applicability of section 1415 of the Supplemental Appropriation Act, 1953, unless waived. The procedure on waivers is outlined on pages 323 to 325. After the Director, Budget Bureau, has waived section 1415, when necessary, and allocated the foreign currency, the Chief, International Division, approves apportionment of available currency to the agency.

Section 104(e)--loans and grants
for economic development

Section 104(e) authorizes the use of foreign currency for promoting balanced economic development and trade among nations.

Loans to private enterprise--The Export-Import Bank of Washington is responsible for the use of foreign currency under section 104(e) for loans to United States business firms for business development and trade expansion in foreign countries and for loans to domestic or foreign firms for the establishment of facilities for aiding in the utilization and distribution of, or otherwise increasing the consumption of, and markets for, United States agricultural products.

Title I sales agreements specify the amount of foreign currency, not to exceed 25 percent of the amount received under the agreement, to be used under section 104(e) for loans to private business firms through the Export-Import Bank of Washington. This currency is available to the Export-Import Bank for loans without allocation by the Director, Bureau of the Budget.

Requests for apportionments submitted by the Export-Import Bank to the Budget Bureau are examined in the International Division. The chief of this Division approves apportionment of foreign currency to the agency on the basis of a determination of availability of foreign currency under the terms of the sales agreement.

Grants for economic development--The Department of State is responsible for the use of foreign currency under 104(e), except for loans to private enterprise.¹

Grants under section 104(e) are subject to the applicability of section 1415 of the Supplemental Appropriation Act, 1953, unless waived. Requests for waiver of section 1415 are made by the agency concerned to the Director, Bureau of the Budget.

Requests for allocations and apportionments of foreign currencies for grants under section 104(e), submitted by the International Cooperation Administration to the Budget Bureau, are examined in the International Division. In addition to the general considerations given by examiners to agency requests, consideration is given to whether the foreign currency requested is to be used for projects essential to the sound economic growth of the

¹By Executive Order 10560 of September 9, 1954, as amended December 12, 1957, the President delegated the functions under this section, except to the extent the section pertains to loans by the Export-Import Bank of Washington to the Foreign Operations Administration (now ICA), and by Executive Order 10827 of June 25, 1959, he delegated these functions to the Department of State. The Department of State functions under 104(e) were delegated to the Under Secretary of State, who has directed that ICA continue to perform these functions pending formal delegation of authority.

foreign country and whether these projects need assistance to accomplish their purposes, including the development of human resources and skills and the improvement and expansion of health and education programs.

After the Director, Budget Bureau, has waived section 1415, when necessary, and allocated the foreign currency, the Chief, International Division, approves apportionment of available currency to the agency.

Section 104(f)--payment of
United States obligations abroad

The respective agencies of the Government having authority to pay United States obligations abroad are responsible for the use of foreign currency under section 104(f). Agencies requiring foreign currency under 104(f) usually purchase it from the Treasury Department, through the United States disbursing officers in the embassies, with appropriated dollars for any purpose for which dollars are available. A few allocations, for special programs not covered by other subsections, have been made under section 104(f) for use without charge to appropriations.

Allocation to Treasury Department--The Director of the Bureau, after a title I sales agreement is signed, allocates to the Secretary of the Treasury, without submission of a formal request, the total amount of foreign currency stipulated under 104(f) in the sales agreement. Allocation does not authorize the transfer of currency to the Treasury sales account as such transfer is subject to the collection and availability of currency for this use. The allocation is not subject to apportionment.

The Fiscal Assistant Secretary of the Treasury submits a written request to the Budget Bureau for authorization to transfer to the Secretary of the Treasury Sales Account 20 FT 4336 a stated amount of the foreign currency allocated.

After the request has been examined in the International Division and a determination has been made of the amount of currency available for transfer to the Treasury Sales Account, this amount is written on the original request which is approved by the chief of this Division and returned to the Treasury Department.

Military family housing--The act of September 1, 1954, as amended by the act of August 3, 1956 (5 U.S.C. 171z-1), authorizes the Secretary of Defense, subject to the approval of the Director of the Bureau of the Budget, to use up to \$250 million in foreign currencies acquired pursuant to the provisions of Public Law 480, or through other commodity transactions of the Commodity Credit Corporation, to construct, or acquire by lease or otherwise, family housing for occupancy as public quarters, and community facilities, in foreign countries. Allocations and apportionments of foreign currency for these purposes are made by the Budget Bureau under section 104(f), Public Law 480.

Requests for allocations and apportionments of foreign currency for family housing submitted by the Department of Defense to the Budget Bureau are examined in detail by the Military Division of the Bureau as to the program to be financed and by the International Division as to the availability of foreign currency.

The Director, Budget Bureau, allocates the foreign currency, and the Chief, Military Division, approves apportionment of available currency to the agency.

Section 104(g)--loans to foreign governments

The Department of State and the Development Loan Fund, as they shall agree, are responsible for the use of foreign currency under section 104(g) for loans to promote multilateral trade and economic development.

Foreign currency to be used for loans under section 104(g) is usually specified in title I sales agreements, and a separate loan agreement is entered into with the foreign country. Foreign currency for these purposes is made available to the International Cooperation Administration¹ without allocation by the Director of the Budget Bureau. Requests for apportionment of currency to be used for such loans under 104(g) are examined in the International Division, Bureau of the Budget, and are approved by the chief of this Division.

Section 104(h)--international educational exchange activities and interchange of persons

The Department of State is responsible for the use of foreign currency under 104(h) for the financing of international educational exchange activities under the programs authorized by section 32(b)(2) of the Surplus Property Act of 1944 (50 U.S.C. App. 1641(b)) and for the financing, in such amounts as may be specified

¹By Executive Order 10560 of September 9, 1954, the President delegated the functions under section 104(g) to the Foreign Operations Administration (now ICA), and by Executive Order 10827 of June 25, 1959, he delegated these functions to the Department of State and the Development Loan Fund as they shall agree. The functions of the Department of State under section 104(g) were delegated to the Under Secretary of State, who directed that ICA continue to perform these functions pending formal delegation of authority.

from time to time in appropriation acts, of programs for the interchange of persons under title II of the United States Information and Educational Exchange Act of 1948 (22 U.S.C. 1446). The Secretary of State is authorized by the act of August 14, 1957 (7 U.S.C. 1704), to determine the amount of foreign currency under section 104(h), Public Law 480, not to exceed \$1 million in any one country for a period of not more than 5 years in advance, to be required for the purposes of section 104(h).

International educational exchange activities--These activities are authorized by section 2(b)(2) of the act of August 1, 1946, which amended section 32(b)(2) of the Surplus Property Act of 1944. Requests for allocation and apportionment of foreign currency under 104(h) for international educational exchange activities, submitted to the Budget Bureau by the Department of State, are examined in the International Division of the Bureau. The Director, Bureau of the Budget, allocates foreign currency, and the Chief, International Division, approves apportionments of available currency to the agency.

Prior to the passage of the act of August 14, 1957, requests for allocation and apportionment of foreign currency under section 104(h) for international educational exchange activities were given a detailed review in the Budget Bureau to determine whether:

1. The proposed program represented an expansion of existing United States programs and why such expansion was necessary.
2. The initiation of the foreign currency program would require dollar support.
3. The program was consistent with other United States exchange programs authorized for the foreign country concerned.

4. The unit costs were the same in the dollar and foreign currency shares of the program.

5. There was need for a program covering more than 1 year.

Since the passage of the act of August 14, 1957, the Budget Bureau takes technical action on all requests for allocation and apportionment of foreign currency for international educational exchange activities under section 104(h), but the Bureau considers as binding on its action determinations by the Secretary of State of the amounts of foreign currency required for such purposes.

Interchange of persons--The United States Information and Educational Exchange Act of 1948, title II (22 U.S.C. 1446), authorizes the interchange on a reciprocal basis between the United States and other countries of students, trainees, teachers, guest instructors, professors, and leaders in fields of specialized knowledge or skill.

The Department of State submitted to the Budget Bureau a supplemental budget estimate for the fiscal year 1960 under section 104(h) for the interchange of persons. The estimate was reviewed in the Bureau by the appropriate examiners of the International Division, approved by the Director, and submitted by the President to the Congress for authorization. The Congress took no action on the request.

Section 104(i)--translation, publication, and distribution of books and periodicals

The United States Information Agency is responsible for the use of foreign currency under section 104(i) for financing the translation, publication, and distribution of books and periodicals, including Government publications, abroad. Section 104(i)

provides that no more than \$5 million may be allocated for this purpose during any fiscal year. Requests for allocations and apportionments of foreign currency under section 104(i) submitted by the United States Information Agency to the Budget Bureau are examined in the International Division. In addition to the general considerations given by examiners to agency requests, consideration is given to (1) the method to be used in obtaining the books, (2) the number of copies to be printed and distributed, (3) the costs involved, (4) the contract arrangements, and (5) the facilities available to do the job.

The Director, Budget Bureau, allocates foreign currency, and the Chief, International Division, approves apportionments of available currency to the agency.

Section 104(j)--assistance to libraries, community centers, and American-sponsored schools abroad

Section 104(j) authorizes the use of foreign currency for providing assistance to activities and projects authorized by section 203 of the United States Information and Educational Exchange Act of 1948 (22 U.S.C. 1448). This act authorizes the Secretary of State to provide for assistance to schools, libraries, and community centers abroad, founded or sponsored by citizens of the United States and serving as demonstration centers for methods and practices employed in the United States. The Department of State and the United States Information Agency are responsible for carrying out the purposes of section 104(j) in accordance with the division of responsibilities for the administration of the United States Information and Educational Exchange Act of 1948 as provided

by Reorganization Plan No. 8 of 1953 (22 U.S.C. 1461) and Executive Order 10477 of August 1, 1953, and by subsequent agreement between the Department of State and the United States Information Agency.

Assistance to libraries and community centers abroad--The United States Information Agency is responsible for the use of foreign currency under section 104(j) for assistance to libraries and community centers abroad. Requests for allocations and apportionments of foreign currency under this section, submitted by the United States Information Agency to the Budget Bureau, are examined in the International Division. In addition to the general considerations given by examiners to agency requests, consideration is given to (1) whether there are firm plans, such as availability of building site and a going organization or society to handle the program, (2) the size of the building in relation to the over-all project, (3) the program costs, and (4) the local donations to the program.

The Director, Budget Bureau, allocates the foreign currency, and the Chief, International Division, approves apportionment of available currency to the agency.

Assistance to American-sponsored schools abroad--The Department of State is responsible for the use of foreign currency under section 104(j) for assistance to American-sponsored schools abroad. The State Department developed criteria for determining eligibility of schools for financial assistance under Public Law 480. Requests for allocation and apportionment of foreign currency under 104(j), submitted to the Budget Bureau by the Department of State,

are examined in the International Division, principally to ascertain whether the program will provide a substantial increase in enrollment of foreign students and to check the justification for the proposed program against the applicable criteria of the State Department. In addition to the general considerations given by examiners to agency requests, consideration is given to the estimated cost of the program, such as (1) square foot construction cost of the proposed project, (2) local contribution of labor and materials, (3) contract arrangements and supervision, (4) assistance to be furnished by the Office of Foreign Buildings, and (5) whether provision has been made for continued operating support of the project after the United States contribution ends.

The Director, Budget Bureau, allocates foreign currency, and the Chief, International Division, approves apportionments of available currency to the agency.

Section 104(k)--scientific and research activities

The Director, National Science Foundation, and such other agency or agencies as the Director, Bureau of the Budget, may designate are responsible for the use of foreign currency under section 104(k) for collecting, translating, abstracting, and disseminating scientific and technological information. All other purposes authorized by subsection (k) are delegated to such agency or agencies as may be designated by the Director, Bureau of the Budget. Foreign currencies are available for the purposes of this subsection (in addition to funds otherwise made available for such purposes) in such amounts as may be specified from time to time in appropriation acts.

The National Science Foundation, and other Federal agencies designated by the Director, Budget Bureau, submitted estimates for supplemental appropriations for the fiscal year 1959 for foreign currency for translation of foreign scientific publications, and the Department of Agriculture submitted estimates for foreign currency for scientific research abroad, under section 104(k). After review in the Budget Bureau by the appropriate examiners, requests, on recommendation of the Director, were submitted by the President to the Congress for authorization under the title "Funds appropriated to the President." Appropriation to the President was requested because of the number of proposed programs for which the use of foreign currencies under section 104(k) was desired and the need for flexibility and coordination in the allocation of currencies in different countries.

The Supplemental Appropriation Act, 1959, approved August 27, 1958 (72 Stat. 864), provides, for the Executive Office of the President (funds appropriated to the President), \$5.1 million for the purchase of foreign currencies to be used for section 104(k) activities. Of this amount, \$1,200,000 was authorized for translation programs of the National Science Foundation and the other Federal agencies concerned, \$3,890,000 was authorized for research programs of the Department of Agriculture, and \$10,000 was authorized for a cholera research program of the Department of the Army.

The Budget Bureau allocated foreign currency, equivalent to the amount of dollars appropriated by the Congress, to the Treasury Department for sale to the National Science Foundation, the Department of Agriculture, and the Department of the Army. The

allocation included an authorization to transfer a stated amount of foreign currency to a special sales account of the Treasury Department. The balance of the foreign currency authorized by the Supplemental Appropriation Act, 1959, to be purchased under 104(k) will be transferred when the currency becomes available.

Supplemental requests for foreign currency to be purchased for the fiscal year 1960 under section 104(k) were submitted to the Budget Bureau by the National Science Foundation, the Department of Agriculture, the Department of Commerce, the Department of Health, Education, and Welfare, and the Department of the Interior. These requests were reviewed in the Bureau, recommended by the Director, and submitted by the President to the Congress for authorization. The Congress took no action on the requests.

Section 104(1)--foreign buildings
and facilities

The Department of State and any other agency or agencies designated by the Secretary of State are responsible for the use of foreign currency under section 104(1) for the acquisition by purchase, lease, rental, or otherwise, of sites and buildings and grounds abroad for United States Government use and for construction, repair, alteration, and furnishing of such buildings and facilities. Foreign currency is available for the purposes of this subsection (in addition to funds otherwise made available for such purposes) only in such amounts as may be specified from time to time in appropriation acts.

The Department of State submitted to the Budget Bureau supplemental budget estimates for fiscal year 1960 for foreign currencies under 104(1) for construction of buildings in New Delhi,

India, and Warsaw, Poland. After review of the estimates in the Bureau by the examiners of the International Division and approval by the Director, a request was submitted by the President to the Congress for authorization. The Congress took no action on the request.

Section 104(m)--trade, agricultural and horticultural fairs

Section 104(m) authorizes the use of foreign currency for the financing in such amounts as may be specified from time to time in appropriation acts for (1) trade fair participation and related activities authorized by section 3 of the International Cultural Exchange and Trade Fair Participation Act of 1956 (22 U.S.C. 1992) and (2) agricultural and horticultural fair participation and related activities.

Trade fairs--The United States Information Agency is responsible for the use of foreign currency under section 104(m) for trade fair participation and related activities.

We were informed by representatives of the Bureau of the Budget that as of November 20, 1959, no budget estimate had been received for authorization to use foreign currency under section 104(m) for trade fairs.

Agricultural and horticultural fairs--The Department of Agriculture is responsible for the use of foreign currency under section 104(m) for agricultural and horticultural fair participation and related activities.

The Department of Agriculture submitted to the Budget Bureau budget estimates for fiscal year 1959 for the use of foreign

currency under 104(m) to finance United States participation in the World Agriculture Fair, New Delhi, India, and the Rotterdam International Horticultural Exhibition, Rotterdam, Netherlands. These estimates were reviewed in the Bureau by the appropriate budget examiners in the Resources and Civil Works Division and the International Division, approved by the Director, and submitted by the President to the Congress for authorization. The Second Supplemental Appropriation Act, 1959, approved May 20, 1959 (73 Stat. 34), authorized the use of foreign currencies under 104(m) not to exceed the equivalent of \$1,275,000 without fiscal year limitations for purposes requested by the agency.

Agency requests for apportionment of foreign currency for agricultural and horticultural fairs under this subsection, after review and recommendation by budget examiners concerned, are approved by the Chief, Resources and Civil Works Division.

Section 104(n)--evaluation, collection,
and distribution of library material

The Librarian of Congress is responsible for the use of foreign currency under section 104(n) for financing in such amounts as may be specified from time to time in appropriation acts for (1) programs outside the United States for the analysis and evaluation of foreign books, periodicals, and other materials, (2) the registry, indexing, binding, reproduction, cataloging, abstracting, translating, and dissemination of books, periodicals, and related materials, and (3) the acquisition of such books, periodicals, and related materials and the deposit thereof in libraries and research centers in the United States.

The Library of Congress submitted to the Budget Bureau budget estimates for fiscal year 1960 for foreign currency under 104(n) for (1) acquisition and distribution of copies of foreign books, periodicals, and other materials which are determined to contain information of technical, scientific, cultural, or educational significance to the United States and (2) the cataloging, abstracting, and translating of such documents. After review of the estimates in the Bureau by examiners in the Commerce and Finance Division, as to program plans, and in the International Division as to availability of currency, estimates were recommended by the Director and a request was submitted by the President to the Congress for authorization. The Congress took no action on the request.

Section 104(o)--assistance in the expansion
or operation of American founded
or sponsored schools abroad

The Department of State is responsible for the use of foreign currency under section 104(o) for providing assistance, in such amounts as may be specified from time to time in appropriation acts, by grants or otherwise, in the expansion or operation in foreign countries of established schools, colleges, or universities founded or sponsored by citizens of the United States, and in supporting workshops in American studies or American educational techniques and supporting chairs in American studies.

The Department of State submitted to the Budget Bureau budget estimates for fiscal year 1960 for foreign currency under 104(o) for providing chairs of American studies and English language in foreign universities and for workshops in English language and American studies abroad. After review in the Bureau by examiners

of the International Division, estimates were recommended by the Director and a request was submitted by the President to the Congress for authorization. The Congress took no action on the request.

Under the act of September 21, 1959 (7 U.S.C. 1704), authorization for the use of foreign currency for supporting workshops in American studies or American educational techniques and supporting chairs in American studies was deleted from subsection (o) and added as new subsection (p).

Budget Bureau has made no allocations
or apportionments of foreign currency
under section 104(p), (q), and (r)

Section 104(p), (q), and (r) were added to Public Law 480 by the act of September 21, 1959 (7 U.S.C. 1704).

Responsibility for uses provided by subsections (p), (q), and (r) has not been assigned and no allocations or apportionments of foreign currency have been made by the Bureau under these subsections.

DEPARTMENT OF COMMERCE

RESPONSIBILITIES UNDER PUBLIC LAW 480

Although the principal functions of the President under Public Law 480 have been assigned by Executive order to other Government agencies, the Department of Commerce has the following responsibilities in the operation and administration of the act:

1. A representative of the Department is a member of the Interagency Committee on Agricultural Surplus Disposal, chaired by Clarence Francis, Special Consultant to the President.
2. A staff-level representative of the Department is a member of the Interagency Staff Committee on Agricultural Surplus Disposal (ISC).
3. A representative of the Department serves, at the request of the Secretary of Agriculture, on an interdepartmental committee which advises the Department of Agriculture with respect to the barter acquisition of strategic and other materials for the supplemental stockpile.
4. The Department is responsible for the use of foreign currencies, pursuant to section 104(f) of the act, for United States obligations abroad which the Department is authorized to pay.

Letters dated September 9, 1954, from the President of the United States to the officers of the Government principally concerned with the Executive order delegating the functions under the act contained the following:

"6. I am requesting the Secretary of Commerce to provide the focal point in the Government for assisting private enterprise with respect to barter transactions referred to in the act. This arrangement would be one more step toward assuring the maximum utilization of private channels in the execution of this program."

We were advised by officials of the Bureau of Foreign Commerce that representatives of the Department of Commerce, the Department of Agriculture, and the Commodity Credit Corporation later

agreed that this arrangement was unworkable. These officials said that the request was countermanded by the White House Executive Office and the action reported to the Francis Committee.

ORGANIZATIONAL COMPONENTS PERFORMING PUBLIC LAW 480 FUNCTIONS

The activities of the Department of Commerce with respect to Public Law 480 are administered through the Office of Assistant Secretary for International Affairs, who exercises policy direction and coordination over the Bureau of Foreign Commerce, the Office of International Trade Fairs, and the Advisory Committee on Export Policy. The facilities of other organizational units of the Department are utilized to the extent appropriate. For example, the Bureau of Foreign Commerce collaborates with the Business and Defense Services Administration when the commodity and industrial interests of the latter organization are applicable. An organizational chart of the Department of Commerce is included in appendix C, page 487.

The Deputy Assistant Secretary for International Affairs is the Department of Commerce representative on the Francis Committee, and the Director, International Resources Staff, Bureau of Foreign Commerce, is the alternate. An economist on the International Resources Staff is the Department of Commerce representative on the Interagency Staff Committee on Agricultural Surplus Disposal. An official of the Business and Defense Services Administration represents the Department on the Supplemental Stockpile Advisory Committee on Barter.

Bureau of Foreign Commerce

The Director of the Bureau of Foreign Commerce is responsible to the Assistant Secretary for International Affairs who has been delegated authority by the Secretary of Commerce to administer all international affairs of the Department. The Director performs the functions and exercises the authority vested in the Secretary under various legislative acts relating to the foreign trade and commerce of the United States. He is authorized to redelegate this authority to any officer of the Bureau of Foreign Commerce under such conditions and limitations as he deems appropriate.

The objective of the Bureau of Foreign Commerce is to foster and promote the foreign commerce of the United States in exports, imports, capital investment, travel, and other significant component elements of international business transactions. To this end, the Bureau provides staff and operational support for the Assistant Secretary for International Affairs in the development of policies and programs relating to the foreign trade and commerce of the United States, foreign economic development, and international commodity arrangements or arrangements with respect to the utilization of other international resources which affect the foreign economic interests of the United States. The Bureau also administers the export controls vested in the Secretary.

The International Resources Staff in the Office of the Director develops the Department of Commerce position with respect to (a) legislation affecting international trade in commodities and materials, (b) international commodity arrangements and study groups, and (c) international monetary and financial matters. It

is responsible for the staff work in connection with the Department's participation in the activities of the Interagency Committee on Agricultural Surplus Disposal (the Francis Committee).

The Office of Economic Affairs maintains continuous review of United States foreign trade and financial activities, and trade and financial relations among foreign countries, as a basis for assessing the effect of international economic developments upon United States business interests. It develops and recommends policies for the Department in connection with such matters. The Office reviews broad export control policies and specific export control actions which raise special economic policy problems. It furnishes representation for the Bureau and the Department on interdepartmental staff-level committees and on the working groups of these and other committees established to deal with individual foreign countries or foreign regions.

ACTIVITIES OF THE DEPARTMENT UNDER PUBLIC LAW 480

The Department of Commerce receives copies of proposed programs under Public Law 480 and related material. There is a constant flow of material from the Department of Agriculture, the interagency staff committee, and the Department of State, including copies of communications from United States embassies, ICA field missions, and agricultural attaches. Material furnished by United States missions abroad is received by the Foreign Service Operations Staff in the Office of the Director, Bureau of Foreign Commerce; the other material is received by the International Resources Staff. In either case, it is distributed to interested officers and organizational units of the Department, including the

Food Industries Division of the Business and Defense Services Administration and the International Resources Staff and the Office of Economic Affairs of the Bureau of Foreign Commerce. The Bureau makes a continuing check to ascertain which officers and organizational units of the Department have an interest in the material received.

The more significant documents in connection with a proposed Public Law 480 sales program are prepared by the Department of Agriculture, following study by its commodity divisions, and sent to the Department of Commerce in duplicate. The International Resources Staff considers the commodity problems and the economic and policy questions. It acts for the Department of Commerce in assembling all material relating to the proposed program. One copy of each document is furnished to the economist who represents the Department on the ISC and devotes most of his time to Public Law 480 and other agricultural programs. The second copy of each document is referred to the appropriate country desk officer in the Office of Economic Affairs for consideration.

The ISC representative discusses a proposed program with other interested agencies and consults with the appropriate country desk officer in the Office of Economic Affairs. He gets any needed staff assistance from Department of Commerce statistical groups and receives advice from the Food Industries Division of the Business and Defense Services Administration, one of whose functions is to assess the impact of Government operations insofar as they affect the interests of private business. He reviews the material assembled in connection with a proposed program and

ascertains what commodities the country concerned has taken, historically, from the United States and other countries and determines whether the proposed program would interfere with commercial trade.

After reviewing the program material and consulting with staff officers, the ISC representative usually determines the Department of Commerce position on a proposed program. He has authority to make this decision and to state the Department's position. When he has doubt, he clears the question with the Director, International Resources Staff, who makes the decision or refers the matter to the Director, Bureau of Foreign Commerce, for determination or submission to the Assistant Secretary for International Affairs. Each of these officers is authorized to make the determination unless he believes that the matter should be considered at a higher level of authority.

All Bureau of Foreign Commerce officers prepare written reports of the actions taken or judgments made on operations conducted by them concerning any action or question before the Bureau. At the conclusion of each ISC meeting, the Department of Commerce representative prepares such a report. A proposed sales program is usually discussed at several ISC meetings, and by a continuous flow of these reports, through channels, the Assistant Secretary for International Affairs is kept advised of the status of the program as it is discussed in the ISC meetings. The Assistant Secretary may on occasion adjust or revise the Department of Commerce position concerning the program.

Use of foreign currencies

The responsibility of the Department of Commerce for the use of foreign currencies for the payment of its obligations abroad and the Department's participation in the use of foreign currencies for activities for which other Government agencies have the primary responsibility under Executive Order No. 10560 are discussed below.

Section 104(f)--payment of United States obligations abroad

Responsibility for the use of foreign currencies under section 104(f) of the act was delegated by Executive Order 10560 of September 9, 1954, to the respective agencies of the Government having authority to pay obligations abroad.

We were advised that the Department of Commerce has no special procedures to encourage the use of foreign currencies instead of appropriated dollars for the expenses of its trade missions to foreign countries; that overseas travel by Department of Commerce personnel is usually from the United States to a particular location in a foreign country and return to the United States; and that the United States Embassies make travel and other necessary arrangements, do contracting for Department of Commerce missions, and make payment for the Department of Commerce for these overseas expenses. Commerce officials assume that the United States Embassies use foreign currencies for these expenses when practicable.

Section 104(k)--scientific activities

Section 104(k) of Public Law 480, as amended by Public Law 85-477, approved June 30, 1958 (72 Stat. 261), authorized the use of foreign currencies for certain scientific activities, but provided

that no foreign currencies shall be used for these purposes unless specific appropriations are made therefor.

By Executive Order 10827 of June 25, 1959, the President delegated the responsibility for the use of foreign currencies under section 104(k) to the Director of the National Science Foundation or such agency or agencies as the Director of the Bureau of the Budget, after appropriate consultation, may designate.

On July 17, 1959, the President recommended that Congress include in a supplemental appropriation for the fiscal year 1960, \$5,174,000 for the purchase of foreign currencies for use by the Bureau of Standards, pursuant to section 104(k), for conducting and supporting scientific activities overseas. However, no appropriation was made for this purpose.

Public Law 86-108, approved July 24, 1959 (73 Stat. 246), amended section 104(k) of Public Law 480 to provide that foreign currencies shall be available for the purposes of the section (in addition to funds otherwise made available for such purposes) only in such amounts as may be specified from time to time in appropriation acts.

Allotment of currencies from
the Department of Agriculture

The Department of Agriculture has, from time to time, allotted foreign currencies to the Department of Commerce for exhibits at trade and agricultural fairs. For example, the agricultural and horticultural exhibit services, under section 104(m) of the act, at the World Agricultural Fair, New Delhi, India, are being performed by the Department of Commerce under a memorandum of

agreement with the Department of Agriculture. For this purpose, foreign currency (Indian rupees) equivalent to \$1,125,000 has been transferred to the Department of Commerce. Also, the Department of Agriculture transferred foreign currency equivalent to about \$100,000 to the Department of Commerce for a market development project exhibit at this fair under section 104(a) of the act.

EXPORT-IMPORT BANK OF WASHINGTON

RESPONSIBILITIES UNDER PUBLIC LAW 480

The Export-Import Bank has the following responsibilities in the operation and administration of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691):

1. Using foreign currencies, pursuant to section 104(e) of the act, for loans to private business firms for business development and trade expansion in foreign countries and for increasing the consumption of, and markets for, United States agricultural products.
2. Using foreign currencies, pursuant to section 104(f) of the act, for United States obligations abroad which the Bank is authorized to pay.
3. Assisting the International Cooperation Administration in making and administering loans of foreign currencies, pursuant to section 104(g) of the act, to promote multilateral trade and economic development.

In addition, a staff-level representative of the Bank is a member of the Interagency Staff Committee on Agricultural Surplus Disposal (ISC) which was established by the Secretary of Agriculture pursuant to the President's request for interagency coordination of day-to-day operations under the act. The composition, responsibilities, and procedures of this committee are discussed on pages 50 to 53.

ORGANIZATIONAL COMPONENTS PERFORMING PUBLIC LAW 480 FUNCTIONS

The activities of the Export-Import Bank with respect to Public Law 480 are administered through the regular organization of the Bank. A list of the officials of the Bank is included in appendix C, page 490.

The Board of Directors establishes policies governing the activities of the Bank under Public Law 480; approves loans under

section 104(e); authorizes Bank officials to execute and administer country-to-country loan agreements under section 104(g), on the terms specified in requests received from the Director of the International Cooperation Administration; and makes the final decision on any other matter which is of sufficient importance to require action by the Board.

Activities of the Bank under the act are under the direction and control of the Executive Vice President, who is authorized to make final decisions on matters which do not require action by the Board of Directors.

The Treasurer is responsible for disbursing, collecting, and accounting for foreign currencies.

An economist in the Economics Division is the Bank's representative on the Interagency Staff Committee on Agricultural Surplus Disposal.

ACTIVITIES OF THE BANK UNDER PUBLIC LAW 480

The principal activities of the Export-Import Bank under Public Law 480 involve the use of foreign currencies for loans under sections 104(e) and 104(g). These activities are discussed in detail below.

Section 104(e)--loans to private enterprise

Public Law 85-128, approved August 13, 1957 (71 Stat. 345), amended section 104(e) of Public Law 480 to provide that up to 25 percent of the foreign currency generated under each title I agreement shall be made available for loans to private business firms through the Export-Import Bank of Washington (herein referred to as Eximbank or the Bank) which, under Executive Order 10560 of

September 9, 1954, as amended, is the agency responsible for administering this provision of the act.

Eximbank may lend this foreign currency to (1) United States firms or their branches, subsidiaries, or affiliates for business development and trade expansion in the foreign country or (2) either United States firms or firms of the foreign country for expanding markets for, and consumption of, United States agricultural products abroad.

The law requires that loans be mutually agreeable to Eximbank and the foreign country. It prohibits loans for the manufacture of products to be exported to the United States in competition with United States products or for the manufacture or production of commodities to be marketed in competition with United States agricultural commodities or the products thereof.

How the amount to be available
for loans is determined

When the Interagency Staff Committee on Agricultural Surplus Disposal is considering a proposed sales agreement, the United States agencies concerned agree on the amount of foreign currency to be available for loans under section 104(e). The amount determined to be acceptable to both governments is specified in the sales agreement. It is the practice of Eximbank to ask for the full 25 percent, and in the majority of cases the ISC approves such requests.

When the so-called Cooley Amendment (Public Law 85-128) was enacted, any member of ISC, which operates on a unanimous approval basis, could prevent agreement on the amount to be available for these loans. The Interagency Committee on Agricultural Surplus

Disposal (known as the Francis Committee) decided that an effort should be made to have the full 25 percent of the sales proceeds made available for loans under section 104(e) unless compelling reasons why this should not be done are presented to ISC. The Francis Committee decided also that these reasons must be set forth in a written statement and that only the Department of State, the Department of Agriculture, or the Bureau of the Budget can submit such a statement.

If the aggregate amount of the foreign currency collected under a sales agreement is less than the amount anticipated when the agreement was made, Eximbank's share is usually reduced proportionately. If currencies allocated for section 104(e) loans are not committed by Eximbank within 3 years from the date of the sales agreement, they revert to the United States Government.

Rules governing loan applications

After a sales agreement is signed, Eximbank issues a press release in the United States which specifies the dollar equivalent of the foreign currency which may be made available under the agreement for loans by the Bank to private business firms pursuant to section 104(e) of the act. The press release states the purposes for which loans may be made and that letters of application will be received at Eximbank or at the United States Embassy. The United States Embassy usually makes a similar announcement in the foreign country.

When the first sales agreement which provides for section 104(e) loans is made with a country, Eximbank advises the United States Embassy of the procedures for handling loan applications

and that the letter of application should contain the following information:

1. The name and address of the applicant.
2. The amount of the requested loan and the desired repayment period.
3. The nature of the applicant's business organization (whether it is a corporation, a partnership, or other form), the country where the applicant was incorporated or organized, and the precise nature of the applicant's affiliation with United States business organizations, if any. If the applicant is not a United States firm or the affiliate of a United States firm, state the extent to which the applicant's existing and proposed facilities would be applied in the utilization and distribution of, or otherwise increasing the consumption of and markets for, United States agricultural commodities.
4. The nature of the applicant's business, including (a) its history, (b) the items or services which it now produces, (c) the source of its raw materials, (d) the markets supplied, (e) the identity of the principal owners, and (f) governmental participation, if any.
5. The general objectives of the proposed financing, including the volume and kind of end products or services which would be produced. If products of the applicant would be exported, the approximate value of such exports and the probable countries of destination should be indicated.
6. The specific uses to be made of the proceeds of the proposed loan. If the proceeds are to finance the procurement of fixed assets, state amount intended to be allocated to the procurement of land, construction or purchase of buildings, purchase of machinery and equipment, and other fixed assets. If the proceeds are to provide working capital, state amount intended to finance inventory, installment sales, or receivables; to refinance existing obligations; and to meet payrolls, general operating expenses, and other purposes. If any of the assets to be purchased with the proceeds of the proposed loan are of foreign origin, this should be indicated.
7. The benefits accruing to the country where the investment would be made.
8. Any engineering and economic data and marketing surveys which are pertinent to the proposed loan.
9. Any other financing which the applicant has already obtained or is contemplating, showing in each case (a) the

source of financing, (b) the amount, (c) when the credit was or will be obtained, (d) the security given or offered, (e) the interest rate, and (f) the repayment terms.

10. The security, if any, which the applicant offers, such as the guaranty of a bank or financial institution or of a United States affiliate of the applicant, or collateral. If a guaranty is offered, the name and address of each guarantor should be submitted as well as an official or signed current financial statement of each guarantor.
11. The most recent regularly prepared balance sheets and profit and loss statements of the applicant. If the proposed loan is to be guaranteed by a United States affiliate, a commercial bank, or other financial institution, the applicant's financial statements may cover the latest 12 months only. In other cases they should cover the latest 3 years. If the most recent balance sheet is more than 1 year old or if no regular balance sheet is available, an informal but current one should be submitted. All financial statements should be audited if possible but otherwise signed by an officer of the applicant.
12. A proposed schedule for the repayment of the loan, together with a statement showing the sources of the applicant's funds during the period of repayment as well as their uses.
13. The officers, directors, or partners of the applicant, and the percentage of ownership in the applicant held by each individual listed.
14. The names of banks with whom the applicant ordinarily does business.

The Eximbank advises the United States Embassy that the above information should be presented in as much detail as is necessary for an understanding of the proposed loan and that any other information which appears pertinent should be submitted.

Processing loan applications

When applications are received from a country in large volume, Eximbank processes them on a "country loan program" basis. If the applications do not come in at a rate which clearly exhausts the potentially available funds, they are processed individually.

Eximbank requests assistance from the Embassy. The latter is asked to advise concerning the selection of the interest rate and an agent bank. It is also requested to advise potential applicants concerning the operation of the program and to locate and develop applicants.

The Embassy concerned is consulted by Eximbank in connection with each application and is asked to advise whether there are any political objections to the applicant. If the Embassy advises that there are political objections, Eximbank rejects the application.

The Embassy is also asked to transmit an appraisal of the borrower and the proposed loan, prepared by the Embassy's staff on the basis of material readily available, which will indicate whether in the opinion of the Embassy: (1) the applicant's business and financial reputation is favorable or unfavorable, (2) the proposed financing appears to be desirable from the point of view of the general economic development of the country, (3) the proposed venture requires import protection, and (4) as a result of the proposed financing, products would be exported to the United States in competition with United States products or marketed in the country concerned or elsewhere in competition with United States agricultural commodities or the products thereof.

Loan applications received by Eximbank are registered in the secretary's office and sent to an economist who examines them as to form and general content and enters them in a log book which contains a complete record of all applications. The economist then sends the applications to one of the staff committees in

Eximbank which are appointed by the Executive Vice President of Eximbank, by countries, to process the loan applications.

These committees, each of which is composed of an economist, a loan officer, and a lawyer, consider and process the applications submitted to them and make recommendations to the Eximbank Board of Directors. The committees consult with an engineer when necessary. They usually obtain required information direct from the applicants, but in some cases they obtain the information through the United States Embassies in the countries involved. In some instances representatives of Eximbank have visited the countries and discussed proposed country loan programs with United States Embassy officials and representatives of the foreign countries. The Eximbank representatives may make other independent inquiries, particularly with local representatives of the applicant. After an Eximbank committee has assembled the necessary information in connection with the loan applications, it prepares a memorandum outlining in a general way a proposed loan program for the country involved, the interest rate, and the repayment terms and indicates the selection of an agent bank. It lists the applicants and indicates those tentatively selected. The memorandum, signed by the members of the committee, is sent to a committee composed of the Executive Vice President and Eximbank department heads for consideration. If approved by this committee, copies of the memorandum are distributed to members of the Eximbank Board of Directors.

In appropriate cases proposed loans are cleared by Eximbank's ISC representative with the Deputy Assistant Administrator for Market Development and Programs, Foreign Agricultural Service, Department of Agriculture, concerning the justification of the loans on

the grounds that they will expand markets for United States agricultural products and whether the objectives for which the loans are requested would violate statutory prohibitions against competition with United States agricultural commodities.

When there is a question concerning products made from agricultural commodities or the export of manufactured products to the United States, Eximbank's ISC representative clears the question with the Assistant Director, Bureau of Foreign Commerce, Department of Commerce.

Eximbank clears loans with the
National Advisory Council on
International Monetary and Financial Problems

Following enactment of the Cooley Amendment in August 1957, Eximbank secured certain basic clearances from the National Advisory Council on International Monetary and Financial Problems (NAC) which included (1) that Eximbank would not insert the maintenance-of-value clause in section 104(e) loan agreements, (2) that the interest rate would fit the pattern in the foreign country and not the United States pattern, and (3) that the repayment periods would be similar to those contained in dollar loans made by Eximbank.

The Eximbank advises the NAC, by memorandum, of proposed loans, the amounts and purposes of the loans, the interest rate, and the terms of repayment and asks whether any objection is perceived to the Bank's establishing credits along the lines indicated. NAC distributes copies of Eximbank's memorandum to the agencies represented in NAC, and if no objections are made, NAC grants the required policy approval.

Eximbank clears loans with
foreign government concerned

There is usually included in the sales agreement an understanding between the governments of the United States and the foreign country, signed when the sales agreement is signed, which identifies the agency of the foreign country with which Eximbank will clear all applications prior to making loans and sets forth the procedures to be used in clearing proposed loans. The designated agency is usually one of the ministries or agencies of the foreign country or the Central Bank.

As eligible applications are received, Eximbank advises the designated agency of the identity of each applicant, the amount of the loan requested, and the purposes for which the loan proceeds could be used.

When the applications have been brought to the point where Eximbank is ready to propose them to the foreign government, Eximbank advises the United States Ambassador. The Bank also advises the Ambassador of the interest rate, the repayment terms, and Eximbank's choice of an agent to represent it in the foreign country in connection with loans established.

The Eximbank Staff works out a proposed apportionment of funds for the various types of loans, taking into consideration the purposes and objectives stated in the applications. Eximbank consults with the country concerned and, at its suggestion, sets up loan priorities on the basis of the country's preference for fixed asset or working capital loans. Also, a country may favor loans to firms producing capital goods rather than consumer goods. In some instances, Eximbank requests the opinion of the local

representatives of the foreign country concerning priorities to be given in connection with proposed loans.

As provided in the memorandum of understanding signed by the parties to the sales agreement, Eximbank notifies the designated agency when it is prepared to formally approve the loans. The Bank indicates the probable range of the interest rate and the repayment period of a proposed loan. The memorandum of understanding provides that if Eximbank has not received a communication from the agency within a 60-day period, it will be understood that the agency has no objection to the proposed loans. In practice, Eximbank has not taken favorable action on a proposed loan until the agency of the foreign government has indicated its approval by an affirmative action.

Eximbank prepares loan agreements

When Eximbank has received the necessary clearances and approvals from NAC, the Department of Agriculture, the Department of Commerce, and the agency of the foreign government, the Eximbank loan processing committee presents the proposed loans to the Eximbank Board of Directors for approval.

When the applications have been formally approved and the foreign agency has been advised, the lawyer member of the processing committee prepares a loan agreement which is negotiated by Eximbank with the borrower, either directly or through the agent bank. The agreement establishes the amount of the loan, the interest charge, the terms of repayment, and the disbursement procedures. It contains a provision for payment of an administrative charge to Eximbank's agent bank which is generally deducted from the first

disbursement to the borrower. The borrower indicates his acceptance of the agreement by signing and returning it to Eximbank.

Eximbank appoints foreign agent banks
and establishes procedures

Eximbank hires an agent in the foreign country, usually a bank, to make disbursements and collections under the loans it establishes. It prefers the foreign branch of an American bank, but in some instances it has to use foreign banks or the United States Embassy disbursing offices.

The lawyer member of the Eximbank loan processing committee prepares a detailed agreement which is executed by the appropriate official of Eximbank and an official of the agent bank. The agreement provides for the agent's compensation for its services, sets forth the agent's duties in securing promissory notes and required documentation from the borrower, and describes the procedures to be followed in making disbursements and collections under the loans.

Although they may vary from country to country, depending upon how and by whom the disbursements are made, the procedures established by Eximbank for agent banks are substantially as follows:

The lawyer member of the Eximbank committee prepares and sends to the agent bank a certificate to be signed by the borrower which, among other things, requires disclosure of any payment or agreement to pay a fee to any one in connection with the establishment and operation of the loan.

The agent bank accepts deposits from the United States disbursing officer for the account of Eximbank. It furnishes a receipt to the disbursing officer for each deposit received and

immediately advises Eximbank by air mail letter of the amount deposited. From time to time, the agent bank receives requests for disbursement from the borrower, together with documents specified by the loan agreement between Eximbank and the borrower. The agent bank determines whether the requests and the documents conform to the requirements of the loan agreement and, if satisfied as to their conformance, makes the requested disbursement. It advises Eximbank by air mail letter of the amount disbursed. The agent bank retains the promissory notes executed by the borrower in favor of Eximbank, the requests for disbursement, and documents which include evidence of payment by the borrower for items for which it seeks reimbursement. The agent bank is reimbursed by the borrower for its services in connection with the loans by way of an administrative charge, which is generally deducted at the time the first disbursement is made under the loan. The administrative charge is based upon the amount and term of the loan and the rules and practices prevalent in the particular country.

The agent bank bills the borrower for maturities due, makes collection of interest and principal, and credits the Eximbank account. All collections are reported immediately to Eximbank by air mail letter. The agent bank is instructed to notify Eximbank in the event of default by the borrower in payment of interest on or principal of any note and to consult with Eximbank concerning action necessary to effect collection.

At the end of each month the agent bank submits a report to Eximbank showing for the month the amounts, recipients, and dates of disbursements made on behalf of Eximbank; the borrower, amounts,

and dates with respect to any administrative charges deducted, as well as date of the first series of notes of said borrower and the final maturity date of said series; the date and amount of each withdrawal from Eximbank's account with the agent bank; and the amounts and dates of collections of principal and interest from borrowers. The report shows on a cumulative basis the status of loans, including for each loan the total amount established, the amount lapsed or canceled, the expiration date, the amount not yet disbursed, the amount disbursed, the amount repaid, and the amount of the outstanding indebtedness of the borrower. The agent bank also submits a monthly bank statement showing the balance in the account of Eximbank. The information contained in the report is checked against the ledger record.

Accounting for foreign currencies

The allocation of foreign currencies to Eximbank, by the Bureau of the Budget, for loans under section 104(e) is automatic, being the amount specified in the agricultural commodity sales agreement between the United States and the country concerned. Currencies allocated for section 104(e) loans must be committed by Eximbank within 3 years from the date of the sales agreement; otherwise they revert to the United States Government.

United States disbursing officers in foreign countries report collections of foreign currencies under title I sales agreements to the Treasury Department. The Treasury Department issues a monthly report of transactions in Public Law 480 Treasury accounts showing, by country and agreement, the cumulative totals of collections, withdrawals, and balances.

Taking into consideration the active applications for loans and the information in the monthly report of the Treasury Department, the Economics Division determines the amount that Eximbank will request the Bureau of the Budget to apportion for section 104(e) loans in the country concerned. The justification is prepared by the Economics Division, and the request for apportionment is prepared by the Accounts Division.

Upon receipt of the apportionment, the Treasurer of Eximbank requests the United States disbursing officer in the country concerned to transfer the amount apportioned from the Treasury account (20FT580) to the Eximbank account (83FT580).¹ The request for funds is cabled to the disbursing officer and confirmed by a letter. Upon the receipt of a cable in which the disbursing officer advises that the transfer has been made, the Economics Division is notified in order that the committee which is processing the loan application(s) may be informed before a loan is proposed to the Board of Directors.

Subsequently, the disbursing officer is requested to transfer a specified amount from the Eximbank account to Eximbank's agent in the foreign country, against the agent's receipt for such funds. Eximbank advises the disbursing officer that it has made arrangements with the agent bank to make disbursements and collections under Eximbank loans in the foreign country and that the funds transferred to the agent bank will be used for disbursements under the loans established.

¹ Foreign currency accounts and symbols are described on pages 306 to 308.

All loan transactions are recorded in subsidiary loan accounts ledgers, in the denominations of the individual currencies, and a separate general ledger is maintained in the Accounts Division of the Treasurer's office for the activities in each country.

In addition to the general ledger, a control record is maintained by the Accounts Division which shows for each country the amounts, denominated in the currency of the foreign country, of the allocations and apportionments received; the amounts transferred from the Treasury Department account to the Eximbank account with the United States disbursing officer in the foreign country; the amounts transferred from the Eximbank account to the Eximbank agent bank in the foreign country; the Eximbank expenses in connection with loans made; and the disbursements and collections made by the agent bank. The control record shows as to each country the amounts Eximbank has to its credit with the disbursing officer and with the agent bank, enabling the Treasurer of Eximbank to determine whether Eximbank has sufficient funds in the Eximbank account in a country to cover proposed loans in that country and whether Eximbank has sufficient funds with its agent bank to make necessary disbursements under the loans which Eximbank has established. At the end of each month the Accounts Division, Eximbank, computes the amounts shown on the control ledger in foreign currencies and reconverts the amounts into their dollar equivalent.

The transactions are recorded in the general ledgers in foreign currencies only and are posted to the control record as they occur, in foreign currency and the dollar equivalent. The control record provides information which is necessary in the preparation

of various reports required by the Treasury Department and the Bureau of the Budget. Approximately 30 reports which show Eximbank's accountability for and use of foreign currencies are prepared for these agencies during each quarter of the fiscal year.

Eximbank's internal controls

Eximbank exercises various controls over its section 104(e) loan activities. In addition to controls previously mentioned, it is Eximbank's present practice to send out letters to borrowers for confirmation of loan balances and interest due Eximbank as of specified dates. Balances on deposit with foreign financial institutions are also confirmed.

The Treasurer's office coordinates its section 104(e) loan activities with the Eximbank Cooley loan committee which processed the loan applications and with other Eximbank officials. Questions concerning the timing and use of funds, based upon Eximbank's requirements, and questions relating to foreign currency procedures are coordinated with the Technical Assistant to the Fiscal Assistant Secretary of the Treasury and the Foreign Currency Branch, Division of Central Reports, Bureau of Accounts, Treasury Department. Questions concerning Eximbank's foreign currency transactions are coordinated with the Special Assistant for Foreign Currency, Office of Finance, Bureau of Administration, Department of State.

Use of foreign currencies for administrative expenses

Section 104(e) of Public Law 480, as amended by Public Law 85-128, approved August 13, 1957 (71 Stat. 345), made no provision for Eximbank's expenses in making and administering loans under

the section. However, the Supplemental Appropriation Act, 1959, approved August 27, 1958 (72 Stat. 864), authorized Eximbank to use the equivalent of \$200,000 of the aggregate amount of foreign currencies made available to Eximbank for loans pursuant to Public Law 480, for expenses of Eximbank in foreign countries incident to such loans. Title III of the Mutual Security Appropriation Act, 1960 (73 Stat. 722), contains a similar authorization except that the Eximbank expenses for which the currencies may be used are not limited to expenses in foreign countries.

Section 104(g)--Eximbank assists ICA on loans of currencies to foreign governments

Responsibility for the use of foreign currencies under section 104(g), Public Law 480, for loans to promote multilateral trade and economic development was delegated by Executive Order 10560 of September 9, 1954, to the Foreign Operations Administration (now International Cooperation Administration (ICA)). The administration of section 104(g) by ICA is discussed on pages 210 to 219.

Loans under section 104(g) are made under the general direction of ICA. The work of Eximbank consists principally of executing loan agreements which have been negotiated by ICA and administering the credits under the terms indicated in the loan authorization from ICA to Eximbank.

Eximbank does not participate with the other interested agencies, or through ISC representation, in considering proposed sales agreements and currency uses for loans under section 104(g). ICA does not consult Eximbank prior to determining that a loan will be established.

Eximbank enters into the procedures applicable to section 104(g) loans when it receives a letter from the Director of ICA which (1) states that a determination has been made to extend a line of credit in a specified amount to a designated country, (2) allocates to Eximbank the dollar equivalent of a specified amount of the currency of the country concerned, from funds allocated and to be made available to ICA from currencies accruing under a sales agreement between the governments of the United States and the country concerned, and (3) requests Eximbank to establish a line of credit to implement the determination made and to administer the credit under the terms indicated in the loan authorization from ICA to Eximbank, which is attached to the letter.

Preparation and execution of loan agreements

The loan agreement is prepared by the Loan Administration Staff, Office of Deputy Director for Operations, ICA, and sent to Eximbank for execution. The agreement is complete with the exception of the schedule of payments which is prepared by the Treasurer's office, Eximbank. The use of promissory notes was discontinued 2 or 3 years ago.

When the letter from the Director of ICA is received at Eximbank, one of the Eximbank attorneys examines it and prepares a memorandum to the Eximbank Board of Directors in which he summarizes the letter and recommends that the Board authorize the loan in the amount determined by ICA and under the terms and conditions incorporated in a proposed resolution which he submits with his memorandum. The ICA letter is included in the Eximbank resolution which (1) sets forth the authority for the establishment of the credit

as requested, on the terms specified by the Director of ICA, (2) authorizes the establishment of the credit, and (3) authorizes the President or a Vice President of Eximbank to execute the loan agreement for the Bank. The resolution is adopted by the Board of Directors and attested to by the Secretary of Eximbank.

Eximbank establishes the line of credit by having the loan agreement executed by duly authorized representatives of the Bank and the borrowing government. The agreement is signed at the Eximbank by the Ambassador or other authorized official of the borrowing country and by the President or a Vice President of Eximbank. The loan agreement is filed in the office of the Treasurer of Eximbank, and copies are sent to ICA and to the liaison office and the International Educational Exchange Service of the Department of State.

If a question arises in connection with a provision of the proposed loan agreement or if the Ambassador or other representative of the foreign government requests any change in the proposed agreement, the Eximbank attorney makes the required change, after consultation with and approval by ICA.

Disbursements under loan agreements

As a condition precedent to the first disbursement under the loan agreement, the foreign government is required to furnish Eximbank:

- (1) Evidence of authority of the person who has executed the loan agreement and otherwise acts as the representative of the foreign government in connection with the loan.
- (2) An opinion by the Minister of Justice of the foreign government, or other legal counsel satisfactory to Eximbank, which satisfies Eximbank that the foreign government has

taken all action necessary under its constitutional laws to authorize the contracting of the loan and that the agreement constitutes the valid and binding obligation of the government in accordance with its terms.

The Eximbank attorney requests the Ambassador to furnish the required evidence of authority and the legal opinion and, at the time the loan agreement is executed, advises ICA whether these documents have been furnished. They are usually delivered to Eximbank after the loan agreement has been signed. The Eximbank attorney makes the Eximbank determination as to the adequacy of the documents.

In practice, no funds are assigned to Eximbank. ICA makes all disbursements under the loans and advises Eximbank, usually on a monthly basis, concerning disbursements made. The Treasurer's office, Eximbank, records the disbursements in the books of account and notifies the obligor, with instructions to acknowledge the receipt of the currencies.

Collections under loan agreements

The Treasurer's office, Eximbank, bills the borrower about 30 days prior to maturity, in amounts computed in accordance with the terms of the loan agreement. The billings, which are prepared by the Accounts Division and signed by the Treasurer of Eximbank, direct the borrower to make payments, either in United States dollars by bank draft to Eximbank or in dollar equivalent in the currency of the country, to the United States Embassy disbursing officer. Eximbank does not receive any foreign currency collected under the loans. The Treasury Department advises Eximbank of collections made, and the Accounts Division records the amounts in the loan records of Eximbank.

If on a payment date there is no mutual agreement on an applicable exchange rate, Eximbank will provisionally accept the payment made by the borrower. The Treasury Department makes a determination as to the rate, and if this determination is not in accord with the computation of the borrower, Eximbank must notify the borrower within 30 days from payment date that the payment is not acceptable. If there is no agreement within 60 days of such notification, Eximbank returns the local currency and demands payment in dollars.

If an executed loan agreement provides for repayment in the currency of the foreign country and thereafter the borrower desires to make repayment in goods or other form, or to modify the agreement in any manner, the amendment must be mutually acceptable to the United States and the foreign government. ICA negotiates such an amendment and issues instructions to Eximbank for executing it.

The loan agreements provide that, in case of default by the borrower in making payment of interest or principal due, Eximbank may at its option declare the entire loan due and payable. In practice, however, any decision by the Bank in connection with a default would be made in consultation with ICA, the Department of State, and the National Advisory Council on International Monetary and Financial Problems.

The Treasurer's office, Eximbank, verifies on an annual basis the amounts disbursed to and collected from the foreign countries, by confirmations sent to the Embassies of the foreign governments in Washington, D.C. The Accounts Division prepares monthly

statements and reports for ICA covering Eximbank's over-all loan operations under section 104(g).

ICA reimburses Eximbank for cost of services

The Eximbank is reimbursed on a quarterly basis by ICA for the work performed in connection with the loans. Expenses reimbursed include prorated shares of rent, supplies and materials, and cost of time expended by Eximbank personnel other than the executive officers and the members of the Board of Directors.

UNITED STATES INFORMATION AGENCY

RESPONSIBILITIES UNDER PUBLIC LAW 480

The United States Information Agency (herein referred to as USIA) has the following responsibilities in the operation and administration of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691):

1. Using foreign currencies, pursuant to section 104(f) of the act, for United States obligations abroad which the agency is authorized to pay.
2. Using foreign currencies, pursuant to section 104(i) of the act, for financing the translation, publication, and distribution of books and periodicals, including Government publications, abroad.
3. Using foreign currencies, pursuant to section 104(j) of the act, for providing assistance to community centers and libraries, abroad, founded or sponsored by citizens of the United States and serving as demonstration centers for methods and practices employed in the United States as authorized by section 203 of the United States Educational Exchange Act of 1948, as amended (22 U.S.C. 1448).
4. Using foreign currencies, pursuant to section 104(m)(A) of the act, for financing trade fair participation and related activities authorized by section 3 of the International Cultural Exchange and Trade Fair Participation Act of 1956 (22 U.S.C. 1992).

ORGANIZATIONAL COMPONENTS PERFORMING
PUBLIC LAW 480 FUNCTIONS

The Information Center Service (herein referred to as ICS) administers the Public Law 480 programs of USIA. In the development of individual country plans and projects, the Director of ICS is required to coordinate them with other USIA components, including the area offices and appropriate field officers, and to obtain concurrence as to each plan or project. Organizational charts of the United States Information Agency and the Information Center Service are included in appendix C, pages 491 and 492.

The Publications Division and the Cultural Operations Division are the organizational components of ICS with principal advisory, review, and operating responsibilities in connection with the USIA programs under sections 104(i) and 104(j). After consultation with the chiefs of these divisions, the Director of ICS determines the countries in which there should be Public Law 480 programs. He is authorized to state the agency's position on these programs, except when policy decisions are involved, and to make final decisions in the execution of the programs.

A staff officer of ICS is the USIA representative on the Interagency Staff Committee on Agricultural Surplus Disposal (ISC).

The Public Affairs Officer at each USIS foreign mission post¹ develops, in accordance with USIA policies, the projects to be executed under Public Law 480; determines the appropriate size, composition, and cost of each project; and submits detailed program proposals and cost estimates to the ICS for approval. He administers approved projects and reports to ICS on their progress and completion.

The USIA has appointed an advisory committee, composed of representatives of the publishing industry active in the foreign market, to (1) advise on the administration of the textbook program, (2) serve as liaison with the United States publishing industry, and (3) assist USIA in obtaining professional and technical skill to promote the success of the program.

¹The USIA missions operating in foreign countries are designated as USIS (United States Information Service) missions. The Public Affairs Officer is the head of the mission.

The Office of Policy and Plans, the Office of General Counsel, the Office of Administration, and the Area Offices review individual country plans and projects at various stages of their development and furnish concurrences to ICS.

The Budget Division of USIA prepares justifications for allocation and apportionment, based on material supplied by ICS and Public Affairs Officers, and participates with ICS representatives at the hearings held by the Bureau of the Budget on the requests. It receives the apportionment approvals from the Bureau and makes allotments to the Director of ICS or the Public Affairs Officers, as appropriate, to carry out approved section 104(i) programs, and makes allotments to the Director, ICS, for approved section 104(j) programs.

The budget staff of ICS prepares, for internal use by the organizational components of USIA, monthly reports on obligations, by countries, which also show the allocations and apportionments received and the allotments made.

The Finance Division, Office of Administration, clears the ICS requests that the United States disbursing officers in the countries concerned transfer apportioned funds which have been allotted to ICS, from the Treasury Department Public Law 480 account to the USIA account. A copy of each request is furnished to the Treasury Department for information. The Finance Division prepares monthly reports to the Treasury Department and the Bureau of the Budget on the status of obligations and expenditures. It also prepares the over-all fiscal reports relating to USIA Public Law 480 programs.

An internal audit group in the Finance Division audits Agency transactions under Public Law 480 during its regular audits. Copies of its reports of audit are furnished to appropriate officials of USIA, and copies are available to the General Accounting Office.

ACTIVITIES OF USIA UNDER PUBLIC LAW 480

The USIA assists in the interagency coordination of Public Law 480 programs and uses foreign currencies pursuant to authority delegated under section 104 of the act. These activities are discussed in greater detail below.

Interagency coordination

The USIA representative on the Interagency Staff Committee on Agricultural Surplus Disposal attends ISC meetings in which proposed sales agreements with foreign countries are being considered; outlines the Agency's tentative programs which have been prepared by its Public Affairs Officers in overseas areas, reviewed and concurred in by the appropriate organizational components of USIA, and approved by the Director, ICS; and requests ISC approval for use of currencies to be generated under the agreements to carry out approved USIA programs. The USIA representative is usually empowered to state the Agency's position on proposed Public Law 480 programs before the ISC. When in doubt as to his authority, he submits the question to the Director, ICS, for decision.

Use of foreign currencies

Under Executive Order 10560 of September 9, 1954, as amended, USIA shares with other Government agencies the responsibility for foreign currency uses pursuant to section 104(f) of Public Law 480. Provisions in the USIA appropriations for fiscal years 1959 and

1960 require the agency to purchase minimums of \$9 million and \$14 million, respectively, in United States-owned foreign currencies. USIA purchases these foreign currencies from the Treasury Department with appropriated dollars and uses them to pay expenses incurred in overseas areas.

Public Law 480 funds are used by USIA on a nonreimbursable basis under section 104(i) and (j) to finance programs and activities not financed out of appropriated funds and to execute programs it is unable to undertake under its regular appropriations. The present USIA programs consist of two types of activity as follows:

- (1) Furnishing assistance, under section 104(i), to countries in the translation, publication, and distribution of free world and United States oriented textbooks in local languages, for sale at prices which students and ministers of education can afford to pay, and
- (2) Furnishing assistance, under section 104(j), to binational organizations for capital improvements, consisting of the acquisition or construction of community center buildings and facilities or the prepayment of long-term leases, to be used to further friendship, understanding, and good will between the United States and the countries concerned.

Section 104(i)--textbook programs

Public Law 726, approved July 18, 1956 (70 Stat. 555), amended Public Law 480 to provide under section 104(i) for the use of foreign currencies generated under commodity sales agreements for financing the translation, publication, and distribution of books and periodicals, including Government publications, abroad. Not more than \$5 million may be allocated for this purpose during any fiscal year.

By Executive Order 10560 of September 9, 1954, as amended, the President delegated the administration of section 104(i) of the act to the United States Information Agency.

The scope of the textbook programs, the dollar equivalent (based on agreement rates) of the foreign currencies obligated during the last half of fiscal year 1959, and the kinds of publications being translated, published, and distributed are shown in the table below.

<u>Country</u>	<u>Amount obligated</u>	<u>Programs</u>
Austria	\$ 17,116	University-level government, law, engineering, and business administration. ¹ Nuclear physics, chemistry, and sociology. ²
Colombia	50,000	University-level economics, political science, and English teaching. ²
Finland	249,980	Paper purchased for textbook programs in paper-short countries in Asia.
France	50,000	United States classics and reference books. ¹ To be sold through a new American-type book store and book club.
Greece	100,000	College-level English teaching, geography, history, and science. ¹ A Greek-English dictionary of technical terms. ³
Iran	140,000	University-level civics, world history, government geography, literature, and science. ¹
Italy	150,000	Printing and bindery equipment for United States textbook programs in Asia.
	100,000	United States and related classics of democracy. ¹
Pakistan	200,000	One-volume encyclopedias in Urdu and Bengali for secondary schools and universities in both West and East Pakistan. ¹
Peru	50,000	University-level economics, government, education. ²
Turkey	100,000	University-level business administration, history, and American classics; elementary school subjects. ¹
Total	<u>\$1,207,096</u>	

¹Textbooks being selected for translation.

²Textbooks being translated for publication.

³Textbooks being published.

In addition, two of the countries listed above were recipients prior to January 1, 1959; Austria, \$17,951 equivalent and Finland \$550,000 equivalent.

Planning and approval of projects--Following instructions given by ICS, the USIA missions in the foreign countries perform the original planning of proposed programs under section 104(1). The Public Affairs Officer (hereafter referred to as PAO) in the country concerned makes a preliminary survey to determine the feasibility of projects under this section and, if found to be feasible, determines the optimum level and size of the proposed projects and the order of priority. His report to ICS includes a brief description of each project and an estimate of the amount of Public Law 480 currency required for each. This information is reviewed by the Publications Division of ICS and other appropriate USIA components and, following their concurrence, the proposed program is tentatively approved by the Director of ICS.

When it is considering a proposed sales agreement with a foreign country, the Interagency Staff Committee on Agricultural Surplus Disposal (ISC) considers the proposed USIA projects in that country. If the ISC approves the project(s), an amount is designated for USIA uses under section 104(1). The amount may be included in an over-all figure designated for uses by several Government agencies.

The ICS notifies the PAO in the country concerned when a new sales agreement has been signed, or an existing sales agreement amended, which authorizes the use of foreign currencies under section 104(1). The PAO then submits to ICS a brief narrative summary of the proposed project and a detailed plan which includes the following information: (1) the fields of study to be included in the translation project and the levels (primary, secondary, or

college) of the textbooks, (2) the approximate number of titles, the estimated number of copies per title to be published, and the estimated cost of the project, (3) arrangements for participation by the Ministry of Education (or local educational institution) and local publisher or publishers, including the estimated cost elements to be covered by investments by local participants, (4) an indication of the adequacy of dollar or free currency support to be subscribed locally to cover payment of rights and royalties and the net amount of Public Law 480 currency required, (5) statement of reasonable assurance that books published will be used as classroom texts or required supplementary reading, and (6) tentative time schedule for using the Public Law 480 currency, indicating the fiscal year or years in which obligations are expected to be incurred and, if spread over more than 1 fiscal year, the amount to be obligated in each year. After the project plans are reviewed and concurred in by appropriate USIA components, final approval is given by the Director, ICS.

Allocation and apportionment of foreign currencies--ICS initiates requests for allocations of foreign currencies under Public Law 480 for USIA programs which have been approved by the Director of ICS. The Budget Division of USIA submits these requests to the Bureau of the Budget, usually on a semiannual basis. Hearings by the Bureau are attended by representatives of ICS and the Budget Division, who furnish information to justify the allocations. The Bureau reviews the proposed projects and notifies the agency of its approval, disapproval, or deferment of the requested allocations, furnishing the reasons for disapproval or deferment. The

Budget Division forwards the notice to ICS, which then advises the field missions concerned. If the allocation has been approved, the PAO prepares the necessary plans and details for executing the program.

When the ICS is prepared to proceed with the approved programs, it advises the Budget Division which reviews and analyzes the apportionment request; prepares additional justification, if required; and requests apportionment of the funds.

The Bureau of the Budget may apportion funds for section 104(1) projects at the time it approves the allocation; otherwise it usually holds a hearing on the apportionment request. When an apportionment is approved, the Bureau sends the apportionment document to the USIA Budget Division. The Budget Division notifies ICS, which then advises the PAO that apportionment has been received. The ICS, with the clearance of the Finance Division, requests the United States disbursing officer at the foreign post concerned to transfer the apportioned funds, which have been allotted to ICS, from the Treasury Public Law 480 account to the USIA account. A copy of this request is furnished to the Treasury Department for information. The Public Affairs Officers arrange for the transfer of funds allotted to them.

Allotment of currencies--In the majority of cases ICS advises the Budget Division of USIA when the PAO's are ready to execute the programs and requests that funds be allotted. An allotment, made to a PAO in units of the local currency without reference to the dollar equivalent, is for a single fiscal year and may represent all or a part of the amount allocated for the project,

depending upon the time schedule proposed by the mission. When the advice of allotment form is received by the mission, the PAO is authorized to incur obligations and approve vouchers for payment by the post disbursing officer. Present agency practice permits the Director, ICS, to initiate contracts or grants for section 104(1) projects administered by the Washington office. If this is done, the Budget Division allots the funds to the Director of ICS. If the allotments have been made to the Director of ICS, the disbursing officer reports to the ICS as disbursements are made; otherwise, the USIA mission reports to the Finance Division. The textbook program is administratively controlled by ICS, and questions which arise are cleared by the PAO's with the Publications Division, ICS.

PAO establishes procedures for the selection of textbook titles and supervises the translation--The PAO establishes the procedures and the mechanism for the selection of textbook titles to be included in the program and obtains ICS approval of any textbook titles selected which are not on approved lists. He takes steps necessary to assure ICS that the books will be used as classroom texts or as required supplementary reading. He selects, or approves the selection of, the participating publisher(s) and determines the adequacy of the publisher's investment in the project. He makes sure that the participating publisher (or, optionally, the Ministry of Education or the appropriate educational institution) obtains translation rights from the American copyright holder and makes such royalty payments as may be stipulated in the rights agreement. The PAO supervises the translation and

adaptation of the texts and gives final approval for the translations before authorizing publication. If necessary, he obtains approval of the translations from the Ministry of Education or from the educational institution concerned.

PAO submits progress and completion reports to ICS--The PAO submits progress reports to ICS every 4 months showing, by title and language, the following: (1) the date and form of action begun, (2) the status of the project as of reporting date and the estimated completion date, (3) the obligations incurred to reporting date and the estimated total cost to USIA, stated in Public Law 480 local currencies, (4) the estimated investment by the participating publisher, showing the items of publishing cost which this investment covers, (5) the number of copies to be produced and the estimated selling price to students or to the Ministry of Education, stated in terms of Public Law 480 local currency. Immediately following publication of each book, the PAO forwards 4 copies to the Book Translations Branch, ICS, together with a project sheet. The project sheet shows the name of the post, the author and title of the book (in English), the language, the date of publication of the translated version, the name of the local publisher, the number of copies printed, the cost incurred by the post (for the edition and per copy) in Public Law 480 funds, the investment by the participating publisher or educational institution, and the retail price to students, educational institutions, or the Ministry of Education. Similar information is furnished on reprints of the book, but the PAO does not send copies of the reprints to ICS unless the text, an illustration, or the format has been changed.

Section 104(j)--programs to assist binational organizations

Public Law 962, approved August 3, 1956 (70 Stat. 988), amended Public Law 480 to provide under section 104(j) for the use of foreign currencies generated under commodity sales agreements for providing assistance to activities and projects authorized by section 203 of the United States Information and Educational Exchange Act of 1948, as amended (22 U.S.C, 1448). The amendment provides that foreign currencies which are available under the terms of any agreement for appropriation for the general use of the United States cannot be used for the purposes of this subsection (j) without appropriation therefor.

By Executive Order 10560 of September 9, 1954, as amended, the President delegated the administration of section 104(j) of the act to the Department of State and the United States Information Agency, authorizing the use of foreign currencies made available under the act to carry out the purposes of section 104(j), in accordance with the division of responsibilities for the administration of section 203 of the United States Information and Educational Exchange Act of 1948, provided by Reorganization Plan No. 8 of 1953 (22 U.S.C. 1461) and Executive Order 10477 of August 1, 1953, and by subsequent agreement between the Department of State and the United States Information Agency.

Programs for the expansion and improvement of American-sponsored schools overseas are conducted by the Department of State, and programs for the expansion and improvement of facilities of binational cultural organizations abroad are carried out by the United States Information Agency.

USIA makes grants under section 104(j) for binational centers in foreign countries to encourage cultural exchanges and to promote better understanding between the United States and the foreign countries involved. Although the teaching of English is stressed, the centers also promote activities such as concerts and lectures and maintain libraries which include American books. Prominent nationals, as well as American residents of the communities, serve on the centers' boards of directors.

The organizations supported are community centers and libraries serving as demonstration centers for methods and practices employed in the United States and which are: (1) founded or sponsored by citizens of the United States, (2) nonprofit, nonpolitical, and nonsectarian, (3) actively engaged in promoting a better understanding of the United States by conducting educational and information activities, and (4) approved and recognized by the host government and the United States mission.

Foreign currencies made available under section 104(j) are being used by USIA for grants for the construction, purchase, or improvement of buildings; the acquisition and installation of fixtures and equipment; and the prepayment of long-term leases of 3 years or more, as shown in the table below.

<u>Country</u>	<u>Programs</u>	<u>Grants through June 30, 1959</u> (dollar equivalent) ¹
Austria	Long-term lease for Innsbruck; structural alterations for Bregenz; repairs and improvements for Vienna	\$ 31,171
Brazil	Purchase, construction, alterations, and long-term lease of buildings, and purchase of equipment for binational centers in Rio de Janeiro, Sao Paulo, and 11 provincial cities	162,090
Colombia	Purchase of site and assistance in construction of building for Bogota	280,000
Ecuador	Acquisition of a site and construction of building for Quito	50,000
Iran	Construction and equipment of building, Teheran	250,000
Italy	Purchase of space and equipment for Naples	155,000
Mexico	Construction of an auditorium and classrooms for Mexico City; purchase of building for Guadalajara; construction of building for Monterrey	400,000
Peru	Construction of new building for Lima	135,000
Spain	Construction of building for Barcelona; long-term lease for Valencia	240,193
Turkey	Purchase of land and construction of building for Ankara	<u>900,000</u>
Total		<u>\$2,603,454</u>

¹Dollar equivalents are based on agreement rates.

Planning and approval of projects--The original planning of a proposed program in a foreign country under section 104(j) is performed by the USIA field mission under instructions given by the

ICS. The PAO's report to the Director of ICS on the feasibility, level, size, and order of priority of proposed projects is reviewed by the Cultural Operations Division and other appropriate USIA organizational components before the proposed program is tentatively approved by the Director, ICS.

When a proposed sales agreement with a foreign country is being discussed in the ISC, the USIA representative presents the Agency's proposed program to the committee and requests that the use of currencies to be generated under the sales agreement be authorized for carrying out the proposed program. Until recently, the amount approved by ISC for USIA uses under section 104(j) was specified as a definite amount in the sales agreement. At the present time, the amount may be included in an over-all figure designated for uses by several agencies.

When the PAO receives notification from ICS that a new sales agreement has been signed, or that an existing sales agreement has been amended to authorize use of foreign currency under section 104(j), he submits a brief narrative summary and a detailed description of each proposed project which includes the following information: (1) the name and a comprehensive description of the binational organization to be assisted, including its history, organization, and programs, and a detailed description of the assistance to be given, (2) a description of the improvements that will result, i.e., the type of structure and the number, capacity, and purpose of rooms which will become available, (3) an itemized estimate of the total cost of capital improvements, stated in dollars and local currency or in terms of dollars with an indication

of the rate of exchange used to arrive at the dollar figures, (4) the amount of money expected to be raised locally, including estimated value of donated land or buildings, and the net amount of Public Law 480 currency required, (5) the expected future savings in operating costs or increases and improvements in services to be rendered, and (6) the tentative time schedule.

Allocation and apportionment of foreign currencies--In accordance with the detailed recommendations submitted by the PAO's and approved by ICS, the Budget Division submits semiannual requests to the Bureau of the Budget for allocation of Public Law 480 currencies. After hearings, the Bureau appraises the projects and notifies the Budget Division, USIA, of the allocations approved and the requests which have been rejected or deferred, furnishing the reasons therefor. ICS notifies the PAO at the post concerned.

When ICS is prepared to proceed with approved programs, the Budget Division submits an apportionment schedule to the Bureau of the Budget and requests apportionment of the funds. The ICS notifies the PAO's concerned of the apportionment made by the Bureau and, with the approval of the Finance Division, Office of Administration, requests the United States disbursing officers in the countries concerned to transfer apportioned and allotted funds from the Treasury Public Law 480 account to the USIA accounts at the mission posts. The Budget Division of USIA allots funds apportioned under section 104(j) to the Director of ICS who makes the grants to approved binational organizations.

PAO negotiates the grant agreement and supervises the project--When a grant program has been approved and the foreign

currencies have been allocated, apportioned, and allotted, the PAO at the USIS post in the country concerned negotiates the grant agreement with the binational organization.

The Director of USIA has furnished all USIS posts a statement of policies and procedures which govern the negotiation and administration of grants under section 104(j) of Public Law 480. A sample agreement, forwarded with the statement, illustrates the form and general content of the grant documents to be developed by the PAO's who are responsible for assuring that the terms of the negotiated agreements are consistent with the stated USIA policy on Public Law 480 funds, that they conform with regulations, and that they protect the interests of the United States. Generally speaking, the terms are to assure that a grant of an agreed amount of funds will result in the accomplishment of the purpose for which the grant is being made and that the cost is reasonable.

The PAO discusses problems with the United States Ambassador and seeks his advice. To the extent practicable, he must obtain the advice of the regional foreign buildings officer at the United States Embassy.

The grant agreement is signed by the PAO and the appropriate official of the binational organization (usually the Chairman of the Board of Directors) and forwarded to the Director, ICS, for approval. After consulting with appropriate USIA officials, including the Assistant Director for the area involved and the General Counsel, to make sure that the terms of the agreement carry out the purposes intended and adequately protect the interests of the United States, the Director of ICS approves the agreement and advises the PAO.

By message to the post, prepared by ICS, the Director, USIA, issues instructions as to the disbursements to be made under the grant agreement and the accounts to be charged. The PAO is authorized to approve vouchers for payment by the post disbursing officer. The PAO provides continuing supervision over each project during its execution to assure compliance with the terms of the agreement.

Section 104(m)(A)--financing participation
in trade fairs and related activities

Public Law 85-931 of September 6, 1958 (72 Stat. 1790), amended Public Law 480 to provide for uses of foreign currencies under section 104(m) for financing in such amounts as may be specified from time to time in appropriations acts (A) trade fair participation and related activities authorized by section 3 of the International Cultural Exchange and Trade Fair Participation Act of 1956 (22 U.S.C. 1992) and (B) agricultural and horticultural fair participation and related activities.

Executive Order 10827 of June 25, 1959, provided that the purposes of section 104(m)(A) of the act shall be carried out by the United States Information Agency and those under section 104(m)(B) of the act by the Department of Agriculture.

USIA officials advised that this delegation is an authorization for USIA to ask for appropriations and to provide for uses of foreign currencies under section 104(m)(A) of Public Law 480 for financing trade fair participation and related activities and that at the present time USIA does not have a program pursuant to this delegation of authority.

OFFICE OF CIVIL AND DEFENSE MOBILIZATION

RESPONSIBILITIES UNDER PUBLIC LAW 480

The principal activities relating to Public Law 480 for which the Office of Civil and Defense Mobilization (OCDM) and the Director of OCDM are responsible are as follows:

1. Assisting in the review and coordination of Public Law 480 programs. (A representative of OCDM is a member of the Interagency Staff Committee on Agricultural Surplus Disposal (ISC), described on page 50.)
2. Determining from time to time the materials to be acquired with foreign currencies under section 104(b) of the act for a supplemental United States stockpile.
3. Using foreign currencies, pursuant to section 104(b) of the act, to purchase or contract to purchase strategic or other materials for a supplemental United States stockpile.
4. Advising on the barter acquisition of strategic and other materials for the supplemental stockpile (OCDM designates a representative to serve on the Supplemental Stockpile Advisory Committee on Barter, an interdepartmental committee which advises the Department of Agriculture).

ORGANIZATIONAL COMPONENTS PERFORMING PUBLIC LAW 480 FUNCTIONS

The regular organization of OCDM performs or supervises the work for which OCDM is responsible under Public Law 480. An organizational chart is included in appendix C, page 493.

The Assistant Director for Resources and Production is responsible for OCDM functions under Public Law 480. Production and Materials, under the supervision of a deputy assistant director, is the organizational component which performs most of the work involved in coordinating activities under the act. The General Services Administration (GSA) accepts materials for the supplemental stockpile and stores and maintains them.

OCDM ACTIVITIES UNDER PUBLIC LAW 480

The principal activities of OCDM under the act are outlined in greater detail below. They relate principally to the review of programs for the sale of agricultural commodities for foreign currencies and the acquisition of strategic or other materials for the supplemental stockpile established by section 104(b) of Public Law 480.

Review of programs

Information on each title I sales program, together with the ISC agenda, is furnished by the Foreign Agricultural Service, Department of Agriculture, to OCDM in advance of the ISC meeting. The OCDM representative on the ISC reviews each program and determines the position that OCDM will take at the meeting, except that any proposed program that is inconsistent with established general policy of OCDM is referred to the Deputy Assistant Director, Production and Materials, for final decision on the position to be taken by OCDM.

When a proposed sales agreement is being considered, OCDM does not ask for foreign currency for use under section 104(b) unless it appears that (a) the country involved in the sales program may have strategic or other materials which are desired for stockpiling or (b) there will be a surplus of foreign currency after the requests of other Government agencies have been taken care of.

Section 104(b)--purchase of strategic and critical materials

The President was authorized under section 104(b) of Public Law 480 to use foreign currencies which accrue under title I of

the act to purchase or contract to purchase strategic and critical materials, within the applicable terms of the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98), for a supplemental United States stockpile of such materials as the President might determine from time to time under contracts, including advance-payment contracts, for supply extending over periods up to 10 years. Materials acquired under this section could be in addition to the amounts acquired under authority of the Strategic and Critical Materials Stock Piling Act, but they may be released from the supplemental stockpile only under the provisions of section 3 of that act.

Prior to September 21, 1959, the materials that could be purchased with foreign currencies under section 104(b) were limited by the act to strategic and critical materials for a supplemental stockpile. Public Law 86-341, approved September 21, 1959 (73 Stat. 606), amended this section to authorize the purchase of strategic and other materials for a supplemental stockpile and to limit foreign currencies used for this purpose to the amounts specified from time to time in appropriation acts.

By Executive Order 10560 of September 9, 1954, the responsibility for the use of foreign currencies under section 104(b) was delegated to the Office of Defense Mobilization and the function of determining materials to be purchased or contracted for was delegated to the Director of the Office of Defense Mobilization.

In Defense Mobilization Order-V-4 of November 17, 1954, the authority under Executive Order 10560 relative to the use of foreign currencies for purchasing or contracting for the purchase of

materials for a supplemental stockpile was redelegated to the Administrator of General Services, such authority to be exercised in accordance with the programs certified by the Office of Defense Mobilization.

The President's Reorganization Plan No. 1 of 1958 consolidated the Office of Defense Mobilization (ODM) and the Federal Civil Defense Administration to form the Office of Defense and Civilian Mobilization and transferred to the President the functions vested by law in these agencies.

Executive Order 10773 of July 1, 1958, delegated to the Director of the Office of Defense and Civilian Mobilization, with power of redelegation by him, all functions transferred to the President by the provisions of Reorganization Plan No. 1 of 1958. The act of August 26, 1958 (72 Stat. 861), changed the title of the office to the Office of Civil and Defense Mobilization, and Executive Order 10782 of September 6, 1958, amended Executive Order 10773 to show this change.

No materials have been acquired under section 104(b)

We were advised by officials of OCDM that in a few instances ODM requested allocation of foreign currencies for use under section 104(b) and currencies were allocated by the Bureau of the Budget but that no formal requests for apportionment were made and no materials were purchased or contracted for under section 104(b). We were advised also that OCDM has not requested any foreign currency under this section. The officials said that acquisitions of materials by barter under section 303 of the act for the supplemental stockpile afford simultaneous disposal of surplus agricultural commodities under Public Law 480 and that it is logical to

assume that countries supplying such materials to the United States Government would prefer to barter or exchange them for agricultural commodities than to accept payment in their local currencies.

Determining materials to be stockpiled

Under the Strategic and Critical Materials Stock Piling Act, OCDM is authorized and directed to determine, from time to time, which materials are strategic and critical and to determine the quality and quantities of such materials which shall be stockpiled under the act. The function of determining materials to be purchased or contracted for under section 104(b) of Public Law 480 for a supplemental stockpile was delegated by Executive Order 10560 of September 9, 1954, to the Director of the Office of Defense Mobilization.

The Director, ODM, prepared two tables each year for fiscal years 1955-1958 showing the materials needed for the stockpiles and included the tables in procurement directives issued to the Administrator of General Services, usually at the beginning of the year. Table I showed kinds and quantities of strategic and critical materials to be purchased by GSA for the national stockpile, and table II showed materials for the supplemental stockpile. GSA was directed to purchase the materials set forth in table I and to approve commitments for barter toward strategic and critical materials stockpile objectives and for procurement toward a supplemental stockpile as shown in table II.

Materials listed in table II could not be placed in the national stockpile unless specifically authorized by ODM. If any materials had been purchased with foreign currencies for the

supplemental stockpile under section 104(b) of Public Law 480, they would have been those listed in table II.

The OCDM directive to GSA for fiscal year 1959 did not include table II. OCDM officials advised us that a supplemental stockpile list was not issued for fiscal year 1959 or fiscal year 1960. They explained that OCDM's position is that such a list is not now necessary because materials which may be acquired for the supplemental stockpile, through barter or exchange under section 303 of Public Law 480, as amended September 6, 1958, are approved by the President upon the recommendation of the Secretary of Agriculture, and OCDM's representative on the Supplemental Stockpile Advisory Committee on Barter can propose to that committee strategic and critical materials, which OCDM considers appropriate for supplemental stockpiling, for inclusion in the list of materials recommended to the President for approval.

GSA stores supplemental stockpile materials

Under the Strategic and Critical Materials Stock Piling Act, OCDM directs the Administrator of General Services to purchase strategic and critical materials and to provide for the storage, security, and maintenance of strategic and critical materials for stockpiling purposes.

In further defining the relationships among the agencies designated in Executive Order 10560, under Public Law 480, the President said:

"It is contemplated that the Office of Defense Mobilization shall utilize the facilities and services of the General Services Administration for the purchase and handling of materials under section 104(b) of the act."

An official of OCDM advised us that OCDM concurs in the opinion by the General Counsel of GSA, dated February 8, 1957, appendix R, page 613, that under ODM Order-V-4, GSA has authority to accept the transfer of materials to the supplemental stockpile and to store and maintain them.

GENERAL SERVICES ADMINISTRATION

RESPONSIBILITIES UNDER PUBLIC LAW 480

The General Services Administration (GSA) responsibilities and activities relating to the operation and administration of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691) include:

1. Procuring materials for the national stockpile, through barter by the Commodity Credit Corporation (CCC), as authorized or directed by the Office of Civil and Defense Mobilization (OCDM).
2. Performing administrative and technical services for the Commodity Credit Corporation in the procurement of materials by barter and transporting, storing, and maintaining such materials.
3. Furnishing technical information to CCC and other Government agencies on proposed barter transactions.
4. Purchasing strategic and other materials with foreign currencies.
5. Accepting the transfer of materials to the national stockpile and the supplemental stockpile.
6. Storing and maintaining strategic and other materials transferred to the supplemental stockpile.

ORGANIZATIONAL COMPONENTS PERFORMING PUBLIC LAW 480 FUNCTIONS

The regular organization of GSA performs the work for which GSA is responsible, through delegation of authority or administrative arrangement, under Public Law 480. An organizational chart is included in appendix C, page 494.

Organizational components of GSA with principal advisory, review, and operating responsibilities in connection with Public Law 480 programs are the Defense Materials Service, the Transportation and Public Utilities Service, the regional offices, the Office of the General Counsel, and the Office of the Comptroller.

GSA ACTIVITIES UNDER PUBLIC LAW 480

GSA activities under Public Law 480 consist principally of acquisition, storage, and maintenance of strategic and other materials transferred to the supplemental stockpile; service on an advisory committee on barter established by the Secretary of Agriculture; and assistance furnished by GSA to CCC in the acquisition (by barter), transportation, storage, and maintenance of strategic and other materials. GSA activities are described in greater detail below.

Service on committee on barter

The Assistant Director, Project Administration Division, Defense Materials Service, is the representative of GSA on an inter-agency committee on barter, known as the Supplemental Stockpile Advisory Committee on Barter. The committee advises the Department of Agriculture on the barter acquisition of strategic and other materials for the supplemental United States stockpile. The composition and duties of the committee are discussed on pages 153 to 155.

Acquisition, storage, and maintenance of materials for the stockpiles

Under the Strategic and Critical Materials Stock Piling Act (50 U.S.C. 98), OCDM directs the Administrator of General Services to purchase strategic and critical materials and to provide for the storage, security, and maintenance of strategic and critical materials for stockpiling purposes.

By Executive Order 10560 of September 9, 1954, the responsibility for the use of foreign currencies under section 104(b) of Public Law 480 for the purchase of materials for a supplemental

United States stockpile was delegated to the Office of Defense Mobilization. By Defense Mobilization Order-V-4 of November 17, 1954, this authority was redelegated to the Administrator of General Services, such authority to be exercised in accordance with the programs certified by the Office of Defense Mobilization.

The Director, ODM (now OCDM), prepared two tables each year for fiscal years 1955 through 1958, showing the materials needed for the stockpiles, and included them in procurement directives issued to the Administrator of General Services. Table I showed kinds and quantities of strategic and critical materials to be purchased by GSA for the national stockpile, and table II showed materials for the supplemental stockpile. GSA was directed to purchase the materials listed in table I and to approve commitments for barter toward strategic and critical materials stockpile objectives and for procurement toward a supplemental stockpile as shown in table II. Materials listed in table II could not be placed in the national stockpile unless specifically authorized by ODM.

The directives to GSA for fiscal years 1959 and 1960 did not include table II. OCDM officials advised that a supplemental stockpile list was not issued by OCDM for fiscal years 1959 and 1960.

Prior to fiscal year 1959, GSA activities under the barter program were principally in connection with the following categories of procurement:

1. Materials for national stockpile objectives approved by ODM for procurement by barter for which funds for reimbursement to CCC were immediately available.

2. Materials approved by ODM for procurement by barter for the national stockpile and for which funds for reimbursement to CCC were to be requested in the next budget cycle.
3. Materials acquired by CCC for its own account.

Materials in category 2 were acquired by CCC upon the receipt of offers which were in line with fair market value, as recommended by GSA, and national stockpile objectives. GSA provided for the handling and storing of such materials for the account of CCC, and the materials were carried by CCC as assets of the corporation. To the extent that funds became available to reimburse CCC, the materials were transferred to the national stockpile.

Prior to bartering for materials in category 3, for its own account, CCC consulted GSA regarding fair market values and other market factors involved in evaluating offers. Materials acquired were handled and stored by GSA for the account of CCC until disposed of by CCC. Materials not otherwise disposed of by CCC were transferred to the supplemental stockpile.

Since the amendment of the barter provisions of Public Law 480 by Public Law 85-931, approved September 6, 1958 (72 Stat. 1790), OCDM has not directed GSA to procure materials for the national stockpile through barter unless funds for reimbursement to CCC were immediately available and has not directed it to approve commitments for procurement toward a supplemental stockpile.

Under the amendment, the President determines what materials may be acquired through barter transactions under section 303 of Public Law 480.

GSA performs custodial functions for the supplemental stockpile and accepts transfers of materials by CCC made in accordance

with section 206 of the Agricultural Act of 1956 (70 Stat. 200). It has not procured directly any materials for the supplemental stockpile.

Assistance to CCC in the barter program

GSA performs services for CCC in the acquisition of strategic and other materials under the CCC barter program. The scope and types of services are provided for in an agreement with CCC, dated August 18, 1955, a copy of which is attached as appendix S, pages 615 to 620. In general, this agreement requires GSA to furnish technical advice preliminary to or at the time of negotiations by CCC for the barter of surplus agricultural commodities for strategic and other materials and to perform or arrange for inspection, inland transportation, storage, and related services for materials acquired by CCC under barter contracts. Services performed under the contract include:

1. Furnishing technical advice and assistance, as requested by CCC, in the technical review of barter offers and suggesting to CCC the range of prices for, and terms and conditions governing delivery of, materials to be acquired.
2. Taking custody of materials at the points of delivery, arranging for inspection and acceptance or rejection, transporting to storage locations provided by GSA, maintaining inventory records, managing inventories, and storing the materials until CCC disposes of them.
3. Ascertaining the level of ocean transportation and related costs, advising on the availability of space on privately owned United States flag ships for specified deliveries under barter contracts, and recommending waiver of the Cargo Preference Act when necessary.
4. Determining and settling claims for carrier liability on shipments to GSA warehouses.

The Project Administration Division, Office of the Assistant Commissioner for Operations, Defense Materials Service, performs

or arranges for the technical and administrative services under the GSA/CCC agreement, working with the Storage Division and the Inspection Division of the Defense Materials Service and the Transportation Operations Division of the Transportation and Public Utilities Service.

The Office of the Comptroller settles claims for carrier liability; reimburses CCC for materials transferred to the national stockpile; and reports to CCC periodically on the quantities of materials acquired by barter and carried in GSA inventories, the status of claims for carrier liability, and the expenditures made on behalf of CCC under the GSA/CCC service agreement.

DEPARTMENT OF DEFENSE

RESPONSIBILITIES UNDER PUBLIC LAW 480

The Department of Defense (DOD) has the following responsibilities in the operation and administration of the Agricultural Trade Development and Assistance Act of 1954 (7 U.S.C. 1691):

1. Using foreign currencies, pursuant to section 104(c) of the act, to procure military equipment, materials, facilities, and services for the common defense.
2. Using foreign currencies, pursuant to section 104(f) of the act, for United States obligations abroad which the DOD is authorized to pay.
3. Using foreign currencies, pursuant to section 104(k) of the act, for certain scientific activities, but provided that no foreign currencies shall be used for these purposes unless specific appropriations are made therefor.

In addition, a representative of the DOD is a member of the Interagency Staff Committee on Agricultural Surplus Disposal (ISC) which was established by the Secretary of Agriculture pursuant to the President's request for interagency coordination of day-to-day operations under the act. The composition, responsibilities, and procedures of this committee are discussed on pages 50 to 53.

ORGANIZATIONAL COMPONENTS PERFORMING PUBLIC LAW 480 FUNCTIONS

The activities of the DOD with respect to Public Law 480 are administered through the regular organization of that Department, including the three military departments--Departments of the Army, Navy, and Air Force. The offices of the following officials are the organizational components of DOD with principal advisory and review responsibilities in connection with the DOD programs under section 104(c), (f), and (k).

Assistant Secretary of Defense (International Security Affairs)	Programs under section 104(c)
Assistant Secretary of Defense (Properties and Installations)	" " " 104(f)
Director of Defense Research and Engineering	" " " 104(k)
Assistant Secretary of Defense (Comptroller)	Fiscal functions

The three military departments--Army, Navy, and Air Force--generally have the operating responsibilities with reference to the programs carried out under the foregoing sections of the act and under the administering officers of DOD.

ACTIVITIES OF DOD UNDER PUBLIC LAW 480

The DOD assists in the interagency coordination of Public Law 480 programs and uses foreign currencies pursuant to authority delegated under section 104 of the act. These activities are described as follows:

Interagency coordination

The DOD representative of the Interagency Staff Committee on Agricultural Surplus Disposal attends ISC meetings in which proposed sales agreements with foreign countries are being considered; outlines the DOD tentative programs which have been prepared by various components within the DOD, including the military departments; and requests ISC approval for use of currencies to be generated under the agreements to carry out the DOD programs.

Dissemination of information by the ISC representative

In addition to presenting DOD positions and defending them if necessary at regular meetings of the ISC, the DOD representative also furnishes to various elements of the Office of the Secretary of Defense, the military departments, and overseas agencies, pertinent information concerning the status of Public Law 480 agreements. Examples of these offices are listed as follows:

Office of Assistant Secretary of Defense (Comptroller)

Office of Assistant Secretary of Defense (International Security Affairs):

Office of ISA Comptroller
Office of Programing and Control
Regional Directors

Office of Assistant Secretary of Defense (Properties and Installations)

Office of Secretary of Defense--Director of Defense Research and Engineering

Department of the Army - Comptroller

" " " Navy - "

" " " Air Force - Comptroller

Comptroller - European Command

" --Army Headquarters, Heidelberg, Germany

Chief, Military Assistance Advisory Group, USAF, Spain

United States Representative--North Atlantic Military Alliance

In turn, each contact office, such as those shown above, disseminates the information and instructions to appropriate officials within its area of responsibility.

Use of foreign currencies

Section 104(c)--procurement for the common defense

Section 104(c) of the act provides for the use of foreign currencies for the procurement of military equipment, materials, facilities, and services for the common defense.

Executive Order 10560, as amended, provides that the purposes of section 104(c) shall be carried out by the Department of Defense or the Department of State as those agencies shall agree or, in the absence of agreement, as the Director of the Bureau of the Budget shall determine.

Under section 104(c), as of June 30, 1959, the Department of Defense had received from the Bureau of the Budget total allocations of various foreign currencies of about \$124 million equivalent. Following is a table showing the planned uses of these currencies by country, amount, and purpose.

<u>Country</u>	<u>Department</u>	<u>Amounts allocated by Bureau of the Budget</u>	<u>Purpose</u>
Brazil	Army	\$ <u>1,694,231</u>	Inter-American Geodetic Survey mapping projects
Chile	"	<u>87,525</u>	Inter-American Geodetic Survey mapping projects
Colombia	"	<u>58,856</u>	Inter-American Geodetic Survey mapping projects
Peru	"	<u>100,000</u>	Inter-American Geodetic Survey mapping projects
Iran	Reallocated to International Cooperation Administration	4,621,709	Support of the military budget of the Iranian Government
	Department of Defense (International Security Affairs)	<u>1,239,729</u>	Support of the military budget of the Iranian Government
		<u>5,861,438</u>	Support of the military budget of the Iranian Government
Korea	Reallocated to International Cooperation Administration	48,800,000	Support of Korean military budget
	Department of Defense (International Security Affairs)	<u>130,000</u>	do.
		<u>48,930,000</u>	
Pakistan	Army	37,272,230	Procurement related to base construction
	Department of Defense (International Security Affairs)	1,253,603	do.
	Navy	1,121,821	do.
	Reallocated to International Cooperation Administration	<u>17,711,238</u>	Support of Pakistan defense budget
		<u>57,358,892</u>	
Spain	Air Force	7,726,616	For specific projects undertaken by Spanish military services in accordance with U.S. Department of Defense authorizations
	Department of Defense (International Security Affairs)	<u>1,773,384</u>	For specific projects undertaken by Spanish military services in accordance with U.S. Department of Defense authorizations
		<u>9,500,000</u>	
Total	104(c)	<u>\$123,590,942</u>	

Preparation, submission, and approval of programs--DOD

Directive 5132.2 states that the Assistant Secretary of Defense (International Security Affairs) is the principal staff assistant to the Secretary of Defense in the functional field of international

security. This includes the Defense responsibility for development and coordination of security programs related to the military assistance program which can use foreign currencies generated by sales of surplus agriculture commodities. Actual use is contingent upon availability of currencies.

DOD Instruction S 2110-21, Military Assistance Programing Guidance, provides policies and instructions under which overseas agencies of the DOD participate in the development of international security programs, including projects to be funded with Public Law 480 currencies. The Organization Responsibilities and Functions Manual of the Office of the Assistant Secretary of Defense (International Security Affairs) shows that within the office of that Assistant Secretary, the Office of Foreign Economic Affairs (OFEA) is responsible for monitoring DOD interests with respect to surplus commodity disposal matters and coordinating with other interested offices of the Office of the Assistant Secretary of Defense (International Security Affairs) as appropriate.

Upon being informed (usually by the Embassy, United States Overseas Mission, or other elements of the country team, or by the Office of the Assistant Secretary of Defense (International Security Affairs)) that a Public Law 480 agreement will be negotiated with a specific country and foreign currencies can be made available, the Military Assistance Advisory Group of the country involved prepares a program, coordinates with the country team, and then forwards the program to the Office of the Assistant Secretary of Defense (International Security Affairs) through the proper Unified Command for review, recommendation, and approval. After the

agreement is signed, the Office of the Assistant Secretary of Defense (International Security Affairs) submits a letter to the Office of the Assistant Secretary of Defense (Comptroller) requesting that an allocation of funds be obtained from the Bureau of the Budget. Subsequent to the request for allocations, the Office of the Assistant Secretary of Defense (International Security Affairs) or the military department submits an apportionment request through the Office of the Assistant Secretary of Defense (Comptroller) to the Bureau of the Budget.

The mapping projects being carried out under 104(c) have thus far been under the sponsorship of the Department of the Army, and the allocation requests submitted to the Bureau of the Budget by the Assistant Secretary of Defense (Comptroller) for the foreign currencies for these mapping projects have originated with the Army.

Requests for allocations--Based on information received from the various offices within the Office of the Secretary of Defense and the military departments, the Assistant Secretary of Defense (Comptroller), after review, submits requests for allocation of Public Law 480 currencies to the Director, Bureau of the Budget. The requests are in the form of a letter in accordance with instructions set forth in Bureau of the Budget Circular No. A-20. Notices of allocations, also in the form of a letter, are received by DOD from the Director, Bureau of the Budget. The Assistant Secretary of Defense (Comptroller) furnishes other offices within the Office of the Secretary of Defense and the military departments concerned pertinent information concerning the allocations.

Requests for apportionments--After the requests for allocations have been submitted to the Office of the Assistant Secretary of Defense (Comptroller), components within the Office of the Secretary of Defense and the military departments prepare apportionment forms (DD Form 1105) and submit them to the Office of the Assistant Secretary of Defense (Comptroller) for approval and forwarding to the Bureau of the Budget. These requests for apportionment are in accordance with Bureau of the Budget Circular No. A-20 and instructions of the Office of the Secretary of Defense. Based on the action taken by the Bureau of the Budget, the Office of the Assistant Secretary of Defense (Comptroller) furnishes the office concerned with pertinent information relating to the apportionment.

Reports--The several reporting components within the Office of the Secretary of Defense and the military departments prepare Monthly Reports on Budget Status (DD Form 1176) for all foreign currency accounts, in accordance with DOD Instruction 7250.7, August 19, 1958. The original copy of this monthly report is submitted directly to the Bureau of the Budget. Two copies are submitted to the Office of the Assistant Secretary of Defense (Comptroller). In addition, one copy of the DD Form 1176 is submitted directly to the Bureau of Accounts, Treasury Department.

The several reporting components also prepare supporting Monthly Reports of Analysis of Appropriation Status by Activity and/or Project (DD Form 690), in accordance with DOD Instruction 7250.3, August 19, 1958. The original copy of this report is submitted to the Office of the Secretary of Defense.

Monitoring of local currencies--The utilization for mutual security programs of foreign currencies generating under 104(c) of Public Law 480 has been primarily in support of the recipient country's military efforts. In order to standardize the manner in which the United States reviews and observes the execution of a country's military program and use of the United States-provided local currency, relating actual performance to initially agreed upon budgetary plans, there was a joint State-Defense-International Cooperation Administration paper entitled, "Programming and Monitoring of Local Currencies Applied to Military Purposes." This joint paper prescribes that the Military Assistance Advisory Group will be responsible for reviewing and observing the implementation of programs financed from local currencies released to a cooperating country for military purposes.

Further, the continuous observation and review as specified in section 142(a)(10) of the Mutual Security Act of 1954, as amended; will normally consist of an over-all review of the country's progress in executing its defense support budget through the medium of reports and personal inspections to be developed locally by the Military Assistance Advisory Group and approved by the Ambassador under policy guidance provided by the Department of Defense Mutual Security Program Coordinator. The Unified Commanders have concurred in the feasibility of the above procedures and have issued instructions to the Chiefs of the Military Assistance Advisory Groups requesting drafts of proposed procedures. Drafts from some Military Assistance Advisory Groups have reached the Office of the Assistant Secretary of Defense (International Security Affairs) for review.

Section 104(f)--payment of
United States obligations abroad

Responsibility for the use of foreign currencies under section 104(f) of the act was delegated by Executive Order 10560 to the respective agencies of the Government having authority to pay United States obligations abroad.

Obligations resulting from construction or acquisition of military family housing--Section 407 of the Act to Provide for Family Quarters for Personnel of the Military Departments of the Department of Defense and their Dependents, Public Law 765, Eighty-third Congress, as amended, authorizes the use of up to \$250 million worth of foreign currencies generated by Public Law 480, title I, sales or other transactions of the Commodity Credit Corporation (CCC) for the construction, rent, or other acquisitions of United States military family housing and related community facilities in foreign countries. This legislation further provides that CCC shall be reimbursed from appropriations otherwise available for the payment of quarters allowances and from allotments or rental charges for civilian personnel, to the extent that the housing is occupied, after deducting costs of maintenance and operation of the housing. The military departments are further authorized to utilize a maximum of 25 percent appropriated funds for any project developed under this authority.

Under section 104(f) as of June 30, 1959, the Department of Defense had received from the Bureau of the Budget total allocations of various foreign currencies of about \$112 million equivalent for military family housing. Following is a schedule showing the planned use of these foreign currencies by country and amount.

<u>Country</u>	<u>Department</u>	<u>Amounts allocated by Bureau of the Budget</u>
Austria (for purchase of housing materials for use in other countries)	Air Force	\$ <u>8,705,429</u>
Finland (for purchase of housing materials for use in other countries)	" "	1,310,943
	Navy	<u>48,450</u>
		<u>1,359,393</u>
Italy	Army	<u>7,938,150</u>
Japan	"	4,258,608
	Navy	2,981,806
	Air Force	6,929,586
	Department of Defense (Comptroller)	<u>3,280,000</u>
		<u>17,450,000</u>
Korea	Army	<u>2,000,000</u>
Portugal	Air Force	<u>1,524,219</u>
Spain	Navy	5,649,934
	Air Force	<u>21,062,501</u>
		<u>26,712,435</u>
United Kingdom	" "	<u>43,924,092</u>
Yugoslavia (for purchase of furniture for use in other countries)	" "	
	" "	<u>2,000,000</u>
Total 104(f)		<u>\$111,613,718</u>

Preparation, submission, and approval of programs--DOD

Directive 5131.1 states that the Assistant Secretary of Defense (Properties and Installations) is the principal staff assistant to the Secretary of Defense in the functional field, among others, of family housing.

DOD Instruction 4270.21 prescribes the regulations, standards, and criteria pertaining to the construction of military family

housing. This instruction is applicable to all new construction of military family housing in the United States and its possessions, and in foreign countries, regardless of the source of funds. This instruction defines, among other things, the various limitations on space and cost for family housing.

DOD Instruction 5131.3 defines the responsibilities of the Assistant Secretary of Defense (Properties and Installations) and the military departments in coordinating family housing plans and activities within the Department of Defense. The instruction states that, in order to accomplish orderly and efficient administration of family housing matters, a maximum exchange of information and plans between the Assistant Secretary of Defense (Properties and Installations) and the military departments is required. Such reciprocal arrangements will assure integration of the military housing operations with over-all Department of Defense plans, manpower programs, and fiscal management.

The instruction establishes the Office of the Assistant Secretary of Defense (Properties and Installations) as the point of reference within the Department of Defense for centralized clearance of family housing policy, plans, and criteria.

Under this instruction the Assistant Secretary of Defense (Properties and Installations) will establish the necessary working arrangements and maintain liaison outside the Department of Defense in developing family housing policies and programs. The military departments will continue to maintain direct liaison with other Government agencies on operational matters within the jurisdiction of the Department concerned.

In accordance with the foregoing instructions, the military departments submit their programs for family housing to the Office of the Assistant Secretary of Defense (Properties and Installations) where they are reviewed as to need. After congressional authorization has been obtained and reevaluation as to need has been made by the Office of the Assistant Secretary of Defense (Properties and Installations), that office approves the execution of a program. When the estimated costs have been ascertained, the military department submits a request for allocation of the foreign currencies to the Office of the Assistant Secretary of Defense (Comptroller). Subsequent to the request for allocations, the military department concerned submits an apportionment request through the Office of the Assistant Secretary of Defense (Comptroller) to the Bureau of the Budget.

Requests for allocations--The Assistant Secretary of Defense (Comptroller), after review, submits requests for allocation of Public Law 480 currencies in accordance with the instructions set forth in Bureau of the Budget Circular No. A-20. Notices of all allocations are made by the Director, Bureau of the Budget, and to the Assistant Secretary of Defense (Comptroller), also in accordance with Bureau of the Budget Circular No. A-20. The Assistant Secretary of Defense (Comptroller) provides the military departments with the necessary information concerning the allocations.

Requests for apportionments--Apportionment requests (DD Form 1105) are initiated by the military departments and submitted to the Office of the Assistant Secretary of Defense (Comptroller) for review and forwarding to the Bureau of the Budget.

The Office of the Assistant Secretary of Defense (Comptroller) later notifies the military departments as to the apportionment action taken by the Bureau of the Budget.

Reimbursement to Commodity Credit Corporation--As construction or acquisition payments in foreign currency are made for overseas military family housing, the military department responsible for construction or acquisitions establishes, at the departmental level, a deferred account payable in favor of the Commodity Credit Corporation (unrelated to any appropriation). The amounts credited to such account payable are converted to the dollar equivalent of the foreign currency expended, computed at the most favorable acquisition rate of exchange otherwise available to the disbursing officer on the date of payment of such foreign currency. However, pursuant to section 507, Public Law 161, Eighty-fourth Congress, payments to the Commodity Credit Corporation are made after deducting amounts for maintenance and operation of the housing.

An agreement between the Department of Defense and the Commodity Credit Corporation provides that the entire surplus commodity family housing program shall be considered as an entity without regard to the military department, the country, foreign currency, or the separate housing projects involved. A deferred account payable in favor of the Commodity Credit Corporation is maintained, and reimbursement to the CCC is made on a consolidated basis for the Department of Defense. The Department of the Air Force acts as Joint Fiscal Agent for consolidating the accounts and transmitting payments from the military departments to the CCC.

Reports--The several reporting components within the military departments prepare Monthly Reports on Budget Status (DD Form 1176) for the foreign currency accounts, in accordance with DOD Instruction 7250.7. The original copy is submitted directly to the Bureau of the Budget, one copy is submitted directly to the Bureau of Accounts, Treasury Department, and two copies are submitted to the Office of the Assistant Secretary of Defense (Comptroller).

In accordance with DOD Instruction 7360.3 and based upon the data furnished by the military departments, the Department of the Air Force as the Joint Fiscal Agent prepares and submits a semiannual report to the Commodity Credit Corporation--with three copies to the Assistant Secretary of Defense (Comptroller)--setting forth the following information for each country where family housing has been constructed and financed from foreign currency proceeds of sales of surplus agricultural commodities:

- a. The amount of foreign currency utilized and the dollar value thereof.
- b. The number of housing units in the country.
- c. The percentage of occupancy.
- d. The gross amount of quarters allowances and station allowances for the period.
- e. The costs of operation and maintenance of the housing deductible from such quarters allowances and station allowances.
- f. The remainder of quarters allowances and station allowances for the period applied in reduction of the debt.
- g. The cumulative total amount of reduction of the debt.
- h. The unpaid balance of the debt.

Pursuant to section 407, Public Law 765, Eighty-third Congress, as amended, the Assistant Secretary of Defense (Properties and Installations) submits to the Committee on Armed Services, United States Senate, a quarterly report of United States military housing projects in foreign countries, which projects are financed wholly or in part from the proceeds of United States surplus agricultural commodity sales. This report shows information concerning contracts for the construction of family housing awarded during the 3 months preceding the report, as well as information concerning contracts expected to be signed during the following 3 months.

Obligations resulting from acquisition or construction of military public works--Section 420 of the Military Construction Act of 1959, Public Law 86-149, provides that, in carrying out in a foreign country any project authorized by that act (which, among other things, includes certain overseas construction projects in addition to family housing) or any other military construction act theretofore or thereafter enacted, currencies of such country acquired pursuant to the provisions of the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) shall, to the extent available and feasible, be used in lieu of dollars. The United States Treasury shall reimburse the CCC for any foreign currencies so utilized by the Department of Defense in carrying out such projects.

Section 112 of the Military Construction Appropriation Act, 1960, Public Law 86-275, states that none of the funds appropriated in that act may be used to make payments under contracts for any project in a foreign country unless the Secretary of Defense or

his designee, after consultation with the Secretary of the Treasury or his designee, certifies to the Congress that the use, by purchase from the Treasury, of currencies of such country, acquired pursuant to law, is not feasible for the purpose, stating the reason therefor.

Certifications concerning nonavailability of foreign currencies--DOD Directive 5160.27, issued November 23, 1959, delegated to the Secretary of the Army, the Secretary of the Navy, and the Secretary of the Air Force the authority and responsibility for compliance with, and the furnishing of the certifications required under, the provisions of section 112 of the Military Construction Appropriation Act, 1960, with reference to the nonavailability of foreign currencies to finance military construction in foreign countries. The directive also provides that the Secretaries are authorized to make such further delegation of this authority as they may deem necessary.

Preparation, submission, and approval of programs--Pursuant to DOD Directive 5131.1, the Assistant Secretary of Defense (Properties and Installations) also is the principal staff assistant to the Secretary of Defense in the functional field of military public works. DOD Directive 4270.5 states that the Departments of the Army, Navy, and Air Force are responsible to the Secretary of Defense and the Congress for the proper management of the respective Army, Navy, and Air Force portions of public works construction programs and for the economical use of funds appropriated to the respective departments for such public works construction.

The Assistant Secretary of Defense (Properties and Installations) issues annual instructions to the Secretaries of the Army, Navy, and Air Force covering the preparation and submission of the fiscal year military construction authorization program which includes the functional field of military public works, as well as a number of others. The recent instructions provided that, in overseas areas where unified command or theatre standards have been issued, service submissions would be subject to review against such standards. New materials and techniques which have proved satisfactory in commercial usage may be considered wherever the economies of such materials and techniques can be demonstrated.

Reports--Memorandum dated November 3, 1959, from the Deputy Assistant Secretary of Defense to the Under Secretary of the Navy, the Assistant Secretary of the Army (Financial Management), and the Assistant Secretary of the Air Force (Financial Management) establishes the following reporting procedure with reference to section 420 of the Military Construction Act of 1959 and section 112 of the Military Construction Appropriation Act, 1960, both relating to military construction in foreign countries. The memorandum states that, if such construction cannot be financed from foreign currencies, a certification shall be attached to the Report on Budget Status (DD Form 1176) submitted as of December 31 and June 30. These semiannual certifications shall be in the form of an attachment and shall include a statement of the criteria under which it was deemed not feasible to utilize foreign currencies, the period covered, the dollar amount of expenditures relating thereto, and the name of the foreign country involved.

Section 104(k)--scientific activities

Section 104(k) of Public Law 480, as amended by Public Law 85-477, approved June 30, 1958 (72 Stat. 261), authorizes the use of foreign currencies for certain scientific activities but provides that no foreign currencies shall be used for these purposes unless specific appropriations are made therefor.

By Executive Order 10827 of June 25, 1959, the President delegated the responsibility for the use of foreign currencies under section 104(k) to the Director of the National Science Foundation or such agency or agencies as the Director of the Bureau of the Budget, after appropriate consultation, may designate. The Bureau of the Budget in the meantime had requested the National Science Foundation to coordinate the budget estimates of agencies desiring to use foreign currencies for scientific purposes under this section 104(k).

Public Law 86-108, approved July 24, 1959 (73 Stat. 246), amended section 104(k) of Public Law 480 to provide that foreign currencies shall be available for the purposes of the section (in addition to funds otherwise made available for such purposes) only in such amounts as may be specified from time to time in appropriation acts.

On November 17, 1958, the Department of Defense submitted to the National Science Foundation a proposed program for fiscal year 1959 of about \$9 million and an estimated program for fiscal year 1960 of about \$24 million. No funds were made available to the Department of Defense on the basis of this request and consequently these programs have not been actually implemented.

DOD Directive 5129.1 states that the Director of Defense Research and Engineering is the principal adviser and staff assistant to the Secretary of Defense in the functional fields, among others, of scientific and technical matters and basic and applied research. The Office of Science under the Director of Defense Research and Engineering has been assigned the function of coordinating activities related to the support of research, using funds obtained through implementation of section 104(k) of Public Law 480.

For the purpose of coordinating the programs for scientific purposes contemplated to be carried out under section 104(k), the Office of the Director of Defense Research and Engineering has organized an interdepartmental committee with representatives from the research and development components of the Army, Navy, and Air Force; the Office of the Assistant Secretary of Defense (Comptroller); the Office of the Assistant Secretary of Defense (International Security Affairs); and the Office of Science and the Office of Foreign Programs within the Office of the Director of Defense Research and Engineering; with the chairmanship assigned to the Office of Science. All Department of Defense requests for allocation of funds under section 104(k) are reviewed by this committee and submitted to the Director of Defense Research and Engineering for approval and transmittal to the Assistant Secretary of Defense (Comptroller) who, under revised procedures, will submit the programs directly to the Bureau of the Budget.

Internal audits

Internal audits of Department of Defense programs and activities are performed by the military department audit organizations;

namely, the United States Army Audit Agency; the Navy Assistant Comptroller, Audit; and the Air Force Auditor General. All financial management responsibilities and related operations are subject to internal audit. Procedures, controls, and operations relating to the administration of funds from all sources are given audit coverage in connection with periodic audits of Defense installations, bases, and activities. Normally, no distinction is made with respect to the source or kinds of funds involved in applying audit coverage. Under this approach, programs financed with foreign currencies are accorded the same type of audit coverage as programs financed from other fund sources.