PN-AAY-201

TRANSITION BRIEFING BOOK

ISN-52097

v

SECTION I. HISTORICAL OVERVIEW

History of U.S. Economic Assistance Programs in Brief

The U.S. has multiple foreign policy objectives -- security, political, economic, developmental and humanitarian.

U.S. economic assistance programs have been called upon to address these different objectives in varying degrees, and in different circumstances since the end of World War II. Some highlights over the years in aid strategies and programs are as follow:

1. Post-World War II Period and 1950s

During this period there was an urgent need to reconstruct war-torn Western Europe through the Marshall Plan, and to support other countries directly threatened by Communist aggression. Starting in Greece and Turkey, and later in Korea and Taiwan, enormous amounts of U.S. military and economic security assistance were provided to help these countries maintain their independence and, as part of U.S. global strategy, to check Communist expansion. Beginning with the Point IV program, which was enunciated by President Truman in his 1949 inaugural address, the U.S. also began to provide technical and capital assistance to nearly all developing independent nations. The international assistance burden fell heavily upon the United States, because few other industrialized nations had yet recovered sufficiently to be able to carry their share.

2. Decade of Development for the 1960s

The early 1960s witnessed the independence of scores of countries from colonial rule. The U.S. Government publicly announced that it was launching a "Decade of Development" to help countries develop more rapidly, and to participate more fully in the international political and economic systems. The Agency for International Development (A.I.D.) was established within the State Department, combining into one organization capital development programs of the Development Loan Fund, and the technical, capital, and supporting assistance operations of A.I.D.'s predecessor organization (the International Cooperation Administration).

The Alliance for Progress for Latin America was initiated in 1961 as was the Peace Corps, and the 1960s also witnessed very large development assistance programs in India and Pakistan, as well as multiyear aid commitments in Tunisia and Nigeria in Africa.

Large resource transfers for major capital projects and essential imports were provided in support of multiyear development plans to accelerate investment and economic growth, and help countries reach the "take-off stage," which would bring economic benefits to all the people. PL 480 programs of commodity support and food aid using America's abundant agriculture resources became an important part of the total A.I.D. development involvement. Other nations began to expand their participation in development and the role of international institutions such as the World Bank became increasingly significant.

3. <u>Vietnam War and the Decline of Support for Foreign Assistance</u>

In the aftermath of the Vietnam War, economic assistance programs faced a growing U.S. public disillusionment as to their effectiveness, and concern about the wisdom of U.S. involvement throughout the world. Despite the provision of substantial aid from the U.S. and other donors, the problems of the developing world appeared intractable. While our assistance programs helped accelerate growth rates in the developing countries in the 1960s (many LDCs experienced a more rapid growth rate than developed countries at any comparable period in their history), there were some disturbing signs. The income disparities between rich and poor populations in many developing countries became worse; rapid increases in population growth reduced per capita income growth, and in some countries outstripped agricultural production. In addition, assistance programs often emphasized investment which was capital-intensive and ill-suited to help overcome massive underemployment and unemployment found in much of the developing world.

U.S. official development assistance (ODA) flows declined sharply in real terms, and as a percentage of our gross national product, fell to 0.29% in 1972, in contrast to the period 1964-66 when U.S. assistance flows amounted to 0.49% of our GNP. At the same time, there were rapid increases in aid from a vast international assistance framework of bilateral donors and international lending institutions.

While the decrease in U.S. assistance reflected, in large measure, disillusionment in the Congress over Vietnam and questions about the effectiveness of foreign assistance programs, it also reflected concern about the U.S. international financial position, balance of payments deficits and pressures on the dollar.

4. The Nixon Administration's Foreign Assistance Program for the Seventies

In April 1971, the Administration sent legislation to the Congress proposing a major transformation of foreign assistance programs for the 1970s.

The Administration proposals were based upon the recognition that

> "...the world has been changing dramatically; by the end of the 'Sixties, there was widespread agreement that our programs for foreign assistance had not kept up with these changes and were losing their effectiveness. This sentiment has been reflected in declining foreign aid levels.
>
> "The cause of this downward drift is not that the need for aid has diminished; nor is it that our capacity to help other nations has diminished; nor has America lost her humanitarian zeal; nor have we turned inward and abandoned our pursuit of peace and freedom in the world.
>
> "The answer is not to stop foreign aid or to slash it further. The answer is to reform our foreign assistance programs and do our share to meet the needs of the 'Seventies."

The Administration transmitted legislation to the Congress to distinguish clearly between security and development/humanitarian objectives, by creating separate programs and organizational structures for each. In the fall of 1971, when it was apparent that the Congress was not going to act on the new foreign assistance proposals, the Administration undertook a series of internal reforms of A.I.D., starting from the premise that A.I.D.'s program strategy and structure needed to reflect U.S. availabilities and the development needs and conditions of the 1970s including, inter alia, that the developing countries had gained a better perspective and understanding of their own problems, and that these problems were more complex than originally thought and required more innovative approaches.

A.I.D.'s reform program included:

-- A more collaborative style of assistance, which places the developing countries at the center of the development process.

-- Greater application of U.S. scientific and technical advances in research, and development of new and innovative techniques for development problems.

-- Broader reliance upon American private groups in the practical work of development.

-- Reshaping of assistance programs to achieve greater responsiveness to priorities affecting lower income groups in the less developed countries, with concentration in the sectors of agriculture and food production, education, public health and population and public administration.

5. New Directions for U.S. Development Assistance Program - 1973 to 1980

The Foreign Assistance Act of 1973 (FAA) was a logical extension of this movement toward reform of the U.S. aid program. In May, a bipartisan group of 26 House Foreign Affairs Committee members introduced legislation for a major restructuring of U.S. bilateral economic assistance programs. This legislation served as the basic framework for the FAA of 1973 and was strongly supported by the Administration.

Section 102(b) of the Foreign Assistance Act stated that the President should place emphasis on the following:

6

"(1) Bilateral development aid should concentrate increasingly on sharing American technical expertise, farm commodities, and industrial goods to meet critical development problems, and less on large-scale capital transfers..."

The Congressional reports on the bill stressed that past foreign aid programs had a heavy emphasis on large-scale capital transfers to the "third world," but that the benefits had seldom "trickled down" to the majority of the people. Growth in the gross national product is not enough. Governments of the developing nations must actively attempt to distribute income more equitably, and to attack directly the most pressing problems of their peoples.

"(2) Future U.S. bilateral support for development should focus on critical problems in those functional sectors which affect the lives of the majority of the people in the developing countries: food production, rural development, and nutritiion; population planning and health; education, public administration, and human resource development."

The House Committee noted that hunger, malnutrition, disease, ignorance and poverty continue to plague the majority of the human race. The needs of low-income people are staggering. The ability of the United States to meet those needs is limited. For that reason, attacks on the problems of the developing countries must be based on clear priorities. U.S. bilateral assistance henceforth should be problem-solving, people-oriented and targeted on the basics: food, nutrition, health, population control, education, and development of human resources.

"(3) U.S. cooperation in development should be carried out to the maximum extent possible through the private sector, particularly those institutions which already have ties in the developing areas, such as educational institutions, cooperatives, credit unions, and voluntary agencies.

"(4) Development planning must be the responsibility of each sovereign country. U.S. assistance should be administered in a collaborative style to support the development goals chosen by each country receiving assistance."

7

"(5) U.S. bilateral development assistance should give the highest priority to undertakings submitted by host governments which directly improve the lives of the poorest majority of people and their capacity to participate in the development of their countries."

The International Development and Food Assistance Act of 1975, enacted in December 1975, reinforced the basic development objectives of the FAA of 1973, and added a new Title II, Food Aid to Poor Countries to give high priority to the use of food aid for development purposes in the LDCs.

6. Refinement and Change in the Late 1970s

The Foreign Assistance Act of 1973 has remained the basic framework for the U.S. bilateral aid efforts during the past few years. This means technical and financial assistance aimed at supporting host country programs which attack the problems of poor people and create social infrastructures which help make democracy work. Today, we rely on the multilateral development banks and, increasingly, on the private banking community to meet many of the Third World's large scale physical infrastructure and capital requirements, and on the U.N. agencies for certain types of technical assistance best provided by them.

The past few years have seen a continuing refinement of the basic human needs mandate contained in the FAA of 1973 -- a mandate dictated by the urgent needs of the poorer elements of the populations in developing countries, and by the U.S. ability to provide imaginative assistance, nurtured in large degree by the presence over many years of overseas staff working closely with host countries, to help meet those needs. The mandate is also based upon the requirement to make best use of scarce U.S. resources. U.S. assistance today places emphasis on food and nutrition, rural development, population and health, and to a certain extent, education. It includes new attention in the face of the world-wide energy situation to projects aimed at renewable energy resources, afforestation, and natural resource conservation.

A major change in aid policy occurred on October 1, 1979 with the establishment of the International Development Cooperation Agency (IDCA) (established by

9

Reorganization Plan No. 2 and implemented by Executive Order 12163). IDCA was designed to bring greater integration to the total U.S. assistance effort. The major components for which IDCA provides coordination, and in some cases, overall policy guidance include:

<u>A.I.D.</u> Under the IDCA policy guidance, A.I.D. is the major operating component. It focuses on basic needs -- support to agriculture, nutrition and rural development and population, and with increasing attention to energy conservation programs. A.I.D. has also intensified the degree to which good development performance, relative need and the importance of development to the long-term interests of the United States are recognized.

<u>Overseas Private Investment Corporation</u>. OPIC, established by the FAA in 1969, is one of the principal operating components of IDCA. It facilitates private American business participation in development by means of its guarantee and insurance programs.

<u>Trade and Development</u>. This is another principal operating component IDCA established to carry out reimburseable programs in middle-income, A.I.D. graduate, and oil-rich developing countries. Limited funds are provided to support feasibility work undertaken by U.S. firms and agencies. A similar large-scale U.S. reimburseable effort is carried out by the Treasury Department in Saudi Arabia.

IDCA also cooperates with Treasury on U.S. support to multilateral banks; with State and USDA on PL 480; and with State in assistance to several U.N. agencies. There is also collaboration with both the Peace Corps and the Inter-American Foundation in their programs at grass roots levels.

7. <u>Progress to Date</u>

Since the enactment of the FAA of 1973, considerable progress has been made in several areas:

-- Increased Concentration on Basic Needs

As shown in the table on the following page, there has been a continuing increase in funding for the key functional areas from FY 1978 - FY 1981.

-- Increased allocations for the poor countries

In FY 1981, 87% of bilateral functional assistance funds is estimated to be allocated to IDA eligible countries compared to 70% in FY 1977.

-- Increased support for the poor majority

In designing and implementing projects, emphasis is given to increasing the income and employment of the poor majority, and, assisting in critical efforts to slow down population growth. We are supporting broadly based participatory development strategies, which are intended to improve both economic growth and equity. Increasing the production of the poor small farmers will directly improve their living standards, and also generate a higher overall level of resources to help finance the services needed by the poor majority. Greater attention is being given to energy programs.

-- Increasing emphasis on the application of science and technology and expanded research and development to solve basic development problems

In programs related to science and technology, AID is concerned primarily with achieving development results beneficial to poor people. Therefore, AID gives priority to agriculture, health and population, and energy. Research and development are vital in these fields and research into such topics as higher yielding crops and vaccines for tropical diseases receives considerable attention. These and other matters related to science and technology have been playing an increasing role in AID programs in recent years.

-- Increased support and use of Private Voluntary Organizations (PVOs)

A.I.D. funding in support of PVOs increased from $30 million in FY 1975 to $172 million in FY 1980.

fv

A.I.D. Functional Development Assistance Accounts
Program Trends
(in millions of dollars)

	FY 1978 $	FY 1978 %	FY 1979 $	FY 1979 %	FY 1980 $	FY 1980 %	FY 1981 $	FY 1981 %
Agriculture, Rural Development and Nutrition	$556	55	$614	54	$630	54	$635	54
Population Planning	160	16	185	16	185	16	190	16
Health	97	10	133	12	130	11	135	11
Education and Human Resources Development	88	9	98	9	98	8	101	9
Selected Development Activities	107	11	117	10	120	10	112	10
Total	$1008	100	$1147	100	$1163	100	$1173	100

Percentages may not add due to rounding

-- Increased effectiveness in responding to international disasters

The FAA of 1975 established a separate chapter on International Disaster Assistance, and reaffirmed the U.S. commitment to alleviate human suffering caused by natural and man-made disasters. A.I.D. today plays a critical role in responding to disasters.

****

The U.S. aid program has become in the past several years more sharply focused on basic human needs. There has been considerable progress -- some of which will be highlighted in the geographical and other sections of this report -- but there is a long way to go. The cost of helping the poor countries meet their basic human needs in food production, family planning, basic health and education services is immense. The development process is an arduous, long-term process, requiring systemic changes involving policy reform, institution building, training people, changing attitudes, and so on. Sustained levels of foreign assistance, from all donors, will be required to bring about continuing development of the poorer countries.

SECTION II. THE U.S. ASSISTANCE PROGRAM

II.A. Basic Components of U.S. Foreign-Assistance

Introduction

The U.S. foreign assistance program is normally described as consisting of Economic Assistance and Military Assistance.

Economic Assistance

U.S. economic assistance is generally subdivided into two broad areas: the Bilateral U.S. Program and the Multilateral U.S. Program.

1. The Bilateral U.S. Program

Bilateral aid is that assistance which is directly administered by the U.S. Government. It is comprised of three main types of assistance which are appropriated to, and administered by, the following agencies:

Type of Aid	Appropriated to	Administered by
--Development assistance	A.I.D.	A.I.D.
--Economic security assistance	A.I.D.	A.I.D.
--Food aid (PL 480)	USDA	A.I.D./USDA, OMB State, Commerce, Treas.

(In addition to the three main categories just described, Bilateral U.S. aid normally also includes funds made available to the Peace Corps, the Overseas Private Investment Corporation (OPIC), and the Inter-American Foundation.)

a. Development Assistance

The A.I.D. administered Development Assistance is normally broken down and described in terms of the individual funding categories that are set forth in the Agency's, enabling legislation: The Foreign Assistance Act of 1961, as amended. These categories--actually they are specific appropriation accounts--include four "functional" accounts:

--Food production and nutrition;

--Population planning and health;

--Education and human resources; and

--Section 106 development activities.

13

These functional accounts came into being in FY 1974. Prior to that year, the core of the Agency's development assistance program was broken down into accounts for loan money on the one hand, and grant money on the other. The next several pages describe these important functional accounts in more detail.

(1) Food Production and Nutrition (Section 103)

The Food and Nutrition program is by far the largest of the "functional accounts" (53 percent of A.I.D.'s development assistance monies in FY 1980). The authorization for this program emphasizes that funds are to be used to alleviate starvation, hunger and malnutrition, and to expand basic services to rural poor people, enhancing their capacity for self help. The law also stresses the productivity and income of the rural poor.

Within the Food Production and Nutrition category, the Agency finances a wide range of projects designed to increase food production, improve food distribution and marketing, enhance the nutritional content of food, provide basic agriculture inputs such as seeds, fertilizer and pesticides, provide better rural services such as farm to market roads and irrigation systems and finance agricultural research.

(2) Population Planning and Health (Section 104)

The Population Planning and Health program is the second largest program of the functional accounts of A.I.D.'s development assistance monies in FY 1977). Normally, this program is described along the lines of its two basic components: Population on the one hand and Health on the other--although there is an important interrelationship between these two components, and the Agency has taken steps to insure an effective integration.

The Population program focuses primarily in the following areas: Family Planning Delivery Systems (includes technical service and provision of contraceptives); education and information; manpower and institutional development (largely for training); collection of demographic data; biomedic and social science research. In addition, this program category includes the U.S. contribution to the United Nations Fund for Population activities.

The Health portion of the Population/Health category includes programs in three basic areas: Low Cost Integrated Health Delivery Systems, improved Health Planning and Management, Environment and Disease Control.

(3) Education and Human Resources Development (Section 105)

The legislation for this program emphasizes that assistance shall be used primarily for nonformal education, increasing the relevance of formal education systems, and strengthening the management capabilities of education institutions, in each case to serve the poor.

The education program can be descriptively organized into four basic categories: increasing the relevance of education (includes curriculum reform, new education technologies and improved teacher training); nonformal education (this includes activities designed to improve literacy and the skills of those outside the traditional educational system); helping countries at the university level; general scholarship and training programs (this is the largest component of the education effort, and provides funds for A.I.D. Participant Training Program which handles roughly 7,000 participants a year).

(4) Technical Assistance, Energy, Research, Reconstruction and Selected Development Problems (Section 106)

This program area includes a wide variety of activities: reconstruction projects following natural or man-made disasters; activities to help developing countries meet energy problems; funds for research and studies on economic development, and programs in urban development. Finally, this category includes the Agency's programs to directly assist private and voluntary organizations including institutional budget support and contributions to ocean freight.

In addition to the four basic program categories described above, there are a number of important emphases that cut across and influence all aspects of the program. These are: an emphasis on the integration of women into the economic life of the developing countries; an emphasis on the development and use of cooperatives in developing nations; an emphasis on the development of intermediate technology; and an emphasis on strengthening the capacity of the U.S. Land Grant Colleges to participate more effectively in the development process.

(b) Economic Security Fund

This form of bilateral economic aid is administered by A.I.D., and is authorized under the International Security Assistance and Arms Control Act of 1978, which amends the basic Foreign Assistance Act of 1961. The Economic Security Fund (ESF) provides assistance to areas under some form of political, economic or security stress which interferes with the normal conduct of economic and social processes, where the United States has special interests. The largest portion is allocated to the Middle East, principally to Israel and Egypt in support of the peace effort. It is also provided to ease the transition to majority rule in Africa; to help Turkey, a NATO ally, along with the IMF and other donors, solve its critical financial problems; and, to support stabilizing measures in Central America and the Carribbean.

ESF is a flexible aid instrument. It can be used for commodity imports, balance of payments support or as cash grants for budget support. However, as required by statute, to the extent possible, A.I.D. directs this assistance to the meeting of basic human needs and other development purposes.

c. Food Aid (PL 480)

The U.S. food aid program is administered under the provisions of the Agricultural Trade Development and Assistance Act of 1954, commonly known as Public Law 480. That legislation makes clear that PL 480 food agreements are to serve multiple purposes: for surplus disposal; to develop and expand export markets for U.S. agricultural commodities; to combat hunger and malnutrition; to encourage economic development in developing countries and to promote U.S. foreign policy.

When first created, the Food Aid program was primarily a surplus disposal measure. The emphasis changed, and in 1966 the Congress explicitly declared it to be U.S. policy to use food aid to carry out the development purposes of the Foreign Assistance Act as well. At the same time, the House International Affairs Committee assumed jurisdiction over the foreign policy aspects of PL 480.

Higher priority is now given to allocating PL 480 food aid to those poor countries with food deficits that have made efforts to help themselves toward a greater degree of self-reliance, especially to increase food production through small family farm agriculture, and to reduce the rate of population growth.

Title I of PL 480 authorizes concessional sales of U.S. agricultural commodities to friendly countries on long-term dollar repayable terms. These sales provide a foreign exchange resource to the recipient, contribute toward development of a market for U.S.

16

agricultural products, provide a buffer against shortfalls in the recipient's domestic production, and enlarge the volume of food available for consumption. The recipient government, through resale of the agricultural commodities, generates funds which are used for development purposes.

Food for Development programs authorized under Title III (but financed under Title I) offer special incentives to low-income countries to undertake additional development programs which, in many cases, are related to changes in policies designed to improve the quality of life of the poor, particularly in rural areas. Title III agreements, which are subject to annual review, include supply commitments of up to five years. They also provide for full "loan forgiveness" if all of the commodities or the local currencies equivalent to the dollar sales value of the commodities purchased are used for agreed development purposes.

The law requires that 75 percent of Title I food must be allocated to countries who are eligible to receive International Development ASsociation (IDA) credits. In FY 1981, the Title I program will total about $892.4 million, about $72 million for ocean freight shipping costs, and the balance for 3.7 million tons of commodities.

Title II of PL 480 authorizes donations of agricultural commodities for disaster relief, to combat malnutrition (with highest priority to maternal and child health), and to promote economic and community development, frequently through food-for-work programs. Most Title II programs are administered by U.S. voluntary agencies, but donations are also made to the World Food Program, United Nations Relief and Works Agency (UNRWA) and United Nations International Children's Emergency Fund (UNICEF), and some grants are made directly to governments.

The legislation requires that in FY 81 a minimum of 1.65 million tons of commodities be provided under Title II, with a minimum of 1.35 million tons distributed through voluntary agencies and the World Food Program. In FY 1981, the Title II program will total about $577 million for 1.8 million tons of commodities, including $245 million in ocean freight.

(The administration of PL 480 is an interagency responsibility shared by United States Department of Agriculture (USDA), Office of Management and Budget (OMB), Treasury, Commerce, State and A.I.D. With respect to foreign policy, all functions under the

17

Act are subject to the responsibilities of the Secretary of State, most of which have been redelegated to A.I.D. USDA has delegated to A.I.D. responsibility for administering the Title II donation program, and A.I.D. is responsible for coordinating food aid with other forms of U.S. foreign assistance. Coordination and reconciliation of agency interests is achieved within the framework of these delegations of authority and through the Food Aid Subcommittee of the Development Coordinating Committee (DCC) and its working group (Chaired by USDA).

2. The Multilateral U.S. Program

The Multilateral Assistance program involves U.S. contributions to international agencies engaged in development work. Normally, the Multilateral Program is divided into two categories: assistance to the International Financial Institutions (which are backstopped by the U.S. Treasury Department); and assistance to United Nations and other international development agencies (which are backstopped by the Department of State's Bureau for International Organizations). The International Development Cooperation Agency (IDCA) coordinates these programs.

Contributions to International Financial Institutions (IFIs)

The IFIs include: the World Bank family especially the International Development Association (IDA) which is the "soft-loan window" of the World Bank, in addition to the International Finance Corporation (IFC), the Inter-American Development Bank (IDB), the Asian Development Bank (ADB) and the African Development Bank and Fund. Assistance through these institutions has grown substantially over the last 15 years. The IFIs have provided a steadily increasing share--now over one-fourth--of the ODA receipts of developing countries.

U.S. contributions to the Banks are made both for lending at near commercial rates, and for concessional lending through so-called "soft-loan windows." Our contributions are normally divided into paid-in capital and callable capital. The paid-in portion involves a straight contribution of funds for relending. The callable capital provides backing for bonds and other securities sold in the international money markets to raise money for bank lending. Funds that are callable are held by the U.S. Treasury and are not transferred to the Bank.

a. The World Bank (IBRD)

The World Bank is in the process of calling for subscriptions for a General Capital increase of $40 billion of which the U.S. share will be 22 percent. Only 7.5 percent will be paid in and the remainder will be callable capital.

18

b. The International Development Association (IDA)

Commit authority of IDA ran out June 30, 1980. The Sixth Replenishment (IDA VI) will be $12 billion of which the U.S. share is 27 percent or $3.24 billion. Since the U.S. has not provided its share and the IDA is unable to operate without it, a bridging arrangement has been set up whereby other donors have advanced $1.5 billion until the U.S. comes in, so that IDA can continue operations.

c. Inter-American Development Bank (IDB)

The FY 79-82 replenishment is $8 billion of Ordinary Capital (OC) of which the U.S. share is 34.5 percent. 7.5 percent is paid in and the remainder in callable capital. IDB's soft window, the Fund for Special Operations (FSO), has a replenishment of $2.75 billion (FY 1979-82) of which the U.S. share is $700 million.

d. Asian Development Bank (ADB)

The funds of the bank are exhausted and negotiations for another capital increase will begin in FY 1981.

e. African Development Fund (ADF)

The funds of the bank are exhausted and negotiations for another capital increase will begin in FY 1981.

f. African Development Bank

The U.S. and 20 other non-regionals have agreed to a Capital Increase of $4.8 billion of which the U.S. share is 5.7 percent of which 25 percent will be paid in and the remainder in callable capital.

Military Assistance

U.S. Military Assistance is administered by the Department of Defense (DOD) not A.I.D. It is authorized under the International Security Assistance and ARms Export Act of 1976, and consists of three different types of programs:

a. The Military Assistance Program (MAP) consists of grants of military hardware to friendly countries or international organizations to strengthen the security of the United States and promote world peace.

19

b. The Foreign Military Sales (FMS) involves DOD sales of material and related services to eligible allied and friendly nations on both a cash and credit basis in accordance with the 1968 Foreign Military Sales Act, as amended. Foreign aid is involved when appropriated funds are used to extend direct or guarantee of privately obtained credit.

c. The Foreign Military Training Program (FMTP) provides for the training on a grant basis of foreign military personnel in the United States.

A.I.D. participates in the budget review of military aid in order to express its concerns if the defense burden on a recipient LDC appears to interfere with economic and social growth. In addition, Section 620(s) of the Foreign Assistance Act requires the Administrator, acting for the President, to report annually to Congress on the extent to which a recipient of economic aid is spending its resources on defense.

Summary of Basic Components of U.S. Foreign Assistance

a. Economic Assistance

- Bilateral Assistance
  - Development Assistance
    - A.I.D. administered
      - Food production and nutrition
      - Population planning and health
      - Education and human resources
      - Technical assistance, energy, etc.
      - International disaster assistance
      - American schools and hospitals abroad
    - Other
      - Peace Corps
      - Inter-American Foundation
      - Economic SEcurity Fund
      - Food aid (PL 480)
        - Title I/III
        - Title II
- Multilateral Assistance
  - Contributions to international organizations
  - Contributions to international financial institutions
  - Inter-American Development Bank
  - Asian Development Bank
  - International Development ASsociation
  - African Development Bank

10

b. Military Assistance

Military assistance program

Foreign military sales

Foreign military training

The tables on the next four pages show the total amount of U.S. foreign aid from fiscal year 1966 to the present. Table I shows total U.S. foreign assistance; Table II shows total A.I.D.-funded assistance; and Table III shows A.I.D. Development Assistance by the four major functional accounts. Table IV shows the number of countries and territories receiving economic and military assistance.

21

U.S. FOREIGN ASSISTANCE, 1966 - 1981
($000s)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	T.Q.	1977	1978	1979	1980	1981
A. Economic Assistance	4,784	3,943	4,102	3,524	3,676	3,442	3,940	4,117	3,906	4,908	3,878	1,931	5,594	6,661	7,121	7,662	7,609
Bilateral:																	
Development Assistance	1,634	1,502	1,439	1,009	1,261	1,165	1,303	1,252	1,022	1,154	1,079	335	1,171	1,624	1,606	1,620 [d/]	1,665 [g/]
Security Supporting Assistance [a/]	905	773	602	443	503	573	620	622	640	1,226	1,122	891	1,766	2,221	--	--	--
Peacekeeping Operations	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	25 [e/]	21 [g/]
Economic Support Fund	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1,982	2,158 [e/]	1,984 [g/]
Food Aid (PL 480)	1,558	970	1,329	1,179	1,142	1,231	1,223	1,119	973	1,328	1,300	192	1,193	1,229	1,287	1,651 [f/]	1,656 [h/]
Other [b/]	195	179	174	175	177	170	504	223	310	277	221	80	288	243	354	144 [f/]	163 [h/]
Programs for Science & Technology	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	12 [g/]
Multilateral:																	
Contributions to IFIs	354	374	424	480	480	180	142	775	814	784	24	344	931	1,104	1,632	1,804 [f/]	1,862 [i/]
Int'l Bank for Reconst. & Dev.	--	--	--	--	--	--	--	13	--	--	--	--	119	38	16	16	86
Inter-American Development Bank	250	250	300	300	300	--	104	405	282	348	--	--	303	151	202	545	384
International Development Assn.	104	104	104	160	160	160	38	347	469	386	--	320	430	800	1,258	1,072	1,100
Asian Development Bank	--	20	20	20	20	20	--	9	62	50	24	24	65	66	90	127	202
African Development Bank	--	--	--	--	--	--	--	--	--	--	--	--	15	10	25	25	76
International Finance Corp.	--	--	--	--	--	--	--	--	--	--	--	--	--	38	40	19	14
Contributions to IOs	138	144	135	138	113	123	149	127	147	139	132	89	244	241	260	260 [e/]	256 [g/]
B. Military Assistance	2,205	2,497	2,792	3,207	3,111	4,635	5,303	5,758	5,073	2,331	2,535	672	2,190	2,353	6,725	2,864 [f/]	3,008 [h/]
MAP Grants	975	877	594	455	385	766	556	594	789	583	253	77	253	221	224	146	135
Credit Sales (FMS)	317	323	263	281	70	743	550	550	1,396	750	1,442	494	1,411	1,601	5,173	2,190	2,840
Service Funded (MASF) Grants	695	921	1,379	1,872	2,094	2,510	3,016	4,067	1,257	851	--	--	--	--	--	--	--
Int'l. Mil. Ed. Training	--	--	--	--	--	--	--	--	--	--	27	--	25	31	28	28	33
Other [c/]	218	376	556	659	562	616	1,181	547	1,631	147	813	101	501	500	1,300	500	500
C. Total U.S. Assistance	6,989	6,440	6,894	6,731	6,787	8,077	9,243	9,875	8,979	7,239	6,413	2,603	7,784	9,014	13,846	10,526	10,473

Footnotes:

a/ Includes Indochina Postwar Reconstruction, Middle East Special Requirements Fund, Contingency Fund, etc.

b/ Primarily Peace Crops, Inter-American Foundation, Narcotics Control, Darien Gap, Migration and Refugees,etc.

c/ Includes transfers from excess stocks; waived payments and Israeli Airbase reloction.

d/ Source: Flash Report as of September 30, 1980. Includes Functional Accounts, Sahel Development Program, Disaster Assistance, American Schools and Hospitals Abroad, Operating Expenses and Foreign Service Retirement Fund.

e/ Source: Flash Report as of September 30, 1980.

f/ Source: Preliminary figures as of November 12, 1980 for actual FY 1980 obligations.

g/ Continuing Resolution Levels: New Obligation Authority.

h/ Reflects the March 1980 revision of the President's Budget.

i/ FY 1981 Appropriations Request as of July 1980. Excludes callable capital of $1,825,673,031.

A.I.D. Functional Development Assistance Accounts
Program Trends
(In Millions of Dollars)

	FY 1978		FY 1979		FY 1980		FY 1981	
	$	%	$	%	$	%	$	%
Agriculture, Rural Development & Nutrition	556	55	614	54	631	54	635	54
Population	160	16	185	16	185	16	190	16
Health	97	10	133	12	130	11	135	11
Education & Human Resources	88	9	98	8	98	8	101	9
Selected Development	107	11	117	10	120	10	112	10
SUBTOTAL	1,008	101	1,147	101	1,164	99	1,173	100
Operating Expenses	219		252		273		280	
TOTAL	1,227		1,399		1,437		1,453	

Note: Percentage totals off due to rounding.

Sources:

FY 1978 - Obtained from FY 80 Congressional Presentation (C.P.).
FY 1979 - Obtained from FY 81 C.P.
FY 1980 - Obtained from Flash Report as of September 30, 1980.
FY 1981 - Obtained from raw data in PPC/PB.

11/24/80
PPC/PB

24

Number of Countries and Territories Receiving Economic and Military Assistance, 1977-79a/

Region	Fiscal Year	Economic Assistance: Net Total Countries a/	Net Total Countries b/	Development Assistance	PL 480 Title I/II	Security Supp. Asst.	Peace Corps	Military Assistance: Net Total Countries	MAP	Training	FMS
Africa c/	1977	42	25	24	40	1	27	11	10	10	7
	1978	44	31	26	42	5	26	10	1	8	7
	1979	45	40	38	42	4	28	11	1	10	7
Near East & So. Asia	1977	17	13	8	13	6	5	12	10	10	5
	1978	17	15	6	14	6	5	12	4	10	4
	1979	18	14	8	14	7	5	12	4	10	6
East Asia	1977	9	4	4	4	-	5	6	6	6	6
	1978	10	5	4	5	1	5	6	5	6	6
	1979	10	4	4	6	-	5	6	5	5	5
Latin Amer.	1977	24	17	17	18	-	13	18	17	16	8
	1978	23	16	16	18	1	13	14	8	12	5
	1979	24	16	16	18	1	13	14	8	11	7
Europe	1977	8	4	1	2	3	-	5	5	5	1
	1978	7	5	2	1	3	-	4	2	4	1
	1979	8	4	2	1	2	-	4	2	4	1
Oceanic	1977	2	-	-	-	-	2	-	-	-	-
	1978	2	-	-	-	-	2	-	-	-	-
	1979	2	-	-	-	-	2	-	-	-	-
Total	1977	102	63	54	77	10	52	52	48	47	27
	1978	103	72	54	80	16	51	46	20	40	23
	1979	107	78	68	81	14	53	47	20	40	26

a/ Each country is counted only once if it receives one or more kinds of assistance. Included in the total count but now shown separately are such programs as Inter-American Foundation, International Narcotics Control, Darien Gap, Military Assistance Service Fund, Transfers from Excess Defense Stocks and Ships Loaned and Leased.
b/ Each country is counted only once if it receives funding from one or more appropriation.
c/ Includes countries with self-help funds only.
Sources: FYs 1977, 1978 & 1979-U.S. Overseas Loans and Grants, FY 1977-Military Training from Dept. of Defense report Foreign Military Sales and Military Assistance Facts 12/79

A.I.D PROGRAM LEVELS, 1966 - 1977
by Account
($ millions)

	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	TQ	1977	1978	1979	1980 2/	1981 3/
BILATERAL PROGRAM																	
Development Loans	739	674	615	474	534	464	306	458	-	-	-	-	-	-	-	-	-
Alliance for Progress																	
Loans	505	439	429	248	330	232	245	229	-	-	-	-	-	-	-	-	-
Grants	79	82	78	76	80	81	80	74	-	-	-	-	-		-	-	-
Technical Assistance	234	234	218	195	186	186	184	172	-	-	-	-	-	-	-	-	-
Functional Devel. Assis.																	
Food & Nutrition	-	-	-	-	-	-	-	-	306	500	407	115	474	556	614	631	635
Pop. Planning & Hlth	-	-	-	-	-	92	123	103	203	181	158	52	224	258	318	315	325
(Population Planning)	-	-	-	-	-	(92)	(123)	(103)	(100)	(100)	(103)	(32)	(140)	(161)	(185)	(185)	(190)
(Health)	-	-	-	-	-	-	-	-	(103)	(81)	(55)	(20)	(84)	(97)	(133)	(130)	(135)
Educ.& Human Resources	-	-	-	-	-	-	-	-	101	93	71	12	94	88	98	98	101
Selected Devel. Activities	-	-	-	-	-	-	-	-	268	112	85	31	55	107	117	120	112
Sub-Total	1,557	1,429	1,340	993	1,130	1,055	1,018	1,036	878	887	720	210	848	1,009	1,147	1,164	1,173
SAHEL DEVEL. PROGRAM	-	-	-	-	-	-	-	-	-	-	-	-	-	50	75	76	93
OTHER ASSISTANCE PROGRAMS																	
American Schools & Hospitals Abroad	7	11	11	15	26	13	20	26	19	18	17	6	20	24	25	25	20
Disaster(Including Rel. & Rec.)	-	-	-	-	-	-	-	-	25	128	61	54	30	65	34	56	73
Portugal & Portuguese Colonies	-	-	-	-	-	-	-	-	-	20	3	1	-	-	-	-	-
African Devel. Program	-	-	-	-	-	-	-	-	-	-	-	5	-	-	-	-	-
Refugee Relief (Bangladesh)	-	-	-	-	-	-	194	100	-	-	-	-	-	-	-	-	-
Famine & Disaster Relief - SAHEL	-	-	-	-	-	-	-	-	25	-	-	-	-	-	-	-	-
African Refugees	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15	-	14
Albert Schw tzer Hosp.	-	-	-	-	-	-	-	-	1	-	-	-	-	-	-	-	-
Prototype Desalting Pl.	-	-	-	-	-	-	-	-	-	20	-	-	-		-	-	-
Lebanon Rel. & Rehab.	-	-	-	-	-	-	-	-	-	-	-	-	19	-	-	-	-
Indochina Postwar Reconstruction	-	-	-	-	-	-	-	-	502	431	9	-	-	-	-	-	-
Security Supporting Assistance	703	718	595	464	518	573	593	622	126	578	1,087	872	1,750	2,212	-	-	-
Middle East Special Requirements	-	-	-	-	-	-	-	-	-	100	36	18	16	12	-	-	-
Economic Support Fund	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,943	2,158	1,984
Peacekeeping Operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	25	21
Operating Expenses 1/	-	-	-	-	-	-	-	-	-	-	196	54	202	219	252	273	280
Foreign Service Retirement Fund	-	-	-	-	-	-	-	-	-	16	16	1	21	24	26	27	26
Contingency Fund	209	60	28	14	21	26	33	27	16	2	-	1	-	.7	3	-	-
Other	64	68	70	65	69	69	63	61	70	80	-	-	11	2	-	-	-
Programs of S&T	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	12
Total Bilateral	2,540	2,276	2,044	1,551	1,764	1,736	1,921	1,872	1,662	2,379	2,145	1,222	2,917	3,617	3,520	3,804	3,696
MULTILATERAL PROGRAMS																	
Internat. Orgs.	138	144	135	138	113	123	149	127	147	139	132	89	244	241	260	260	256
Internat. Fund for Agr. Dev.	-	-	-	-	-	-	-	-	-	-	-	-	-	200	-	-	-
Total Multilateral	138	144	135	138	113	123	149	127	147	139	132	89	244	441	260	260	256
TOTAL A.I.D.	2,677	2,419	2,176	1,690	1,877	1,861	2,072	2,001	;,809	2,519	2,276	1,310	3,161	4,058	3,780 4/	4,064	3,952

1/ Operating expenses for period 1966-1975 were funded from various program [illegible]unts. For 1976, Congress established an appropriation for operating expenses.
2/ Source: Flash Report dated September 30, 1980
3/ Continuing Resolution levels.
4/ [illegible]

II. A. 2. Multilateral Development Banks (MDBs)

The program of the multilateral development banks (MDBs) -- the World Bank and its affiliates International Development Association (IDA) and International Finance Corporation (IFC), the Inter-American Development Bank (IDB) including its Fund for Special Operations (FSO), the Asian Development Bank (ADB) and Asian Development Fund (ADF), the African Development Fund (AfDF) and the African Development Bank (AfDB) -- support a number of economic, security, political, and humanitarian objectives of the United States in the developing world. Our national interests are inextricably linked to the developing as well as to the industrialized nations. both of which are represented in the banks.

U.S. economic interests in the developing world are large and growing. As a group, in 1978 these countries provided the market for almost 40 percent of our exports and the source for 41 percent of our imports, including tin, bauxite, rubber, manganese, and other critical raw materials. Developing countries comprise the largest and most rapidly growing export market for U.S. goods and services, larger than Western Europe and Japan combined.

The benefits to the United States of providing a significant proportion of its assistance through the MDBs are substantial. All MDB member countries, including the borrowing members, contribute resources to the MDBs; in the most recent replenishments, other countries have subscribed about $3 for every dollar subscribed by the United States, a significant element of burden-sharing.

Of the recent subscriptions to the banks, only about 7.5 percent of the U.S. share has resulted in budget outlays, the rest is in callable capital which in all probability will never be paid. All of the multilateral development banks leverage the subscriptions of their members by means of long-term borrowing in private capital markets. The borrowings are backed by the member country subscriptions of callable capital. The burden-sharing arrangements combined with the fact that the banks borrow most of their funds permit a large amount of lending for a small amount of U.S. paid-in capital.

Each institution also has a "soft" window which lends to the poorest countries, which are unable to pay market rates, on concessional terms. Their lending is financed by contributions from members. Detailed and rigorous loan appraisal processes are followed in each of the banks to insure that every dollar of development lending yields maximum benefits and is strictly accounted for. MDB staff are highly trained, experienced and competent.

The multilateral development banks provide a highly cost-effective means of cooperation among the industrial democracies in assisting the economic progress of the developing world. They assure equitable sharing of the costs of development assistance, which otherwise would tend to fall disproportionately on the United States. Moreover, the banks have always been guided by a philosophy of an open, market-oriented, price-responsive world economy consistent with American ideals.

a. International Bank for Reconstruction and Development (IBRD)

The IBRD is the World Bank Group's hard loan window. It makes loans to governments at near market rates of interest for development purposes. IBRD terms are typically 15-20 years final maturity with 1-3 years grace and carry an interest rate of 0.5 percent over the IBRD's borrowing costs. In FY 1980, the IBRD made new loans (commitments) totaling $7.6 billion for 144 projects in 48 developing countries. During the same period the IBRD disbursed $4.4 billion for ongoing projects. The leading sectors and their share of total IBRD/IDA loans were: agriculture 30 percent, energy and power 25 percent, and transportation 13 percent.

The IBRD's Board of Governors recently approved a $40 billion increase to the institution's authorized capital stock (GCI). The U.S. share is 22 percent or $8.8 billion. Of this amount only 7.5 percent or $660 million will be paid-in, and thus will require appropriations. Legislation seeking authorization and appropriation is required in FY 82 for U.S. participation in the GCI. Under the continuing resolution, the U.S. is still in arrears by $535 million on its commitment of $1.6 billion, ($160 million paid-in) made in a selective increase in the IBRD's capital in 1977.

The U.S. is the largest member of the IBRD, presently owning 23 percent of its shares and having a veto over charter amendments. There has been a long time informal understanding that the President of the entire World Bank Group will be an American. A. W. Clausen of BankAmerica Corp. has been nominated to replace Mr. McNamara when he retires next year. Over time, the U.S. has reduced its share in the Bank and IDA. The reduced share, combined with continuing substantial arrearages, have acted to reduce U.S. influence in the institution. The U.S. veto will be in jeopardy if the U.S. subscription to the GCI is delayed because other subscriptions could reduce the U.S. share below the 20 percent which is required to maintain the veto.

b. <u>International Development Association (IDA)</u>

IDA is the World Bank Group's soft loan window. It provides the world's poorest countries with loans for development projects on concessional terms. IDA's lending program in FY 80 provided new loans totaling $3.8 billion for 103 projects in 40 countries. During the same period $1.4 billion was disbursed for ongoing projects. No country whose annual per capita income is above $680 is eligible for IDA lending, and 90 percent of this lending goes to countries with per capita income below $345. IDA loans have 50-year maturities including 10 years grace and carry an annual service charge of .75 percent with no interest.

In early 1980 the IDA Board of Governors voted to approve a $12 billion replenishment of IDA's resources (IDA VI) to provide funds for lending over IDA FY 1981-83 (July 1, 1980-June 30, 1983). The U.S. agreed to provide 27 percent, or $3.24 billion, as opposed to 31 percent of the previous replenishment. Authorizing legislation for the entire U.S. contribution and appropriating legislation for the first of three equal tranches ($1,080 million) were sought in FY 1981. Since Congress did not act on this request, new legislation will have to be introduced.

c. <u>International Finance Corporation (IFC)</u>

IFC provides loans and equity capital to [illegible]romote the growth of primarily private sector enterpri[illegible] [illegible]eveloping countries. IFC charges full market [illegible] interest and does not receive a government guarantee on its exposure. IFC had its capital base expanded significantly in 1977 and is not expected to require new capital until the mid-1980s at the earliest.

d. <u>Inter-American Development Bank (IDB)</u>

The IDB provides loans for development projects in Latin America and the Caribbean on both near market terms (capital resources) and concessional terms (Fund for Special Operations - FSO). The IDB lent $1.3 billion of capital resources in 1979 and $620 million of FSO resources for a total of 71 loans to 21 countries. Disbursements under both windows totaled $1.2 billion.

The U.S. voting share is 34.5 percent which gives us a veto over individual FSO loans. Presently, U.S. arrearages are $98.6 million in capital subscriptions and $150.3 million in FSO contributions. The Administration's FY 81 appropriations request would have made the USG fully current in the IDB. The continuing resolution leaves a shortfall of $180 million of capital and $125 million FSO for which new legislation will be required for the new funds and the arrearages.

In FY 1980 the multiyear Authorization Bill to provide the IDB resources through 1982 was cut by 10 percent; new authorizing legislation will be necessary to meet the amounts agreed to in the replenishment. The replenishment amounted to $8.0 billion of new capital subscriptions and $1.75 billion of contributions to the FSO. The U.S. shares of each are $2.75 billion of capital, of which only 7.5 percent will be paid-in, and $700 million in the FSO.

e. Asian Development Bank and Fund (ADB, ADF)

The ADB and the ADF provide loans for development projects in Asia and Pacific region. The ADB provides funds at near market rates while the ADF provides concessional funds to the poorer countries.

In 1979 the Bank made new loans totaling $835 million and disbursed $361 million. The Fund made loans totaling $416 million and disbursed $125 million during the same period. Under the continuing resolution, U.S. arrearages total $106 million ($50 million to ADB and $56 million to ADF). The Administration's FY 81 request for $469 million would have brought the U.S. up to date with no funding necessary for the ADB in FY 82 and only the final tranche of $111 million for the ADF in that year. However, new legislation will now be necessary for the new funds and the arrearages.

Both windows will exhaust available resources in CY 1982. Negotiations must begin early in 1981 to allow time to reach agreement and for the legislative processes in donor countries to avoid an abrupt cutoff of lending in 1982. The Bank has provided some preliminary documents for discussion.

f. African Development Bank and Fund (AfDB, AfDF)

The AfDB has been in existence since 1967, and has only recently solicited non-regional membership. The U.S. has submitted legislation requesting authorization for its membership in the African Development Bank; 20 other non-regional countries have also agreed to join. The African member states are now in the process of ratifying non-regional participation. If the U.S. membership is authorized, there is a good chance the non-regionals could join early in 1981.

The U.S. share of the recently negotiated $4.8 billion increase in the AfDB's capital is $360 million or 5.7 percent. Of this $89.9 million would be paid in over five years to authorize U.S. participation and bring us current on subscriptions. The capital increase will support the AfDB's lending program over the 1981-86 period. In 1979, the AfDB lent $274 million for development projects in Africa, and disbursed $108 million for ongoing projects.

The AfDF is a fund providing concessional project loans to Africa's poorest countries. The AfDF provided loans totaling $248 million for 30 development projects in 24 of Africa's poorest countries and disbursed $57 million for ongoing projects. The U.S. joined the AfDF in 1976 and our current share of AfDF resources is 7 percent.

Under the continuing resolution, the U.S. is in arrears in the AfDF by $17 million. The Administration's FY 81 request ($58.3 million) would have made the U.S. current in the AfDF. New legislation will have to be submitted.

AfDF resources will be exhausted in 1982. The time required to negotiate a new replenishment agreement and permit donors to complete their legislative process before available resources are exhausted necessitates that negotiations begin early in 1981. AfDF Management has produced a draft replenishment proposal with the final proposal expected to be available on December 10. IDCA staff analyzed the earlier draft and provided comments to the U.S. Executive Director through Treasury.

II. A. 3. International Development Organizations

a. Voluntary Contributions

One aspect of U.S. foreign assistance is the developmental assistance which the USG channels through the United Nations, its specialized agencies, and affiliated bodies. Of these nearly three dozen bodies, nearly all are at least partially orientated towards development assistance and approximately one-half could be classified as predominantly so. Those that expend virtually all of their resources in development assistance include the United Nations Development Program (UNDP); United Nations Children's Fund (UNICEF); World Food Program (WFP); and United Nations Fund for Population Activities (UNFPA). Those that are more evently divided include the Food and Agriculture Organization (FAO); the United Nations Educational, Scientific and Cultural Organization (UNESCO); the United Nations Industrial Development Organization (UNIDO). The work of the more specifically functional agencies, the International Telecommunication Union (ITU); the Universal Postal Union (UPU); and the World Meteorological Organization (WMO), also contribute to development, but less directly. To give an indication of the UN's involvement, the planning figure for UNDP alone for the period 1982-86 is $6.5 billion. Adding the commitments of the other UN Agencies for the LDCs would double this amount.

The following is a list of voluntary contributions to International Organizations and Programs for the years FY 79-81:

	FY 79 Actual	FY 80 Estimated	FY 81 Proposed.
I. PRIMARILY DEVELOPMENT PROGRAMS:			
UN Development Program (UNDP)	126,050	126,050	140,000
UN Special Fund for Science and Technology Development (UNSFSTD)	--	--	15,000
UN Children's Fund (UNICEF)	30,000	36,000	40,000
OAS Assistance Programs (OAS): SUBTOTAL	15,500	16,500	17,500
Special Multilateral Fund (SMF)	(6,500)	(7,000)	(7,000)
Special Projects (Mar del Plata)	(2,600)	(3,000)	(3,300)
Special Development Assistance Fund	(6,000)	(6,000)	(6,700)
Special Cultural Fund	(400)	(500)	(500)
UN Capital Development Fund	2,000	2,000	2,000
FAO World Food Program (WFP/Administrative Costs)	2,000	2,000	2,500
UN Post Harvest Losses Fund	3,000	--	--
SUBTOTAL	178,550	182,550	217,000

32

II. OTHER PROGRAMS:

UN Southern Africa Development Fund: SUBTOTAL	1,800	1,900	1,900
UN Institute for Namibia	(500)	(500)	(500)
UN Trust Fund for South Africa	(300)	(400)	(400)
UN Education and Training Program for Southern Africa (UNETPSA)	(1,000)	(1,000)	(1,000)
UN Decade for Women	2,000	1,000	1,000
World Meteorological Organization (WMO)	2,000	2,300	2,300
International Atomic Energy Agency (IAEA)	12,000	12,500	13,500
UN Environment Program (UNEP)	10,000	8,000	8,200
Convention on International Trade in Endangered Species (CITES)	--	--	150
Central Treaty Organization (CENTO)	425 1/	--	--
UN Institute for Training and Research (UNITAR)	500	500	--
UN Expert Study on the Relationship Between Disarmament and Development	175 1/	--	--
UN Disaster Relief Organization (UNDRO)	250	250	--
UNESCO--World Heritage Trust Fund	300	640	--
UN Relief and Works Agency (UNRWA)	52,000	52,000 2/	--
SUBTOTAL	81,450	79,090	27,050
TOTALS	260,000	261,640 3/	244,050

1/ Due to CENTO dissolution, $175,000 of the originally appropriated $600,000 was re-programmed, upon Congressional notification, for use by the UN Expert Study on the Relationship Between Disarmament and Development.

2/ This activity was part of the IO & P budget in FY 1979 and 1980; it has now been transferred to the Migration and Refugee Assistance budget.

3/ The regular appropriation for this account for 1980 had not been enacted at the time this budget was prepared. Funding is currently provided by a continuing resolution (P.L. 96-123) in effect through September 30, 1980. The 1980 amounts shown are based on House and Senate Floor action on H.R. 4473, Foreign Assistance and Related Programs Appropriation Act, 1980. If the House and Senate are in disagreement, the figure reflects the version closest to the Administration's request. If, in comparing the House and Senate actions to the request, one is lower and one is higher, the request is shown.

As other nations increase their support for the UNDP, the U.S. share of contributions, while still the largest at $126 million in 1980, has declined from 37.8 percent in 1966 to about 17.5 percent of annual contributions to UNDP's general funds. Receipts for UNDP's main program in 1980 are expected to total $719 million.

Individual country program funding (IPF) levels are set by UNDP's Governing Council (of which the U.S. is one of 48 members), and serve as the basis around which development assistance is designed. Recipient countries, in coordination with the UNDP Resident Representative, jointly plan how the funds will be spent. UNDP has urged, with considerable success, that governments concentrate on their highest priorities. The major areas which were supported with UNDP's funds in 1979 were the following:

Agriculture, forestry and fisheries	25.9%
Transport and Communications	12.7%
Industry	11.7%
Development Policy and Planning	10.8%
Natural Resources	10.8%
Human Settlements	7.3%
Education	6.9%
Employment and Other Social Services	6.7%
Health	4.2%
International Trade	3.0%
Total	100.0%

Voluntary contributions from UNDP enable the UN agencies with assessed budgets to carry out technical assistance activities which would be beyond their normal resources. About 95 percent of UNDP's activities are carried out by its 35 participating and executing agencies. An estimated 75 percent of these funds are channeled through a half-dozen of the largest agencies, and to affiliated bodies of the UN itself: the Food and Agriculture Organization (FAO); the International Labour Organization (ILO); the United Nations Educational Scientific and Cultural Organization (UNESCO); the United Nations Industrial Development Organization (UNIDO); and the United Nations Department of Technical Cooperation for Development.

The other major recipients of U.S. voluntary contributions are UNICEF and UNFPA. UNICEF, with its emphasis on the world's children and its past success in providing assistance, is scheduled to receive $40 million from the U.S. Government in 1981. UNFPA, with health and family planning programs functioning in over 120 developing countries, is scheduled to receive $32 million through an AID appropriation during 1981.

On an individual basis other contributions are made to specialized agencies for activities which the U.S. holds in high priority, and for which the agency concerned has special expertise. For example, FAO received special contributions from the U.S. in the recent past for its Sahel Relief activities and related food production oriented programs. Similarly, functionally specific agencies such as International Atomic Energy Agency (IAEA) are granted funds for special high priority initiatives in nuclear safeguards.

Since the mid-1960s, several special bodies have been created within the UN system which pay special consideration to particular problems of LDCs. One of the most important, the UN World Food Program (WFP), has committed nearly $4 billion in over 100 countries since its inception in 1962. The WFP uses food commodities, cash and services pledged by member states (the U.S. pledged $88.0 million in 1978) for programs in social and economic development as well as for relief in emergency situations. Another organization, the International Fund for Agricultural Development (IFAD), was established in 1977 with combined pledges of $1.1 billion almost equally divided among the developed world and the OPEC countries. IFAD provides concessional loans and limited grants to LDCs -- and especially the least developed in the field of agriculture and rural development. Other agencies exist to facilitate disaster assistance (United Nations Disaster Relief Office - UNDRO), refugee assistance and repatriation (United Nations High Commission for Refugees - UNHCR), and to focus attention on environmental issues (United Nations Environment Program - UNEP).

b. Assessed Contributions

Many of the older UN agencies began their operations with mandates very different from their main emphasis today. Prior to the independence of the African and Asian States which now comprise the majority of UN membership, the Specialized Agencies were concerned primarily with activities that benefited the global community and only indirectly the LDCs and their development problems. Until the late 1950s most specialized agencies had relatively small technical assistance programs, instead concentrating their efforts on research; data collection and analysis; standard setting; convening conferences and seminars to focus attention on world issues and problems, and the like. With the exception of UNICEF and possibly WHO, development assistance was only an auxiliary responsibility. With the advent of UNDP as an overall coordinator in 1966, and the availability of significant resources for developmental purposes, the specialized agencies have increasingly emphasized development.

For example, FAO has some 3,000 plus technicians in the developing world who are addressing such diverse agricultural issues as nutrition improvement, rural development, afforestation, livestock improvement, water and land use planning, training and policy and planning advice.

The U.S. has been a substantial contributor to most Specialized Agencies regular budgets. By treaty or its spin-off, the U.S. is assessed a percentage of this predominantly non-developmental budget. The following are examples of the assessed contributions of significant Specialized Agencies:

		CY 1978
FAO	25%	$ 26.7 million
IAEA	25%	12.7 million
UNESCO	25%	27.3 million
WHO	25%	45.2 million

Currently, the Specialized Agencies receive approximately 60% of their total development funds from UNDP. Independently of UNDP, many of the UN Specialized Agencies use a portion of their assessed contributions (usually 5-10% of their budgets) for technical assistance activities. The types of projects they finance vary from agency to agency, but generally emphasis is placed on action-oriented, quick response type activities. Many of these are projects which have a good chance of generating a future large scale investment by a bilateral donor or multilateral bank.

II. A. 4. Development Assistance Through Facilitating Trade and Investment

Conventional foreign aid programs provide only a small fraction of the money needed for growth and development in the Third World. Third World development efforts in significant part must depend on private commercial activities to promote growth and basic improvements in socio-economic conditions. Private trade and investment decisions vis-a-vis the Third World depends heavily on U.S. and international trade investment and monetary policies. The setting of such policies is in many ways far more significant to promoting the economic efficiency and growth of developing countries than decisions concerning the level and nature of U.S. development and other foreign assistance. The relationship of U.S. development policy to trade investment and monetary decision making is treated in the separate IDCA Director's Office Briefing Book.

Some components of the U.S. assistance program, however, work directly to encourage trade and investment, by providing incentives to U.S. investors and traders to encourage their participation in the foreign development process. Two programs, the Overseas Private Investment Corporation ("OPIC") and the Trade and Development Program ("TDP"), have been instituted for this purpose. Primarily by guaranteeing U.S. investments and by financing feasibility studies and related project planning services, these programs seek to facilitate or increase the level of U.S. investment in and trade with the Third World. Among other things, these programs aim to facilitate the transition from concessional assistance to reliance on the international private sector.

The resources of OPIC and TDP are used to insure or finance activities which might not have attracted the private investor without such incentives, but which are essential to the balanced economic development of a country. The guiding principle of both programs is mutual benefit: they encourage and assist those private investments which promise to accelerate economic growth in developing countries while benefitting the U.S. As components of IDCA, these programs are coordinated and guided to be consistent with overall U.S. Development and Trade policies.

II. B. MAJOR METHODS OF A.I.D. FINANCING

1. Dollars are appropriated to A.I.D. for Development Assistance and the Economic Support Fund (ESF).

2. Dollars finance activities through loans and grants.

a. A loan is a transfer of resources, for the procurement of goods and services, which must be repaid over time.

b. A grant is a transfer of resources, usually for the procurement of goods and services, which is not repaid. Under ESF, grants may be used to transfer cash to achieve short-term political objectives. Under Development Assistance, grants may be used to transfer cash to international organizations or domestic institutions for budgetary support.

3. Activities are classified as project or non-project (program) assistance.

a. Project assistance provides goods and services for a specific activity to achieve a defined development objective. Project assistance is composed of capital assistance and technical assistance.

-- Technical assistance is usually financed by grants. However, for the more advanced less developed countries, or where capital and technical assistance are combined in one project, A.I.D. may choose to finance technical assistance with loans.

-- Capital assistance is usually financed by loans.

-- In FY 1981, under the Continuing Resolution, total Development Assistance including the functional accounts and the Sahel Development Program, breaks down into 31% loan and 69% grant.

b. Non-project activities finance commodity imports or cash transfers to provide balance of payments assistance or budgetary support.

Non-project assistance for balance of payments support is currently financed only by ESF. Budgetary support can be financed from Development Assistance or ESF.

4. Current A.I.D. loan terms for Development Assistance and ESF vary to some degree.

a. Most Development Assistance loan terms are 40 years, with a 10-year grace period. Interest is 2% for the grace period and 3% during the remainder of the repayment period. (This constitutes an effective grant element of approximately 68%; the Development Assistance Committee (DAC) of the OECD uses a benchmark of 25% grant element for measuring a country's Official Development Assistance (ODA) level.) However, the FY 1981 (appropriations) legislation (for development assistance) requires that countries with per capita incomes between %650 and $1100 per year must repay loans in 25 years including the grace period and countries with per capita incomes above $1100 per year must repay loans within 20 years.

b. The terms for ESF are not prescribed by legislation, but are determined by the President. Most ESF loan terms are 40 years to repay including a 10 year grace period. Interest is usually 2% for the grace period and 3% during the remainder of the repayment period. For certain more developed recipient countries terms are harder.

5. Most A.I.D. loans and grants are made on a bilateral basis to less developed countries. However, A.I.D. grant contributions are also made available to: U.N. organizations; U.S. research and service institutions; American schools and hospitals abroad; and international research institutions:

39

SECTION III. WORLDWIDE BILATERAL AND MULTILATERAL AID

III. A. AID FLOWS OF ALL DONORS

Tables I and II, on pages 4 and 5 attached show the financial aid flows (expressed in U.S. dollars) to (a) the developing countries, and (b) multilateral agencies, by major donor groups.

In summary, these tables indicate that 1979 United States flows when evaluated as a percentage of GNP, were the reverse of the United Nation's Second Development Decade Targets with respect to the Official Development Assistance (ODA) and Non-ODA Components. The United Nation's targets were: a total financial flows to GNP ratio of 1.0 percent; an Official Development Assistance flows to GNP ratio of 0.7 percent (which the United States reserved on); and, by implication, a ratio of 0.3 percent for other Official flows and private capital flows to GNP. Equivalent 1979 ratios reached by the United States were: 1.0% in the case of the 1.0 percent target; 0.2% against the 0.7 percent target; and 0.8% against the implied 0.3 percent target.

The most significant thing to note from Table I is that - during the seventies - the U.S. declined in importance as a ODA donor. Specifically:

-- The ratio of U.S. ODA to total flows declined from 44% in 1972 to 25% in 1979.

-- The Organization of Oil Exporting Countries (OPEC) countries have emerged as a major donor group.

Non-ODA flows were four times the ODA level for the United States in 1979 but only 2.15 times greater in the case of other DAC donors. As Table II indicates:

-- Other Development Assistance Committee (DAC) donors increased in importance, as their ODA flows rose, and those of the U.S. remained relatively constant.

-- The U.S. provided 16% of all donor ODA flows in 1979, as compared to 34% in 1972. *

-- The U.S. commitment to development, as measured by the ODA to GNP ratio, declined from 0.29% in 1972 to 0.20% in 1979; during the same period, the ratio for other DAC countries rose from 0.36% to 0.44%.

Table II shows that financial flows from all donors in creased markedly in 1979, as compared to 1974; but the relative importance of ODA continued to decline.

* Source: DAC Statistical Annex (80) 27, Table A-2.

Specifically:

-- Total flows increased by 150% from 1974 to 1979; and

-- ODA increased by 97% from 1974 to 1979; but

-- ODA as a percentage of total flows declined from 46% in 1974 to 36% in 1979.

The U.S. pattern also shows a more rapid increase in total flows in 1979, mainly of private flows. As the table indicates:

-- Total flows from the U.S. increased by 310% from 1974 to 1979*; but

-- ODA from the U.S. increased by only 28% from 1974 to 1979.

III. B. AID FLOWS FROM THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC) COUNTRIES **

Table III on the following page compares the financial aid flows of the U.S. and other DAC countries to the developing countries and multilateral agencies. The table shows that:

-- The ODA to GNP ratio of the U.S. during the seventies has been below the DAC average -- by an increasing margin in each successive year;

-- Eight of the 17 DAC countries achieved an ODA to GNP ratio in excess of 0.52% or roughly 2.6 times the ratio for the U.S. in 1979; and

-- U.S. ODA levels during the seventies have increased only 46% over the 1969-1979 average; as a percent of GNP, U.S. levels have declined from 0.49% in the mid-sixties to 0.20% in 1979.

* Source: DAC Statistical Annex (80) 27, Table A-2.

** DAC Countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany (West), Italy, Japan, Netherlands, New Zealand, Norway, Sweden, Switzerland, United Kingdom, United States.

42

LE I

TOTAL FINANCIAL FLOWS TO DEVELOPING COUNTRIES AND MULTILATERAL AGENCIES BY MAJOR GROUPS(a)

	$ Billion			As percent of total		
	1977	1978	1979	1977	1978	1979
TOTAL FLOWS (net)	64.88	80.65	81.40	100	100	100
DAC Countries	57.24	73.85	74.38	88	92	91
(U.S.)	(12.43)	(16.17)	(18.67)	(19)	(20)	(23)
(Other DAC)	(44.81)	(57.68)	(55.71)	(69)	(72)	(68)
OPEC Countries	6.26	5.44	5.07	10	7	6
USSR and Eastern Europe	1.38	1.36	1.94	2	2	2

Source: DAC Statistical Annex (80)27
A-1, A-2

TABLE II   TOTAL NET RESOURCE RECEIPTS OF DEVELOPING COUNTRIES FROM ALL SOURCES

Net Disbursements $ billion

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
ODA	8.15	9.14	9.45	11.53	14.94	20.06	19.28	20.27	23.44	29.37
a) DAC bilateral	5.67	6.33	6.63	7.09	8.24	9.81	9.50	10.08	13.12	15.91
b) Multilateral agencies	1.07	1.33	1.39	2.00	2.85	3.84	3.87	4.97	5.99	(7.50)
of which: OPEC financed	–	–	–	–	0.12	0.16	0.42	1.23	0.96	0.25
c) OPEC bilateral	0.35	0.47	0.45	1.21	3.02	4.95	4.53	3.87	2.97	4.02
d) CMEA countries	1.04	1.01	0.98	1.23	0.83	1.43	1.32	1.27	1.26	1.84
e) Other donors, bilateral	..	..	..	..	..	0.03	0.06	0.08	0.10	0.10
Non-concessional flows	10.97	11.62	12.94	19.03	17.61	33.19	36.99	44.61	57.21	52.03
a) Multilateral............................	0.69	0.90	1.00	1.28	1.80	2.58	2.68	2.93	3.42	(4.00)
of which: OPEC financed	–	–	–	–	0.02	0.06	0.13	0.27	0.49	
b) Direct investment	3.69	3.31	4.23	4.72	1.12	10.49	7.82	9.50	11.15	13.49
c) Bank sector[a]	3.00	3.30	4.80	9.70	10.00	12.00	15.00	15.50	22.51	16.67
d) Bond lending	0.39	0.30	0.52	0.58	0.28	0.42	1.22	3.20	3.03	(3.00)
e) Private export credits	2.16	2.85	1.45	1.20	2.49	4.14	6.05	8.34	9.00	8.33
f) Official export credits[b]	0.55	0.57	0.74	1.11	0.70	1.37	1.82	2.29	2.96	1.47
g) OPEC bilateral..........................	0.20	0.19	–	0.14	0.92	1.50	1.61	0.89	1.02	0.80
h) Other[c]	0.20	0.20	0.20	0.30	0.30	0.69	0.81	1.96	4.13	(4.27)
of which: CMEA countries..............	0.11	0.10	0.11	0.10	0.09	0.09	0.12	0.11	0.10	0.10
Total receipts	19.10	20.77	22.40	30.57	32.58	53.26	56.32	64.88	80.65	81.40
Memorandum Items:										
Private sector grants	0.86	0.91	1.04	1.37	1.22	1.34	1.35	1.49	1.65	1.95
Selected IMF Facilities, net[d]	–	0.08	0.33	0.14	1.26	2.76	2.51	0.20	-0.08	-0.80

a) Excluding bond lending and export credits extended by banks
b) Including supporting funds to private export credits
c) Apart from CPE and "other donors" (Ireland, Luxembourg, India, Spain, Israel, Yugoslavia), includes DAC miscellaneous non-concessic
d) "Oil facility", "Compensatory Drawings" and "Extended Fund Facility"; loans by the IMF Trust Fund are included under ODA flows fr multilateral agencies (1977=$175 mill., 1978=$877 mill., 1979=$680 mill.).

Note: Figures concerning non-DAC Member countries are based as far as possible on information released by donor countries and international organisations, and completed by OECD Secretariat estimates based on other published and unpublished sources. It has therefore not been possible fully to verify that they comply in all respects with the norms and criteria useb by DAC Members in their statistical reports made directly to the OECD Secretariat.

Source: Development Assistance Committee Report, Statistical Annex, 1980

Table III NET OFFICIAL DEVELOPMENT ASSISTANCE FROM DAC COUNTRIES TO DEVELOPING COUNTRIES AND MULTILATERAL AGENCIES

Disbursements

$ million and per cent of GNP

Countries	1969-71 Average		1974		1975		1976		1977		1978		1979	
	$ m.	as % of GNP	$ m.	as % of GNP	$ m.	as % of GNP	$ m.	as % of GNP	$ m.	as % of GNP	$ m.	as % of GNP	$ m.	as % of GNP
Australia	205	0.59	433	0.55	552	0.65	377	0.41	400	0.42	588	0.55	620	0.52
Austria	12	0.08	60	0.18	79	0.21	50	0.12	108	0.22	154	0.27	127	0.19
Belgium	127	0.49	271	0.51	378	0.59	340	0.51	371	0.46	536	0.55	631	0.56
Canada	314	0.38	716	0.47	880	0.54	887	0.46	991	0.50	1 060	0.52	1 028	0.46
Denmark	63	0.40	168	0.55	205	0.58	214	0.56	258	0.60	388	0.75	448	0.75
Finland	11	0.10	38	0.16	48	0.18	51	0.17	49	0.16	55	0.17	86	0.21
France	1 001	0.67	1 616	0.59	2 093	0.62	2 146	0.62	2 267	0.60	2 705	0.57	3 370	0.59
Germany	638	0.34	1 433	0.37	1 689	0.40	1 593	0.36	1 717	0.33	2 347	0.37	3 350	0.44
Italy	153	0.17	216	0.14	182	0.11	226	0.13	186	0.10	375	0.14	273	0.08
Japan	468	0.24	1 126	0.25	1 148	0.23	1 105	0.20	1 424	0.21	2 215	0.23	2 638	0.26
Netherlands	185	0.57	436	0.63	608	0.75	728	0.83	908	0.86	1 073	0.82	1 404	0.93
New Zealand	14	0.22	39	0.31	66	0.52	53	0.41	53	0.39	55	0.34	61	0.30
Norway	36	0.32	131	0.57	184	0.66	218	0.70	295	0.83	355	0.90	429	0.93
Sweden	132	0.42	402	0.72	566	0.82	608	0.82	779	0.99	783	0.90	956	0.94
Switzerland	29	0.14	68	0.14	103	0.19	112	0.19	119	0.19	173	0.20	205	0.21
United Kingdom	542	0.44	792	0.41	902	0.39	885	0.40	1 116	0.45	1 456	0.47	2 067	0.52
United States	3 214	0.32	3 673	0.26	4 161	0.27	4 360	0.26	4 682	0.25	5 664	0.27	4 684	0.20
Total DAC Countries	7 145	0.35	11 618	0.34	13 844	0.36	13 953	0.33	15 723	0.33	19 982	0.35	22 377	0.35

U.S. CAMPARISON TO OTHER DAC AID
(COMPARISON OF 1974 [illegible] 1979)
($ in Thousa[illegible]

	1974				1979				Percent Change 1974-1979			
	Total	Total GNP	ODA	ODA GNP	Total	Total GNP	ODA	ODA GNP	Total	% Change	ODA	% Change
DAC Total	22,390	0.65	11,618	0.34%	74,380	1.16%	22,377	0.35%	51,990	+ 232%	10,759	+93%
U.S.	4,549	0.32	3,673	0.26%	18,670	0.80%	4,684	0.20%	14,121	+ 310%	1,011	+28%
Other DAC Countries	17,841	0.88	7,945	0.39%	55,710	1.37%	17,693	0.44%	37,869	+ 212%	9,748	+123%

SECTION IV. FOREIGN ASSISTANCE LEGISLATION

The Foreign Assistance Act of 1961, as amended (the "FAA"), is the principal authority for the U.S. bilateral economic assistance program administered by the Agency for International Development ("AID"). The Overseas Private Investment Corporation ("OPIC"), U.S. voluntary contributions to International Organizations and the Trade and Development Program also derive their authorities from the FAA. In addition, AID and USDA provide bilateral food assistance as authorized by the Agricultural Trade Developmment and Assistance Act of 1954, as amended ("P.L. 480"). Finally, U.S. multilateral assistance is authorized by the statutes authorizing voluntary contributions to international organizations and U.S. participation in and contributions to the multilateral development banks. Since 1979, the International Development Cooperation Agency ("IDCA") has been responsible for coordination of overall foreign assistance policy and budget matters.

A. Authorizing Legislation

1. Foreign Assistance Act of 1961, as amended

AID's program authorities are derived from the FAA. Until the early 1970's, Congress amended the FAA annually with a bill that included both economic and military assistance. The conventional wisdom was that political support for the authorization bill depended upon wedding development and military assistance programs.

There were few shifts in direction or emphasis in the foreign assistance authorization legislation during the 1960's. The principal themes in this period were the encouragement of self-help by recipient countries and close coordination among the U.S and other donor countries and neighboring aid recipients.

During the 1970's foreign assistance became entangled in the dispute between Congress and the President over the war in Indochina. In 1971 a coalition of Senate liberals and conservatives rejected the combined military and economic aid authorization and a substitute measure narrowly passed the following session. In 1972, the development and military elements of the program were split and the Senate defeated the FY 1973 military assistance authorization. As a result, passage of the regular appropriation bill, which included both military and economic aid, was blocked and funding for foreign aid in FY 1973 had to be provided under a continuing resolution.

In 1973, the Senate authorized military and economic assistance in two separate bills, but the final version of the bill combined the two assistance areas.

The 1973 experience convinced AID and its congressional friends that splitting the authorization into separate military and economic bills would solve the Congressional deadlock which had hamstrung foreign aid in the early 1970's. More important, major policy changes--Congressional mandates--were inserted in the development assistance sections of the 1973 authorizing legislation. These mandates are discussed below. By 1980, the pendulum had swung again, with security interests becoming increasingly important. As a result, the Administration decided to combine security and economic assistance authorizing legislation into a single bill in 1980.

2. <u>Foreign Assistance Act of 1973</u>

In the early 1970's, supporters of foreign assistance on the House Foreign Affairs Committee were determined to make aid for the poorest sectors of developing nations the central thrust of the AID mandate.

Rather than relying on a "trickle down" approach, Congress directed that AID should extend assistance directly to the recipient nation's poor population. In order to achieve this goal, Congress replaced the old categories of technical and developmental loans and grants with new functional categories aimed at specific problems such as nutrition, population, and education.

Congress directed that the aim of bilateral development aid should be to concentrate on sharing American technical expertise, farm commodities and industrial goods to meet development problems, rather than rely on large-scale transfers of money. Congress encouraged the participation of the host governments and the private sector in the development efforts of each country.

The congressional mandate (known as "New Directions") also directed the President to establish the following foreign assistance priorities: food production, rural development, nutrition, population planning and health, education, public administration, and human resources development.

In the Senate, the authorization was embroiled in the Senate's desire to control the Vietnam War decision-making process. As a result, the authorization bill that finally emerged from conference cut slightly into the Administration request for economic aid and slashed the military aid request by over 25%.

3. International Development and Food Assistance Act of 1978

The FY 1979 authorizing legislation revised the statements of policy in the FAA. The new provisions did not depart from the New Directions policy adopted by Congress in 1973. They did, however, eliminate outdated provisions in existing policy statements, consolidate various FAA policy provisions and reinforce and clarify the New Directions guidelines. The basic policies underlying the FAA functional accounts were maintained, but they were updated and revised as necessary. In addition, Congress added new provisions to the FAA to reflect its continuing concern for women in development, appropriate technology, human rights, environmental protection and energy. The following were among the other significant provisions of the FY 1979 authorization legislation:

- The Conference Report directed the President to institute a strengthened system of coordination of all U.S. economic policies that impact upon the Third World. In this regard, the Congress directed the President to consider establishing an International Development Cooperation Administration.

- The legislation called for AID to submit regulations to Congress which would establish a unified personnel system for AID.

- An Auditor General was established for AID who was under the direct supervision of the Administrator.

The FY 1979 authorization also established a new Economic Support Fund (ESF) program as a successor to the Security Supporting Assistance (SSA) program. The ESF provisions explicitly limit its use to economic assistance purposes. (The SSA program had included programs for economic assistance, assistance for peacekeeping and for activities relating to U.S. access to military facilities.) The purpose of ESF is to promote economic or political stability. The types of projects which may be financed are not limited in the manner specified for Development Assistance. Nevertheless, it was the intent of the Congress to emphasize the economic and development goal of the ESF program. Accordingly, it directed the President, in planning ESF programs, to take into account, to the maximum extent feasible, the "New Directions" policy guidelines set forth in the FAA. Note, Executive Order 12163, September 29, 1979, delegates policy decisions regarding ESF to the Secretary of State. The same Executive Order delegates that administration of the ESF program to the Director of AID in IDCA Delegation of Authority No. 1.

4. <u>International Development Cooperation Act of 1979</u>

The FY 1980 authorizing legislation was intertwined with the establishment of IDCA as an independent agency responsible for coordination of overall foreign assistance policy and budget matters. In the authorization process, Congress amended the FAA to emphasize congressional concern in the areas of food security, deforestation and energy. The following were among the other important provisions of the FY 1980 authorizing legislation:

- establishment of the Institute for Scientific and Technological Cooperation to encourage and support the scientific and technological capacities of developing nations to deal effectively with their development problems. (Note that the Institute was not established due to subsequent Appropriations Committee action.)

- congressional recognition of the relationship between illicit narcotics production and overall development programs.

- establishment of a Minority Resource Center to increase the participation of economically and socially disadvantaged businesses in the development activities of AID.

In 1979 Congress also approved Reorganization Plan No. 2 of 1979 which established the International Development Cooperation Agency as an independant executive agency responsible for establishing overall development assistance policy and coordinating international development activities supported by the United States. Reorganization Plan No. 2 transferred certain authorities vested in AID, its Administrator or the agency primarily responsible for administering Part I of the FAA to the Director of IDCA. Pursuant to the Reorganization Plan, the President issued Executive Order 12163 delegating the authorities vested in him by the FAA to the Director of IDCA, who in turn redelegated them as appropriate to the Administrator of AID by IDCA Delegation of Authority No. 1.

5. International Security and Development Cooperation Act of 1980

On November 19, 1980, legislation authorizing foreign assistance programs and activities for FY 1981 was reported out of Conference. It is anticipated that the authorization will be voted on by the Congress during the week of December 1. The following summarizes the major provisions of the bill as reported:

- Authorization of a $2,065,300,000 Economic Support Fund program for FY 1981.
- Additional ESF assistance to Israel ($785 million), Egypt ($750 million), Turkey ($200 million) and Cyprus ($15 million) is earmarked.
- An authorization of $1.338 billion to fund programs from AID's functional accounts (sections 103-106 of the FAA). This is only $70 million below the Administration's request level.
- Restructuring of FAA section 106 to place stronger emphasis on energy programs.
- Provisions enabling closer cooperation between AID and private voluntary organizations.
- Authorization to permit AID to borrow up to $50 million in a fiscal year from development accounts to carry out disaster assistance activities.
- Establishment of an African Development Foundation.

IV. B. APPOPRIATIONS LEGISLATION

1. Levels

The Congress did not enact a regular foreign assistance appropriation bill for FY 1980 and it is anticipated that an appropriation bill for FY 1981 will not be passed by the Congress until mid-1981, at the earliest. In lieu of regular appropriations bills the Congress has enacted a series of continuing resolutions as stop-gap measures to enable foreign assistance operations to continue in FY 1980 and 1981. Failure to enact regular appropriations legislation has had the following effect on funding levels:

- Under the terms of the Continuing Resolution for FY 1980 (P.L. 96-123), AID operated at the FY 1979 level for each of its line item accounts or at the level for each account contained in the appropriations bill for FY 1980 passed by the House, whichever level was lower. In most cases this meant that AID was required to operate at FY 1979 levels during FY 1980.

- Under the terms of the Continuing Resolution for FY 1981 (P.L. 96-369), foreign assistance activities are being conducted at levels, for each line item account, agreed to by Senate-House conferees on the FY 1980 foreign assistance appropriations bill, except that the Continuing Resolution specifically appropriates a somewhat higher amount, $280,000,000, for AID's operating expenses.

As shown in the accompanying table, the impact of the failure of the Congress to pass appropriations legislation has been borne most heavily by AID's development assistance programs, its operating expense account, and the U.S. contribution to international financial institutions.

In addition, the Continuing Resolution for FY 1981 applies the terms and conditions stated in the Conference Report on AID's unenacted FY 1980 appropriations bill to funds made available for FY 1981.

The Continuing Resolution must be extended before Congress adjourns sine die. It is not known at the time of this writing what changes, if any, will be made in the Continuing Resolution.

51

2. Substantive Provisions

Appropriations legislation appropriates funds for line-item accounts. Thus, for example, AID's development assistance accounts (those authorized by sections 103-106 of the Foreign Assistance Act) each receive a separate appropriation.

The Appropriations Committees have assumed an increasingly greater "oversight" function with regard to the way foreign assistance activities are conducted. This role is reflected in extensive hearings which examine assistance programs in considerable detail, as well as in various legislative restrictions and controls. The most significant of these restrictions are as follows:

- Prior Notification: Appropriations for economic assistance are requested by submission of a very specific, detailed justification (the Congressional Presentation) of projects to be funded during the fiscal year. The appropration, as noted above, is by broad line-item category. Within this category AID has a certain amount of flexibility to redirect its program. However, the Congress has limited this flexibility by requirng prior notification at least 15 days in advance of the obligation of funds for activities not justified or in excess of the amount justified to the Appropriations Committees in the annual Congressional Presentation. A revised Congressional Presentation and Notification system will be initiated on February 1, 1981, developed in cooperation with the Committees, which will eliminate much unnecessary paper work and justify economic assistance projects and activities in the context of an overall development strategy.

- Loan Availabilities and Terms: The Appropriations Committees have required AID to increase its loan portfolio and, additionally, apply harder repayment terms for those countries in better financial condition. Thus, the unenacted FY 1980 appropriations bill (which forms the basis for operations under the FY 1981 Continuing Resolution) requires that at least $372,750,000 of funds made available to carry out section 103-106 of the Foreign Assistance Act be made available for loans. It also provides for repayment of AID loans within 20 years by countries whose per capita GNP excees $962, and 25 years by countries whose per capita GNP is between $589 and $962. AID's standard loan repayment period is 40 years.

9

- <u>AID Operating Expenses</u>: The Senate Appropriations Committee is particularly concerned with AID's Operating Expense account. Recent appropriations legislation have placed ceilings on the amount of funds which may be used for AID operating expenses in Washington. Additionally, the FY 1979 Appropriations Act contained a limit on the amount of funds that could be used to finance personal services contracts. Although this latter restriction has not been made applicable under the Continuing Resolution to operations in FY 1981, AID has voluntarily imposed similar limitations on personal services contracts.

- <u>Carry-Over of Funds</u>: Except in limited cases, AID no longer has authority to carry-over unobligated balances of appropriated funds into a subsequent fiscal year.

- <u>Transfer of Funds</u>: Appropriations acts have routinely included a prohibition against the transfer of funds between appropriation accounts unless the prior written approval of the Appropriations Committees has been obtained. The Executive Branch has viewed this, and similar provisions requiring prior approval, as an unconstitutional intrusion into Executive authority. AID has made use of the transfer authority contained in the Foreign Assistance Act very sparingly and only after prior consultation with Committee members and staff.

- <u>Country Limitations</u>: The unenacted FY 1980 appropriations bill contains a prohibition on the use of funds made available thereunder for direct assistance to Angola, Cambodia, Laos, Vietnam and Cuba. A similar prohibition is made applicable to Mozambique; however, the bill allows the President to waive the prohibition to Mozambique if assistance is determined to be in the foreign policy interest of the U.S.

- <u>End of Fiscal Year Obligations</u>: Appropriaton acts have prohibited the obligation of more than 15% of any foreign assistance appropriation (except disaster assistance and migration and refugee funds) during the last month of availability. This prohibition is designed to avoid last minute obliation of fiscal year limited funds and to encourage well-planned projects.

- <u>Participant Training</u>: The unenacted FY 1980 bill includes a limitation on the amount of funds which may be used to finance the training of individuals selected directly or indirectly by their governments. In addition, a sense of Congress statement would require a number of trainees to be selected by independent panels in the foreign country.

- <u>Reports and Studies</u>: The unenacted FY 1980 bill includes a requirement that the cost of each written document prepared under the auspices of AID, any portion of which is prepared by someone other than a full-time employee of AID, is to be designated on the cover of that document. AID has taken certain administrative actions to implement this provision. Discussions are underway with Committee staff to determine if these actions are considered adequate by them.

FOREIGN ASSISTANCE APPROPRIATIONS for FISCAL YEARS 1979-1981

	New budget Obligational Authority FY 1979	Foreign Assistance Activities FY 1980	Budget Request FY 1981	Continuing Resolution FY 1981
International Financial Institutions				
Contribution to the Inter-Development Bank:				
Inter-regional paid-in capital	27,296,025	44,164,226	58,929,868	51,547,047
Callable capital	322,367,077	544,555,402	(726,954,498)	(560,754,950)
Inter-regional callable capital	239,065,381	-	-	-
Fund for special operations	175,000,000	175,000,000	325,277,000	200,000,000
Current replenishment	-	-	(175,000,000)	-
Prior replenishment	-	-	(150,277,000)	-
Total, contribution to the IDB	763,728,483	763,719,628	384,206,868	251,547,047
Contribution to the International Bank for Reconstruction and Development:				
Paid-in-capital	16,307,917	16,299,665	86,278,050	32,800,000
Callable capital	146,771,248	146,695,989	(776,502,449)	(295,200,000)
Total contribution to the World Bank	163,079,165	162,996,654	86,278,050	32,800,000
Contribution to the International Finance Corporation	40,045,100	19,000,000	14,447,900	33,447,900
Contribution to the International Dev. Association	1,258,000,000	1,072,000,000	1,100,000,000	1,072,000,000
IDA IV	(458,000,000)	(272,000,000)	(20,000,000)	-
IDA V	(800,000,000)	(800,000,000)	-	-
IDA VI	-	-	(1,080,000,000)	-
Total, World Bank Group	1,461,124,265	1,253,996,654	1,200,725,950	1,138,247,900
Contribution to the Asian Development Bank:				
Paid-in-capital	19,451,200	15,389,794	29,788,631	24,827,301
Callable capital	175,060,800	138,351,766	(268,256,049)	(223,387,386)
Development Fund	70,488,000	111,250,000	171,250,000	114,785,313
Current replenishment	-	-	(111,250,000)	
Prior replenishment	-	-	(60,000,000)	
Total, contribution to the Asian Dev. Bank	265,000,000	264,991,570	201,038,631	139,612,614
Contribution to the African Development Fund	25,000,000	25,000,000	58,333,334	41,666,667
Contribution to the African Development Bank	-	-	17,986,679	-
Callable capital	-	-	(53,960,035)	-
Subtotal, International Financial Institutions	2,514,852,748	2,307,707,852	1,862,291,462	1,571,074,228

	New budget Obligational Authority FY 1979	Foreign Assistance Activities FY 1980	Budget Request FY 1981	Continuing Resolution FY 1981
Title I - Multilateral Economic Assistance - Continued				
International Monetary Fund				
Participation in Supplementary Financing Facility	1,831,640,000	-	-	-
Total, International financial institutions:				
New Budget (obligational) authority	4,346,492,748	2,307,707,852	1,862,291,462	1,571,074,228
Paid-in and special funds	(3,463,228,242)	(1,478,103,685)	(1,862,291,462)	(1,571,074,228)
Callable capital	(883,264,506)	(829,604,167)	(1,825,673,031)	(1,079,342,336)
Bilateral Economic Assistance				
Agency for International Development				
Agriculture, rural development and nutrition development assistance	605,000,000	605,000,000	729,273,000	635,000,000
Population planning, development assistance	185,000,000	185,000,000	238,015,000	190,000,000
Health development assistance	130,000,000	130,000,000	159,213,000	135,000,000
Education and human resources development, development assistance	97,000,000	97,000,000	122,069,000	101,000,000
Technical assistance, energy, research, reconstruction and selected development problems, development assistance	115,000,000	115,000,000	160,632,000	111,888,500
Total, development assistance	1,132,000,000	1,132,000,000	1,409,202,000	1,172,888,500
Loans	(396,200,000)	(296,200,000)	-	(387,000,000)
Grants	(735,800,000)	(735,800,000)	-	(785,888,500)
American schools and hospitals abroad	25,000,000	25,000,000	7,500,000	20,000,000
Contingency fund	3,000,000	-	-	-
International disaster assistance	20,000,000	64,800,000	25,000,000	73,000,000
African refugee assistance	15,000,000	14,250,000	-	14,250,000
Sahel development program	75,000,000	75,000,000	113,442,000	92,500,000
Payment to the Foreign Service Retirement and Disability Fund	25,676,000	26,696,000	25,296,000	25,676,000
Overseas training (foreign currency program)	(400,000)	(400,000)	(650,000)	(20,700,000)
Security Supporting Assistance	400,000,000	-	-	-
Economic support fund	1,882,000,000	2,026,000,000	2,030,500,000	1,984,500,000
Assistance for relocation of facilities in Israel	800,000,000	-	-	-
Peacekeeping operations	27,400,000	22,000,000	25,000,000	21,100,000
Programs of Scientific and Technological Cooperation	-	-	-	12,000,000
Institute of Scientific and Technological Cooperation	-	-	85,000,000	-
AID operating expenses	254,000,000	264,587,000	289,100,000	280,000,000
[illegible] expenses	-	(3,161,000)	4,700,000	(2,950,000)

IV.C. MAJOR PROVISIONS OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

The FAA authorizes appropriations and provides policy and administrative authorities for the conduct of U.S. assistance programs. In addition, it contains restrictions on the conduct of foreign assistance programs by the Executive Branch. The Congress has recognized the necessity for flexibility in administering the AID program and Section 614(a) of the FAA provides a general waiver provision which authorizes the President to spend up to $250 million of FAA or Arms Export Control Act monies (up to $50 million in any one country unless it is the victim of "communist aggression"), without regard to legal restrictions if he considers it important to the national security. Many restrictions also have built-in waiver provisions but some specifically deny the availability of any waiver provision.

There are three basic groups of constraints in the foreign assistance legislation: administrative and management controls on foreign assistance operations, restrictions on assistance to certain countries, and mechanisms for Congressional involvement in the allocation of foreign assistance resources.

1. Administrative and Management Constraints

a. Procurement

"Buy American Provisions". FAA Section 604 generally requires that commodities financed by AID must be procured in the United States unless the President determines that the economic or other advantages to the U.S. of lower cost procurement abroad outweigh any adverse effects to the U.S. economy or industrial mobilization base of lower cost procurement offshore. The President has determined that U.S. interests are generally served by procurement in developing countris and has expanded the list of eligible countries accordingly. Other exceptions are made under special circumstances. FAA Section 604(e) prohibits procurement of agricultural products when the domestic price is less than parity. An amendment to FAA Section 604(e) in the FY 1981 authorizing

58

legislation permits commodity purchases outside of the United States. FAA Section 636(i) limits the purchase of motor vehicles to those manufactured in the United States. These limitations are based on the balance of payments concerns that dominated the 1960's and early 1970's. The generally higher cost of U.S. procurement has been deemed more than offset by the positive effect on U.S. trade balances.

The Merchant Marine Act of 1936 requires the use of at least 50% U.S. shipping in transporting AID-financed commodities (other than those purchased with foreign currencies), and FAA Section 612(b) prohibits the use of dollars for the procurement of goods and services if U.S.-owned foreign currencies are available--unless the official approving the voucher certifies the reason for the use of dollars.

Method of Procurement. As with other Government agencies, procurement by AID is normally through competition. FAA Section 633 permits the waiver of competitive contracting if competition would interfere with the conduct of foreign policy or the furtherance of FAA purposes. AID has, nevertheless, generally adhered to the principles of competition. This has normally not worked to the Agency's disadvantage and it has insured the availability of well-qualified contractors.

FAA Section 602 requires assistance to small American business to insure its equitable participation in the furnishing of AID-financed commodities and services. The statute directs AID to inform suppliers in the United States, particularly small, independent enterprises, as early as possible of prospective purchases. This procedure can lengthen procurement lead times and is generally waived in emergencies such as natural disasters. AID must also advise prospective purchasers in aid-recipient countries of commodities, articles and services produced by small business in the United States.

Section 604(f) of the FAA prohibits payment to a supplier under a commodity import program unless the supplier certifies a description of the commodity, its condition and such other information as AID may by regulation require; and, on the basis of such information, AID has determined the commodity to be "eligible and suitable for financing."

b. Project Management

Congress has enacted a number of provisions that are aimed at insuring the efficient management of AID projects and at preventing dissipation of AID funds. Many are good management rules that we would follow in any event and other can be trouble-some.

FAA Section 110(a) prevents the United States from financing a program or project unless the recipient country guarantees that at least 25% of the costs will be provided by local entities. Local inputs may be provided on an in-kind basis and the provision may be waived on a project-by-project basis in the relatively least developed countries.

FAA Section 110(b) prohibits furnishing grant development assistance for a project that will require funding for more than 36 consecutive months. This provision may be waived if an extension is justified to the Congress.

FAA Section 620(m) prohibits furnishing grant assistance to any economically developed nation which is capable of sustaining its own defense burden and economic growth. This provision has raised most questions in the context of economic assistance programs that are related to base rights arrangements, such as those in effect in Spain, Bahrain and Oman.

FAA Section 301(d) provides that if the United States is the sole donor to a trust fund administered by an international organization, the grant agreement must permit the General Accounting Office to "conduct such audits as are necessary to insure that such funds are administered in accordance with such agreement."

Section 611(a) of the FAA prohibits the obligation of funds in excess of $100,000 for any project until the necessary engineering, financial and other plans have been completed, a reasonable firm estimate of the cost of such assistance has been made, and, if recipient-country legislative action is required to implement the project, there is a reasonable expectation that the necessary legisla-tive action will be completed in time to carry out the project.

60

FAA section 611 (b) and the Continuing Resolution require that the plans for any water or related land resources construction project include cost-benefit studies similar to those required by a now obsolete domestic directive. Section 611(e) further prohibits furnishing assistance in excess of $1,000,000 to any capital assistance project until there has been certification from the A.I.D. Mission Director that the recipient country has the capability to maintain and utilize the project effectively.

c. Prohibited Projects

Various provisions of the FAA prohibit certain kinds of projects. FAA Section 620(d) provides that any productive enterprise to which development assistance is furnished must not compete with United States enterprises. In the event that such competition is likely to occur, the recipient country must agree to procedures that will prevent the exportation for use or consumption in the United States of more than 20% of the production of that facility.

FAA Section 620(k) prohibits assistance to a productive enterprise if the aggregate value of such assistance will exceed $100 million, unless the "express approval" of Congress is obtained. Congress has exempted certain projects in Egypt but this prohibition may cause problems in the future in Egypt and elsewhere.

FAA Section 620(h) requires the President to adopt regulations and procedures that will insure that U.S. assistance is not used in a manner which promotes or assists the foreign aid projects or activities of Communist bloc countries. Exceptions are allowed if this "commingling" is not contrary to the best interests of the United States.

Under the Continuing Resolution none of the funds appropriated may be used for the export of nuclear equipment, fuel or technology or to provide assistance for the training of foreign nationals in nuclear fields.

2. Country Constraints Concerning Human Rights

One recent category of constraints arises from Congress' intensified concern with the treatment of human rights in aid recipient nations and with efforts to prevent the identification of the U.S. Government with repressive practices.

Two provisions address the issue of human rights in broad terms. The first, FAA Section 116 prohibits furnishing economic assistance to any government that engages in "a consistent pattern of gross violations of internationally recognized human rights." The prohibition does not apply, however, if the assistance furnished directly benefits "needy people." Section 116 also provides for a reporting system to the Congress and for termination of assistance programs by concurrent resolution.

The other provision is FAA Section 502B which applies to ESF and military assistance and sales. That provision states that it is the policy of the United States not to provide security assistance to any country whose government engages in "a consistent pattern of gross violations of internationally recognized human rights." The provision requires country-by-country reports to Congress and also permits Congress to request reports on individual countries at any time. The reports must describe the status of human rights and fundamental freedoms in the country and the steps that the United States has taken in response to the repressive practices. The report must also state whether in the opinion of the Secretary of State extraordinary circumstances exist which would necessitate a continuation of security assistance if "gross violations" were found to occur. The provision also provides for termination or restriction of aid by expedited joint resolution.

Section 666 of the FAA prohibits economic development assistance to any country that objects to the presence of a U.S. employee who is implementing an assistance program on the basis of that employee's race, religion, national origin, or sex.

In order to disassociate the United States from repressive practices, FAA section 660 provides a prohibition on using FAA funds to assist law enforcement agencies or international intelligence programs.

3. Protection of U.S. Public and Private Financial Interests

A third category of constraints relates to Congress' attempt to use foreign assistance as a tool for protecting U.S. private investors in foreign countries and assuring protection of U.S. government property and financial interests. Section 620(c) of the FAA prohibits providing assistance to any country which has refused to pay a private U.S. citizen for goods or services which were furnished by that citizen. Some flexibility is allowed where, for example, legal remedies have not been exhausted or where the President finds that termination of assistance would be contrary to the national security.

FAA Section 620(e), the Hickenlooper Amendment, requires a suspension of assistance ("suspension" requires an interruption of expenditures, as well as new obligations) to any government that has expropriated property benefically owned by U.S. citizens and has not taken steps to discharge its obligation under international law to provide full and speedy compensation for the expropriated property in convertible foreign exchange. The President may waive the prohibition in the event that he certifies that application of its provisions to be imcompatible with the national interest. A related provision is FAA Section 620(g), which prohibits the use of assistance to compensate owners for expropriated or nationalized property.

Another provision aimed at protecting private interests is Section 620(o) of the FAA, which requires that the President take into consideration whether or not a foreign country had seized or otherwise imposed a penalty on a U.S. fishing vessel while the vessel was in "international waters."

Congress has been equally concerned with the protection of the U.S. Government's monetary interests. FAA Section 620(r) prohibits relieving any aid recipient of liability for the repayment of any principal or interest on AID loans. Similarly, FAA Section 620(f) prohibits the furnishing of new assistance to a country which is in default during a period in excess of six calendar months in its payments on loans made under the FAA. This provision can be waived if the President determines that the national interest would be served by doing so. A similar restriction in the Continuing Resolution does not, however, allow for such waiver for defaults in excess of one year, and it applies more broadly to debts on loans arising from any program for which funds are appropriated thereunder. These programs include defaults on foreign military credit sales.

Finally, FAA Section 620(j) requires the President to consider the termination of assistance to any country that allows U.S. property to be destroyed by mob action.

4. <u>Other Country Prohibitions</u>

FAA Section 620A prohibits furnishing assistance to any country which aids or abets, by granting sanctuary from prosecution, any individual or group which has committeed an act of international terrorism. The section provides for waiver of its provisions if the President certifies that the national security justifies a continuation of assistance.

63

FAA Section 620(b) and FAA Section 620(f) are both directed against furnishing assistance to Communist countries. These provisions may be waived, however, if the President certifies that U.S. national security would be served by an assistance program in one of the proscribed countries. The Continuing Resolution also prohibits the furnishing of any aid to Vietnam, Cuba, Cambodia or Laos.

Section 669 of the FAA prohibits furnishing assistance to a country which either delivers or receives nuclear equipment or technology relating to nuclear fuel enrichment or reprocessing plants unless that country is willing to put such technology or plants under multilateral auspices and management, as well as to impose other, more routine safeguards. The provisions of FAA Section 669 may be waived only if the President receives "reliable assurances" that the country in question will not develop nuclear weapons and certifies that termination would have "a serious adverse effect" on U.S. interests.

Section 620(t) of the FAA prohibits providing assistance to countries which the United States has severed diplomatic relations. Section 620(i) prohibits providing assistance to any country which is planning aggression against either the U.S. or another aid-recipient. (This section cannot be waived under any existing authority, including FAA Section 614). FAA Section 620(u) requires that the status of a country's obligations to the United Nations must be taken into account in determining whether such country should receive assistance. Section 659 prohibits furnishing assistance to any country which does not allow news access to certain types of military installations financed by the United States.

FAA Section 620(s) requires that the AID Administrator take into account the level and nature of an aid recipient's military budget before furnishing assistance to that country.

5. Other Congressional Controls

Aside from proscribing certain aid recipients and setting management standards for the development and evaluation of projects, Congress has found other reasons and other devices for controlling the Executive's use of foreign aid funds.

Section 109 of the FAA prohibits transferring funds from the development accounts (FAA Sections 103-106) into any other account in the Act. Similarly, Section 223(j) requires that housing guaranties may only be issued for housing projects that are coordinated with and complementary to development assistance programs.

Congress has also expanded the notification and reporting requirements that must be compiled with before reprogrammed funds may be spent. For example, the Continuing Resolution provides that no part of any appropriation may be obligated under an appropriation account to which they were not appropriated without the written prior approval of both appropriations committees. The Executive Branch has consistently questioned the constitutionality of these provisions and this year the General Counsel testified before the Senate Appropriations Committee and presented the Executive Branch's position.

The Continuing Resolution contains a requirement that notification of any changes from projects presented in the annual congressional presentation materials must be transmitted to the Appropriations Committee at least 15 days prior to obligation. AID's Office of Legislative Affairs maintains a close working relationship with the appropriate staffs to keep them advised of program changes.

FAA Section 653 requires that any increases in excess of 10% in the levels of assistance provided to any country be transmitted to the authorizing committees 10 days in advance of the increase. In the case of Economic Support Fund assistance, the President must certify that the deviation is required by the national security. An exception is allowed for country programs where the amounts provided are less than $1 million.

FAA Section 634(c) requires that the Executive Branch furnish any document which may be requested by the General Accounting Office or a Congressional Committee within 35 days. Failure to do so will result in suspension of funding for the project or activity to which the informational request related. The only exception allowed is where the President certifies that he has forbidden the furnishing of the requested document.

Another device which has enjoyed increased popularity in recent years is the earmarking of funds for specific purposes within appropriation accounts. For example, we are required by the FY 1981 authorizing legislation to spend $785 million in Israel and $750 million in Egypt. Earmarkings by the Congress in the appropriation legislation often differ from those in the authorizing legislation. The appropriations committees have also attempted to control AID expenditures by setting ceilings on certain categories. For example, under the Continuing Resolution we are restricted to $10,000 for entertainment expenses, $100,000 for representational allowances, and $110,000 for official residence expenses.

IV. D. OTHER LEGISLATION

1. Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480)

The Agricultural Trade Development and Assistance Act of 1954, as amended (P.L. 480) provides for a program of food assistance designed to "expand international trade; to develop and expand export markets for United States agricultural commodities; to use the abundant agricultural productivity of the United States to combat hunger and malnutrition and to encourage economic development in the developing countries, with particular emphasis on assistance to those countries that are determined to improve their own agricultural production; and to promote in other ways the foreign policy of the United States."

Title I of P.L. 480 authorizes concessional credits for sales of U.S. farm products to developing countries. These credits are repayable in dollars at low interest rates over a period of up to 40 years. Recipient countries must agree to undertake self-help measures aimed, where appropriate, at expanding demand for domestically-produced food and developing more adequate storage and distribution facilities. Local currency proceeds from the sale of food within the recipient country finance general development activities including, where appropriate, those self-help measures aimed at expanding demand for domestically-produced food and developing more adequate storage and distribution facilities.

Title II of P.L. 480 provides authorization for food donations to friendly governments, intergovernmental organizations such as the World Food Program, American nonprofit voluntary agencies such as CARE, Catholic Relief Services, Church World Services, and the American Joint Jewish Distribution Committee. In addition, food is contributed for refugees and for disaster relief as part of the U.S. contribution to the United Nation's Relief and Works Agency (UNRWA), and to other agencies in support of child feeding programs.

Title III of P.L. 480 provides that the local currency proceeds from the concessional sale of U.S. agricultural commodities, or the commodities themselves, may be used for specified development purposes. The Food for Development Program under Title III permits the forgiveness of recipient-country repayment obligations incurred under Title I to the extent the local currency proceeds of commodity sales, or the commodities themselves, are used for agreed upon development activities.

The authorities vested in the President by P.L. 480 to negotiate and enter into concessional sales and other agreements with friendly countries have been delegated to the Director of IDCA by Executive Order 12220 of June 27, 1980. Additionally, the Executive Order delegates to the Director of IDCA authority to administer Title II of P.L. 480. IDCA Delegation of Authority No. 5, dated July 2, 1980, redelegated these authorities to the Administrator of AID.

2. Food Security Wheat Reserve Act of 1980

On November 17, 1980, the House passed the Food Security Wheat Reserve Act of 1980. The Senate had passed the same legislation on October 1, 1980. The Wheat Reserve Act requires the President to establish a reserve of up to 4 million metric tons of wheat for use in providing for emergency food needs in developing countries.

The wheat reserve would be used to meet famine or other urgent or extraordinary relief requirements in developing countries during periods of short supplies and high wheat prices when commodities would not otherwise be available under the provisions of Public Law 480. A portion of the reserve -- up to 300,000 metric tons --could be released from the reserve in any fiscal year for use under title II of P.L. 480, even if there is no supply shortage in the U.S., to meet urgent humanitarian relief requirements resulting from major disasters.

The authority to replenish the stocks of the reserve will expire on September 30, 1985.

3. Foreign Service Act of 1980

On October 17, 1980, the President signed into law the Foreign Service Act of 1980 (P.L. 96-465), the first comprehensive revision of the U.S. Foreign Service since 1946. The legislation, in many instances similar to the Civil Service Reform Act, includes the following general features:

62

- reaffirms and strengthens the requirement that Foreign Service employees be available for assignment anywhere in the world;
- establishes a Foreign Service "employee bill of rights" including incorporation of merit principles as the basis for all personnel actions and protection for officers who submit dissenting views to their superiors;
- establishes a new Senior Foreign Serivce, modeled after the Senior Executive Service;
- authorizes a system of bonuses to reward outstanding performances for a limited number of Senior Foreign Service employees;
- provides for pro-rata pensions and survivor's benefits for former spouses of Foreign Service employees;
- creates a Foreign Service Labor Relations Board;
- establishes a mandatory retirement age of 65 for all Foreign Service employees.

Except for the provision raising the mandatory retirement age which went into effect on the date of enactment, the Foreign Service Act will take effect on February 15, 1981. State and AID personnel are currently developing the regulations to implement the Act.

4. OPIC

The authorizing statute for the Overseas Private Investment Corporation (OPIC) is a part of the Foreign Assistance Act (Part I, chapter 2, title IV). OPIC is a U.S. government corporation that conducts financing, insurance and reinsurance operations in order to encourage U.S. private investment in the developing world. It operates under the policy guidance of the Secretary of State and the Director of IDCA is the ex-officio chairman of OPIC's Board of Directors.

OPIC's authorization expires on September 30, 1981. Legislation will be required to extend its authorities beyond that date.

5. Housing Guaranty Program

The Housing Guaranty Program, the major financing instrument for shelter assistance and related urban services, is authorized by Sections 221-223 of the FAA. The Program provides nonappropriated financing for shelter for lower income families in developing countries by guaranteeing repayment to U.S. lenders for requested projects. A.I.D. charges a fee for guaranteeing repayment to the U.S. lender. The program has been self-sufficient; operating expenses and claims have been paid from fee income and reserves without the need to resort to appropriated funds.

The statutory ceiling for housing guaranties outstanding to September 30, 1982 is $1,555,000,000, of which approximately $1,389,514,000 has already been committed for specific programs. An increase in the authorized ceiling will be necessary in order to permit the Program to reach its goal of authorizing an additional $300,000,000 by the end of FY 1982.

6. Trade and Development Program

The Trade and Development Program ("TDP"), formerly called the Reimbursable Development Program, is authorized by Section 661 of the FAA. TDP provides planning assistance, including the preparation of feasibility studies, by U.S. agencies and private firms to host governments. TDP activities are not limited to New Directions criteria or to countries in which foreign assistance programs normally operate. TDP projects may be carried out, for example, in agriculture and agri-business; industrial, mineral and infrastructure development; and transportation and communications. Feasibility studies sponsored by TDP typically provide technical, economic, financial and social evaluations of development projects, upon which governments can base investment decisions.

IDCA Delegation of Authority No. 4, dated June 27, 1980, established the Trade and Development Program as a separate organizational unit within IDCA.

7. Multilateral Assistance

U.S. multilateral assistance efforts are governed by the various statutes authorizing the U.S. to participate in and contribute to each of the multilateral development banks, the subsequent authorization and appropriation legislation providing funds for necessary replenishments, and FAA Sections 301-305 authorizing U.S. participation in and contributions to specific UN organizations.

The principal statutes authorizing U.S. participation in the multilateral development banks are the Bretton Woods Act of 1945, as amended, which provides for U.S. participation in the International Bank for Reconstruction and Development

-10

(World Bank), the International Finance Corporation Act, the International Development Association Act, the Inter-American Development Bank Act which provides for U.S. participation in the Asian Development Bank, and the African Development Act which provides for U.S. participation in the African Development Fund. The International Financial Institution Act of 1977, as amended, and provisions in the annual foreign assistance authorizing and appropriating legislation are also applicable.

The various authorization acts authorize the initial U.S. contributions and authorize the President to appoint, usually with the advice and consent of the Senate, the U.S. Governors and Executive Directors of the multilateral development banks.

The International Financial Institutions Act requires that the U.S. Executive Directors (1) seek to channel assistance to countries who do not engage in a consistent patern of gross violations of human rights; (2) support projects developing light capital technolog and (3) use their voice and vote to combat hunger and malnutrition by seeking to channel assistance to agriculturally-related development projects which fulfill domestic agricultural needs.

The IDCA Director's Office works with the Administrator of AID, Treasury and the State/IO bureau to carry out the legislative mandates contained in the above legislation.

The funds for U.S. contributions to the multilateral development banks and for participation in the replenishments of these contributions are contained in annual foreign assistance appropriation acts. The Congress has yet to pass appropriations for the balance of the replenishment for the International Development Bank and the Asian Development Bank, the sixth replenishment for the International Development Association and the General Capital Increase for the World Bank.

71

SECTION V. ORGANIZATION

A. Overview

Policy-setting and decision-making on U.S. development and other foreign assistance activities involve a varied group of people and entities in the government. AID, the IDCA Director's Office, State, Treasury, Agriculture and other Departments, OMB, the NSC and numerous other entities play significant roles. Often such entities interact directly; often they work through coordinating committees, such as the Development Coordinating Committee.

Many of these relationships and activites are set out in this section. A more detailed look is provided in the separate IDCA Director's Office Briefing Book.

72

V.B. The IDCA Director's Office

IDCA was created in 1979 by the President and the Congress to serve a number of increasingly important needs that could not be met within the existing Executive Branch structure. Fundamentally, it was established to serve as a focal point within the Executive for economic matters that affect our relations with developing countries. In functional terms, IDCA pursues this responsibility in three distinct and yet related ways:

First, it serves as the principal advisor to the President on international economic development policy.

Second, it provides central policy direction and coordination to the full range of development assistance programs supported by the United States, both bilateral and multilateral.

Third, it seeks to ensure that development policies and concerns are fully taken into account in the formulation of policies which are not in themselves designed to perform a developmental function, but which have a significant impact on the development process (e.g., trade, finance, technology transfer, etc.)

In many respects, the most important of these functions are IDCA's development assistance policy and coordination activities.

The programs with which IDCA deals in coordinating and guiding the U.S. development assistance effort include:

-- Bilateral development assistance administered by AID.

-- U.S. participation in the developmental UN programs such as UNICEF and UNDP.

-- U.S. participation in the Multilateral Development Banks (MDBs), such as the World Bank and the regional development banks.

-- The U.S. Food for Peace (PL 480) Program.

-- The newly established Trade and Development Program (TDP).

-- The activities of the Overseas Private Investment Corporation (OPIC).

IDCA's efforts to perform this function have been of two sorts:

1. Coordination: IDCA's goal has been to provide central coordination, particularly among the policies and activities of the banks, AID, the UN Agencies, and PL 480, all of which often operate in the same country or the same forum at the same time. Examples of such coordination include the preparation and presentation to the President and the Congress of a comprehensive development assistance budget that interrelates all of these programs; the establishment of a so-called Early Warning System that ensures that MDB lending is coordinated with bilateral aid at the country level; the creation of an inter-agency public affairs working group that organizes administration-wide public affairs activities in the foreign assistance field; the revitalization of the Development Coordination Committee (DCC), a statutory inter-agency body now chaired by IDCA; and many specific coordinating initiatives in such fields as population programs, capital saving technology and energy.

2. Policy-Making: IDCA's goal has been to provide central policies which apply to all development efforts and reflect U.S. national interests, and development policies for individual programs that reflect and take advantage of their respective strengths. Examples of the first type of policies include the establishment of three priority sectors for all U.S. supported development assistance activities: agriculture, energy, and population/health; the identification of capital-saving or appropriate technologies as a desirable tool in the implementation of development assistance; and the construction of cogent and comprehensive U.S. development strategies for key geographic regions such as the Caribbean. Examples of the second type of policies include the focusing of U.S. bilateral development assistance on countries where the need and the commitment to equitable economic growth are greatest; increasing the attention given to population-related programs by the Multilateral Development Banks; and strengthening the effort in the form of the new Trade and Development Program to link development and growth in trade opportunities in middle income developing countries.

Taken together, the above are designed to provide increasingly clear direction for a well coordinated United States development assistance effort.

V. C. A.I.D.

Functions of A.I.D. Washington Bureaus and Offices

Functions of A.I.D. Overseas Organizations

Advisory Committees

(SEE SEPARATE BOOK)

17

V. D. U.S. Participation in the MDBs

Until 1979, the Department of the Treasury had lead responsibility for the entire range of U.S. relationships with the Multilateral Development Banks (MDBs). A substantial amount of that responsibility was placed in IDCA when it was formed. While the Secretary of the Treasury continues to formally instruct the U.S. Executive Directors, development policy guidance of IDCA to the Secretary of the Treasury with regard to the MDBs is normally determinative unless there are compelling financial or other non-developmental reasons for a different U.S. position. Treasury and IDCA consult in advance on the selection of U.S Executive Directors and their Alternates. In the case of the banks, the President makes the appointments; in the case of the African Development Fund, the Secretary of the Treasury has appointment authority.

U.S. policy toward the banks is developed through the interagency Development Coordination Committee (DCC) which IDCA chairs and of which Treasury, State, AID, OMB, DOE and USDA are the most active members. Most of the policy issues vis-a-vis the MDBs are handled in the DCC Subcommittee on Multilateral Affairs (SMA) which is chaired by Treasury. Specific MDB projects and policy proposals are reviewed by the SMA's Working Group on Multilateral Assistance, also chaired by Treasury. This latter group is comprised primarily of staff-level representatives while in the DCC and SMA agency representation is typically at the Assistant Secretary level and above.

MDB financial policy issues (e.g., replenishments, capital market borrowings, net income targets, etc.) are reviewed by the National Advisory Council, an interagency group charged with reviewing broad international financial issues affecting the U.S., including the operations of the IMF and Exim Bank. Except for major policy issues, agency representation on the NAC is primarily at the staff level, but official agency positions are reflected in the formal votes taken on each of the agenda items.

Day-to-day operating relationships with the banks are handled by the U.S. Executive Directors, who have offices in the banks. They reflect U.S. policy and represent the U.S. position in the Board and at the working level in the banks. The U.S. Governor, normally the Secretary of the Treasury, does not play an active role in the operations but does represent the U.S. at the annual meetings and at infrequent meetings called for a specific purpose such as the election of a new president.

IDCA was created to serve as a focal point within the USG for economic matters affecting U.S. relations with developing countries and was charged with providing development policy guidance on the whole range of U.S. economic relationships with developing countries. The IDCA Director was designated as the principal international development policy advisor to the President and thus to the Secretaries of State and Treasury as well as to the U.S. Executive Directors in the various MDBs. The IDCA Director reports directly to the President.

IDCA is responsible for preparing a comprehensive foreign assistance budget, including U.S. participation in the MDBs, and leading the Administration's presentation of that budget to Congress. The IDCA Director oversees and establishes priorities on total U.S. financial participation in the MDBs as well as providing case-by-case policy direction. IDCA participates fully in establishing the U.S. negotiating position and in actual negotiations leading to replenishments of resources of all the banks and their concessional windows.

IDCA has encouraged AID to play an important role in bringing its expertise to bear on MDB policies and projects and in coordinating its own activities with those of the MDBs. To more effectively bring AID into the MDB project process, the Early Warning System (EWS) was created. The EWS was designed to use AID field experience and expertise, and, where AID Missions are absent, Embassy knowledge, to influence MDB project development in 15 key countries. AID is alerted to upcoming MDB loans and asked for specific information and recommendations to enable the U.S. Executive Director to influence the MDB project development process at a stage early enough to effect policy-type changes.

IDCA has also formalized AID participation in the MDB decision-making process by ensuring Mission contact with counterparts in the MDBs as well as with the U.S. Executive Directors, through specifically addressing donor coordination issues in the CDSS and through directly involving AID expertise in replenishment negotiations.

77

V. E. U.S. Food Aid

Executive Order 12220, issued in June 1980, delegates major administrative responsibilities for P.L. 480 to the Department of Agriculture, the Office of Management and Budget, Treasury, State and the International Development Cooperation Agency.

IDCA, retaining concurrent authority, has redelegated P.L. 480 responsibilities to A.I.D. These include the function of authorizing negotiations of Title I agreements, subject to the concurrences required by Department of State Circular No. 175 (foreign policy issues). The function of administering the Title II donation program has also been delegated through IDCA to the A.I.D. Administrator.

The administration of P.L. 480 is an interagency responsibility. Coordination and reconciliation of various individual agency interests is achieved, within the framework of the delegations of authority indicated above, by the Working Group of the Development Coordination Committee Subcommittee on Food Aid chaired by USDA. Technically, the Working Group is advisory to the Secretary of Agriculture. Its membership includes USDA, OMB, Treasury, Commerce, State, and IDCA/A.I.D. (represented by the Office of Food for Peace, which is responsible for developing and coordinating the A.I.D. position on each program). All P.L. 480 programs are reviewed and approved by the Working Group. P.L. 480 issues which cannot be settled by the Working Group or the Subcommittee on Food Aid, may be referred to the Development Coordination Committee.

Within A.I.D., since 1980, The Assistant Administrator for Private and Development Cooperation has been charged with responsibility for the integration of food aid into the regular development assistance programs of A.I.D. The Policy Analysis and Evaluation Unit within the Office of Food for Peace provides support for this initiative. While the Unit reports directly to the Director of the Office of Food for Peace, it is responsible to the Assistant Administrator for guidance on special tasks related to food aid analysis.

The name of the bureau is in the process of change to the Bureau for Food Aid, Disaster Relief, and Voluntary Assistance to emphasize the importance of the food aid mandate. It is intended that the Assistant Administrator in this Bureau will provide guidance and leadership in not only the integration of food aid, but also in representation of A.I.D.'s concerns with development assistance in the international food aid forums such as the World Food Program. Also within A.I.D., the Assistant Administrator for Private and Development Cooperation is to assure that the food aid dimension is seriously addressed in our country programming and other elements of the budget preparation for the Agency.

79

V. F. U.S. Participation in International Development Organizations

Reflecting increasing international recognition of development needs, the United Nations organizations have taken a larger role in development over the years. In 1979, with the creation of the International Development Cooperation Agency (IDCA), lead policy and budget responsibility for the development orientated international organizations and their programs shifted to IDCA The Director of IDCA includes the international organizations and programs in his comprehensive development assistance presentation before the Congress. The Secretary of State continues to give foreign policy guidance, and the Department of State retains responsibility for day-to-day operations.

Within the Department of State, principal responsibility for relations with the international organizations and for backstopping IDCA's policy-making and budget functions lies with the Bureau of International Organizations (IO). Within IO, the Deputy Assistant Secretary for Human Rights and Social Affairs and the Deputy Assistant Secretary for Economic and Development Policy have principal responsibility for these functions. Their units are sub-divided into a dozen "agency directorates" which focus on the largest programs, i.e., development and humanitarain programs, agriculture, science and technology, and health and narcotics.

One aspect of IDCA's responsibility is to nominate the U.S. delegations to major intergovernmental meetings of the UN development-orientated agencies. The Office of International Conferences in State/IO has final approval authority on all delegations to international conferences.

Under an agreement between IDCA and State/IO, the latter continues to manage participation in all the international organizations, but with a strengthened developmental focus stimulated by IDCA. Most of the developmental programs fall under the purview of the IO Deputy Assistant Secretary for Economic and Social Affairs, who receives development policy guidance from IDCA through IO/DPS. The Development Planning and Evaluation Office (IO/DPS), staffed by AID career officers, seconded to State, is responsible for the IO&P account, for development assistance issues in the UN system, and for evaluation and planning of development assistance. It also backstops a small number of AID-funded development attache positions in U.S. missions in New York (USUN), Rome (FAO, WFP, WFC, and IFAD), Paris (UNESCO), and Geneva (UNCTAD, WHO and UNDRO).

An example of the USG decision-making process is the formation of Action Plans for the principal UN agencies initiated by State/IO. Policy inputs into these plans are made by all agencies and Departments having interests in the operations of their agencies. After an inter-agency consensus on a draft plan is reached, it becomes the framework for U.S. policy with annual reviews undertaken thereafter.

AID is a frequent participant in State/IO's policy-making deliberations regarding the UN agencies. The commonality of goals which AID shares with most UN agencies, and its frequent interactions with many of these bodies on matters of mutual interest make it a crucial participant in U.S. decision-making.

Other agencies, such as the Department of Agriculture, play an important role in the formation of policy on those agencies in which they have special interest, e.g., Food and Agriculture Organization, World Food Council, International Fund for Agricultural Development, and the World Food Program.

IDCA and State/IO can call upon a variety of committees and sub-committees for assistance in formulating its policies towards the UN's international organizations. In some of these committees, State/IO chairs the meeting. In others. the agency which has the most frequent interaction with the UN body may preside, e.g., USDA for FAO. While the coordination mechanisms in existence for each UN body may vary, the following example given for FAO illustrates the inter-agency cooperation which occurs. There are numerous government departments and agencies concerned with USG participation in the FAO, but State/IO and the Department of Agriculture have principal responsibility. Day-to-day matters are administered and coordinated by State/IO's Agriculture Directorate, and the International Organizations section of USDA. An active FAO Inter-Agency Coordinating Committee exists which is chaired by the USDA representative and contains members from State, USAID, and Commerce. It meets at least monthly and considers long-term strategies as well as formulates positions for U.S. delegations attending FAO Conference and Council session. It also makes recommendations as to the composition of such delegations, which are usually headed by State/IO's Assistant Secretary and assisted by USDA and USAID representatives.

9\

V. G. Trade and Investment Assistance

Two important vehicles, OPIC and TDP, through which trade and investment assistance is provided are described below.

1. OPIC

The Overseas Private Investment Corporation, a component agency of IDCA, is a government-owned corporation which administers special investment and guarantee programs, intended, as its legislative mandate says, "to mobilize and facilitate the participation of U.S. private capital and skills in the economic and social development of LDCs." OPIC was created as the successor to AID's Bureau of Private Resources in 1969, when the Congress and administration decided the program might be more effective if it were moved from the AID bureaucracy to a new independent government corporation.

OPIC has three main programs. It insures U.S. investors for up to 90 percent of expropriation, currency inconvertibility, or warfare-caused losses on their insured investments in developing nations. It guarantees U.S. lending institutions against losses on the principal or interest for new loans to finance up to 75 percent of a new U.S. investment in a developing country. It administers a modest loan fund which offers direct loans to encourage and help small or medium U.S. firms make new investments in developing areas.

OPIC has gone through several major changes in its priorities during recent years. In 1974, the Congress directed OPIC to increase private participation through a system of "privatization" in which commercial firms would take over OPIC's insurance business, and it would limit its activities in this area solely to reinsurance. This reflected a desire that OPIC be more businesslike and also a concern that direct OPIC activity might tie the United States too closely to multinational corporation when the policyholders were involved in investment disputes with Third World governments.

In 1978, Congress ordered a major shift in OPIC priorities. Repealing the privatization requirements of the earlier legislation, it directed the Corporation to place new emphasis on development criteria in its operations. OPIC was told to give special preference to projects in the poorest countries and to see that its operations supported projects compatible with other U.S. development aid programs. It was also told to give major new emphasis to programs benefitting U.S. small business and to avoid countries with poor human rights records or investments which might compete with certain U.S. domestic industries.

82

Until recently, OPIC activities have not been significantly affected by the "New Directors" emphasis which have changed the priorities and goals for other U.S. foreign aid programs. Its investment insurance and guarantee programs still support an approach to development which emphasizes industrialization, commercial agriculture, and growth expansion of private commercial activity.

Although OPIC is an independent Government-owned corporation, its management officers are responsible to a Board of Directors composed of individuals representing the Corporation's major operating constituencies. The Board is chaired by the IDCA Director and normally includes among its members the Assistant Secretaries of Commerce, Treasury, and State with principal responsibility for international economic policy, as well as six non-Government members. As a component of IDCA, and through the interagency character of the Board, OPIC receives guidance that relates its operational goals to the objectives of the U.S. Development Assistant program.

2. TDP

The Trade and Development Program was established July 1, 1980 to promote economic development in developing countries through the provision of project planning services lending to the sale of U.S. technology, both goods and services, for project implementation. TDP is the successor to AID's Office of Reimbursable Development Programs.

Two kinds of legislatively authorized services are available through TDP. First, TDP is able to provide technology, technical services and training from U.S. Government agencies on a reimbursable basis under Section 607(a) of the FAA. Second, TDP is able to sponsor planning assistance, including project preparation and feasibility studies by U.S. agencies or private firms, on a grant basis under Section 661 of the Act.

TDP-sponsored activities cover a wide range of development sectors of major priority to host governments and international development efforts. The program is directed principally at middle-income developing countries, which can finance their own development either through domestic resources or access to international financing.

Responsibility for TDP's direction and management is primarily vested in the Director, and Deputy Director, both of whom are appointed by the IDCA Director. They are supported by regional officers and representatives for Latin America, the Middle East, Africa, and Asia, and the Training, Legislative/Public Affairs operational units.

As a component organization of IDCA, the Director of TDP keeps the IDCA Director advised of programs authorized pursuant to Section 607(a) and 661 of the FAA. IDCA provides year-round policy guidance to the agency and discusses with TDP the integration of both its trade and development objectives into general U.S. policies in these areas.

SECTION VI. A.I.D. OPERATIONAL MATTERS

A. The Budget Process

1. Programming System

A.I.D.'s programming system has four major components:

-- comprehensive planning to determine U.S. objectives, identify assistance needs, and establish strategies;

-- project identification, design and approval;

-- resource allocation based on approved plans and established priorities; and

-- evaluation to ensure objectives are achieved and resources are used efficiently.

1. Planning. The planning base for each country program is the Country Develpment Strategy Statement (CDSS)--a sixty-page, five-year rolling plan which is updated annually. The CDSS serves the AID mission as the conceptual framework for developing programs, projects and budgets; is a basic reference document used in AID/Washington for program and project review; and shows in quantitative and qualitative terms what AID intends to achieve in a country and how AID intends to accomplish its objectives.

The CDSS is developed in the context of extensive policy guidance provided by AID/Washington, especially:

-- basic legislation authorizing the current approach to bilateral development assistance, usually referred to as the "new directions";

-- AID's basic policy paper, "A Strategy for a More Effective Bilateral Development Assistance Program";

-- sector policy guidance papers in Agriculture, Population, Health and Education; and

-- annual CDSS guidance emphasizing topics of special concern to AID/ Washington, e.g., detailed analysis of the country's commitment to meeting the basic human needs of its people; and

-- country specific guidance including indicative budget planning levels derived from an estimate of total resources available to AID over the planning period.

The CDSS is divided into three main sections, with the length of each varying from year to year depending on AID/Washington's interests and the individual mission's need to communicate special country conditions. The first section is an analysis describing macroeconomic conditions, the nature and causes of poverty in the country, progress and commitment to dealing with poverty, and the activities of other donors. The second section lays out the AID assistance strategy, identifies a "target group" to be assisted and establishes goals and expected accomplishments. Finally, the CDSS describes the resources which will be required to accomplish the mission's recommended strategy.

Each CDSS is reviewed in AID/Washington and one of four decisions results:

-- the CDSS is approved as submitted and AID agrees to pursue the proposed strategy;

-- the CDSS is not approved and the mission is given instructions for further analysis and a suggested alternative strategy to be developed in the next CDSS;

-- the CDSS strategy is approved on condition that the recipient adopts any program or policy changes which are considered pre-requisites to the success of the strategy; or

-- conditions in-country are such that any acceptable strategy will probably fail and the mission is instructed to prepare for phase-out.

Following the CDSS reviews, each country is given an Approved Assistance Planning Level (AAPL), i.e. the level of resources which AID plans to make available for that country program over the five year planning period. This level is based on the CDSS review, an assessment of overall U.S.

objectives in the country and an estimate of total resources which will be available to the Agency over the period. The results of the CDSS review and the AAPL level guide the subsequent development of mission projects and budgets.

(A similar process for programs managed from AID/Washington is based on the Central Program Strategy Statement (CPSS). These documents are prepared as senior management feels necessary. For example, no such plans were required in FY 1980.)

2. Project Development. The approved CDSS provides the basic framework for development and review of individual AID projects. The growth of a project from an idea to a fully designed and approved activity usually takes around fifteen months, but this time frame can vary depending on a wide variety of factors. Project development is subject to a two-stage AID documentation and review process, with a project agreement developed and negotiated thereafter with the recipient country.

Field missions and AID/Washington operating offices present initial project ideas in brief Project Identification Documents (PID's). The PID is generally no longer than ten pages and describes the relationship of the project to the approved CDSS, the problem to be addressed, the specific objectives of the project, an outline of how it is expected to work, and estimated costs and methods of financing. Appropriate geographic and central bureaus are responsible for PID review and approval.

A Project Paper (PP) is prepared for each approved project idea. The PP, which is usually from 35 to 50 pages in length, provides mission and/or AID/Washington management with:

-- a detailed description of the proposed project;

-- a clear definition of implementation responsibilities of AID, the recipient and any other donors; and

-- a summary discussion of analyses used to test or improve the soundness of the project.

The appropriate geographic or central bureau is are responsible for chairing the PP review, which includes representatives from other interested bureaus such as the Bureau for Program and Policy Coordination. If there is any major disagreement on project issues which cannot be resolved among bureau representatives, the matter is referred to the Administrator or his Deputy for final decision on the project. Once approval has been secured by the appropriate bureau, the project is authorized for funding. The AID Administrator authorizes all projects with AID financing in excess of $10 million and projects which include substantive policy issues; the appropriate bureau Assistant Administator authorizes projects below $10 million and may redelegate the authority to authorize up to $5 million to mission directors on a case-by-case basis.

Once funding is authorized, the actual project agreement is drawn-up. The project agreement is the final stage of the project development process. It is the document which legally obligates the United States to furnish a specified amount of assistance and clearly sets forth the terms and conditions under which such assistance is to be furnished, including undertakings or covenants made by the recipient country in respect to the project. Once the project agreement is signed, implementation of the project can begin.

In order to provide mission and AID/Washington operating offices as much flexibility as possible, project ideas (PIDs) may be submitted at any time during the year. In fact, the process is flexible enough to permit complete development of a project from initial idea to obligation all in a single year. This permits AID to respond quickly to especially good, innovative project ideas. However, the resource allocation system imposes some discipline on the project development process, so missions and AID/W operating offices do not devote scarce staff time to developing far more projects than can be funded.

Resource Allocation. The AID resource allocation system serves two basic functions:

-- the various stages of the budget cycle permit Agency managers to ensure that approved plans and priorities are followed by guiding the allocation of resources; and

-- the various stages of the budget cycle permit Agency managers to justify their plans to other Executive Branch organizations--IDCA, State, OMB and the White House--and to the Congress and enable AID to receive their guidance on future directions for the program.

The AID budget cycle begins with completion of CDSS reviews--usually by the end of March--and runs for the following thirty months when the fiscal year in question ends. Thus, budget cycles for at least two and at times three years are in progress simultaneously. There are four major stages in each budget cycle.

Based on results of the CDSS reviews, including Approved Assistance Planning Levels (AAPL's) issued by AID/Washington, each mission or AID/Washington operating office prepares an Annual Budget Submission (ABS). The ABS includes a priority ranking of projects which the mission feels are necessary to accomplish CDSS objectives. These projects are often supported by Project Identification Documents but may simply indicate where future project documentation will be required. Mission proposed funding for new and ongoing projects must not exceed the AAPL. ABS's are reviewed by appropriate geographic and central bureaus for consistency with results of the CDSS reviews, general acceptability of project ideas and reasonableness of funding proposals.

Once the ABS reviews are completed, Bureaus submit their recommendations to the Administrator for consolidation in the AID budget request to IDCA. This request to IDCA may include new initiatives of senior Agency management as well as programs proposed by missions and operating offices. In addition, the submission to IDCA includes a priority ranking of country programs. This ranking is based on U.S. long-range interests in the country, country performance and commitment and the needs of the country. The results of the CDSS reviews and the results of the ABS reviews are utilized in making these judgments. IDCA then reviews, modifies as necessary, and after consultation with the State Department, transmits the proposals to OMB in September for Presidential approval--usually by early December.

Once the President has approved a program and related budget level for AID administered activities, the Congressional Presentation (CP) is prepared and sent to Congress. The CP is a detailed description of each country or AID/Washington program together with a brief description of each proposed new project. The CP is used to support extensive testimony and numerous hearings with many interested Congressional committees and sub-committees. This process results in extensive legislation and legislative history relevant to the actual allocation of resources for AID's programs.

Once appropriations are enacted, an Operational Year Budget (OYB) is established. The OYB allocates the appropriated resources to individual missions and AID/Washington operating offices. Once resources have been allocated, project agreements can be signed and program implementation can begin.

Thus the budget cycle is used by Agency management to refine program plans and integrate the views of others in the Executive Branch and the Congress into the AID programming process. Program priorities are continuously reviewed, and the budget process is used to introduce new ideas and eliminate projects and programs with low priority. Budget decisions when communicated to the Missions, provide them with guidance, for the development of individual projects, and the limits which have been set on project development.

Evaluation. The developing AID evaluation system has concentrated first on improving project management and implementation. This helps ensure that individual project objectives are achieved and resources are used effectively. As a result of these evaluations of on-going projects, missions and AID/Washington operating offices are able to make adjustments in program plans and take actions necessary to support successful project implementation.

In addition to these implementation-focused reviews, AID also undertakes in-depth evaluations that examine the effectiveness of projects or groups of projects in promoting program objectives and development strategies. A recent initiative has been the use of "impact evaluations" to help assess the effectiveness of certain general types of projects in promoting development--"rural roads," for example. By being able to derive generally applicable lessons from these impact evaluations, AID has added a valuable tool to its programming system. Evaluation findings can be used to shape CDSS strategies, to guide project development, and to influence resource allocations. Following several recommendations of a 1980 evaluation task force, additional steps are being taken to link AID's evaluation work more closely to the programming cycle.

A future important element of the evaluation system will be the assessment of the effectiveness of overall country programs.

SEQUENCE OF EVENTS
FY 1983 PROGRAMMING CYCLE

Approximate Date	Action
November, 1980	Country Development Strategy Statement (CDSS) guidance sent to the field (OMB working on '82 budget, '81 Operational Year Budget (OYB) established by AID).
January, 1981	Submission of CDSS's from field missions. (President's '82 budget sent to Congress.)
January-March	CDSS Reviews. ('82 Congressional Presentation.)
March	Results of CDSS Reviews and Approved Assistance Planning Levels (AAPL's) sent to the field.
March	Annual Budget Submission (ABS) guidance sent to the field.
May	ABS's sent to Washington. Many new project ideas are supported by Project Identification Documents (PID's), missions working on PID's for other new projects.
June-July	ABS reviews.
August	AID submission of budget proposals to IDCA.
September	IDCA Submission to OMB (FY 1981 ends September 30. OYB for '82 established.)
November	OMB transmits decisions on '83 budget. AID and IDCA prepare any desired appeal to the President. (CDSS Guidance for '84 sent to field.)
January 1982	President transmits FY 1983 Budget to the Congress.

February	AID transmits Congressional Presentation. Testimony begins and Congressional action runs through September, at least.
March-September	Project development and review for activities to be obligated in FY 1983 proceeding. ('84 cycle ongoing. End of FY 1982 on September 30.)
October	Congressional action completed, appropriations are enacted and an FY 1983 Operational Year Budget (OYB) is established. Project obligation and implementation begins.
September 1983	End of Fiscal Year 1983.

93

VI. A. 2. Congressional Justification: The Congressional Presentation and Congressional Notifications

The Congressional Presentation (CP) is the instrument through which AID submits and justifies its annual budget request to the Congress. It describes in detail the Agency objectives and programs and, as such, functions as the centerpiece of AID's relationship with Congress.

Over the years the CP has expanded in volume to include detailed descriptions of each of the Agency-funded worldwide projects. Ironically, the original purpose in supplying the Congress with this amount of information--to allow it to make informed judgments about the Agency's activities--has been overtaken by the abundance and obsolescence of the data provided. For example, the FY 1981 Congressional Presentation consisted of nine volumes and over 3,000 pages. However, a large part of the information was out of date almost as soon as it was printed, as it was based on programming material submitted by AID field missions six to seven months before being sent to the Congress and up to 24 months before the requested funds could be obligated. To offset the built-in obsolescence in its budget presentation, AID has relied on Congressional Notifications (CNs) to inform Congress of changes in the purpose, scope, or funding levels at the time project funds are to be obligated. In FY 1980, it was necessary to notify the Congress 481 times about such project changes.

Given the outdated nature of much of the information transmitted to the Congress in the CP and the amount of time required to prepare it, both the Agency's top management and concerned Members of Congress came to feel that a change in AID's presentation/ notification system was in order. After numerous discussions between Agency managers, and members and staff of Congressional authorization and appropriation committees, a revised system has been worked out, to start with the FY 1982 Congressional Presentation which is now being prepared.

94

The new system will improve the depth, scope, and timeliness of the information supplied to the Congress; reduce the size and obsolescence of the Congressional Presentation; and free AID to concentrate more energies on program and project quality. This will be achieved by better synchronizing the information sent to the Congress with the actual process by which AID makes it program decisions.

Building on the central concept that Congress should receive complete and pertinent information about each project, detailed funding descriptions for projects will not be included in the CP. Instead, through the notification process, activity data sheets will be provided to Congress for new projects at the time a project is ready for authorization, and, for on-going projects, when the total life-of-project funding or planned completion date changes.

While reducing the quantity of detail on projects, the revised Congressional Presentation will place greater emphasis on AID's strategy in each country or technological area in which it is involved. For example, the country narratives will more completely describe the development goals and assistance objectives. It will also contain tabular information showing all of AID's active projects in a country, not just those for which funds are requested this year. More extensive treatment will also be given the evaluations of projects and the impact of programs within each country.

In short, the new Congressional Presentation/Notification system should eliminate much of the premature and excessive project data supplied to the Congress, while giving it the information it needs to review central and regional strategies, country programs and proposed new projects, thereby fulfilling its oversight responsibilities.

VI. A. 3. Operating Expense Budget

Prior to Fiscal Year 1976, the "administrative" costs of AID were funded in part from the functional appropriations of Development and Supporting Assistance, and in part by a separate Administrative Expense Appropriation. In FY 1976 the Agency, at the insistance of Congress, initiated a request for a distinct funding appropriation for Operating Expenses.

The initial Operating Expense Budget consisted of funds required for salaries and other supporting costs of direct hire personnel engaged in policy formulation, personnel and administrative support, and the basic functions of planning, coordination, management, support, and evaluation of assistance programs. The normal administrative overhead costs such as rents, utilities, communications, supplies, equipment, etc., were also funded from the Operating Expense budget. Some costs however, such as travel and salaries of some direct hire employees directly related to projects, continued to be funded from functional appropriations.

In FY 1979, again at the urging of Congress, the concept of Operating Expenses expanded further. At that time the Agency began charging the salaries and support costs of all direct-hire employees as well as all costs associated with travel performed by direct hire employees, to the Operating Expense account, regardless of project association.

A further evolution of Operating Expenses is now being encouraged by Congress. The Senate, in its Report on AID's FY 1980 Appropriation Bill, stated that "In keeping with congressional requirements, all costs not specifically and directly related to identified projects are mandated to be funded from Operating Expenses. In addition, <u>all</u> personnel and related expenses including travel <u>and</u> transportation of nonreimbursable full time employees in permanent positions are required to be justified and funded only from this account." The only employees excluded from this provision are those in the Housing Investment Guarantee Program and the Excess Property Disposal Program.

In furtherance of this position, the Senate Committee deleted projects valued at $4,570,000 from the functional account budget request because the proposed activities fell under the definition of Operating Expenses, as defined by the Senate. The Report, in deleting these funds, states that "These projects are of questionable value to the Agency, and it is clear that they do not contribute directly to economic development in the poorer countries. Because their primary purpose is to serve the needs of the Agency, they must be considered as operating expenses. If the Agency wishes to pursue these activities, and other projects having same or similar purposes, then the Agency will have to justify or request supplemental funding for them under the (Operating Expense) appropriation." As a result of this current position of Congress, the Agency, in its FY 1982 Operating Expense request, is in fact including activities of this nature at a value of about $2.0 million, primarily for evaluations.

Total AID operating expense requirements for FY 1982 are estimated at $370.2 million compared to $260.9 million in FY 1979. A comparison of these costs, by source of funds, is as follows:

	FY 1979 Actual	FY 1980 Actual	FY 1981 Request	FY 1982 Request
Appropriated Funds	$251.7	$273.1	$320.0	$ 357.9
Non-Appropriated Funds	3.3	3.7	4.8	4.8
Trust Funds	5.9	7.2	7.5	7.5
Total Expenses	$260.9	$284.0	$332.3	$ 370.2

The appropriated funds category includes funds actually appropriated by Congress and reimbursements from other agencies for services and support provided by AID. The non-appropriated funds category includes the personnel and administrative costs of operating both the Agency's Housing Investment Guaranty and Excess Property programs. The costs applicable to these programs are funded by non-appropriated monies, which are generated by fee income under the programs. Trust funds are local currencies provided to AID by host countries for support of the country assistance program. These funds are utilized to meet a portion of the local costs of maintaining overseas AID missions within the host country and serve to reduce the requirement for appropriated dollar funds.

While the Appropriated Funds category has increased dramatically from 1979 to 1982 by $106.2 million or 42 percent, $57.1 million of the increase is for salaries and benefits due to pay raises for U.S. and foreign national employees, $13.0 million is for Foreign Affairs Administrative Support (FAAS) costs, and $7.7 million is for costs other than pay comparability associated with the Foreign Service Act of 1980.

97

VI. A. 4. FUNDS CONTROL

a. Basic Authorities

Foreign Assistance appropriations are made to the President, and distributed to Agencies having responsibility for the purposes of such appropriations. Administration of certain Foreign Assistance funds has been assigned to the Administrator, Agency for International Development by Executive Order 12163 of September 29, 1979, and United States International Development Cooperation Agency Delegation of Authority No. 1, approved October 1, 1979.

b. Statutory and Regulatory Requirements

The Anti-Deficiency Act (Sec. 3679 of the Revised Statutes) and Office of Management and Budget (OMB) Circular A-34 are the principal regulations that prescribe the procedures for the control of appropriations through the Apportionment process, and for designing and establishing a system of administrative control of funds to:

(1) Restrict obligations and expenditures against each appropriation or fund from exceeding apportionments and allotments or from exceeding budgetary resources available for obligation, whichever is smaller.

(2) Enable the agency head to fix responsibility for the creation of any obligation or the making of any expenditure in excess of an apportionment or reapportionment.

The Budget and Accounting Procedures Act of 1950 places responsibility for establishing and maintaining systems of accounting and internal controls upon the head of each agency.

a. Budgetary and Accounting Control Systems

(1) The A.I.D. Operational Year Budget (OYB) is the Agency's financial plan. It sets out the amount of availabilities for each funding category (appropriation), and establishes funding levels within each appropriation for each of the A.I.D. Georgraphic and Functional Bureaus by country and/or program.

(2) Administrative control of A.I.D. funds is exercised through issuance of funding allotments to the officers in Washington and overseas authorized to incur obligations for approved programs. The system provides for control over financial limitations contained in A.I.D. legislation and restricts allotments and obligations to the lesser of:

(a) Actual fund availability;

(b) Amounts apportioned by OMB; and

(c) Amounts approved in the Operational Year Budget.

(3) The A.I.D. accounting system conforms to the accounting principles, standards, and related requirements prescribed by the Comptroller General of the U.S. (GAO). The accounting system provides for:

(a) full disclosure of the financial results of A.I.D.'s activities;

(b) publication of financial information for A.I.D. management;

(c) control over and accountability for all funds, property, and other assets for which A.I.D. is responsible;

(d) reporting of accounting results to serve as the basis for preparing and supporting A.I.D. budget requests, controlling execution of the budget, and providing financial information required by OMB, GAO, Treasury, and the Congress; and

(e) integration of A.I.D. accounting with the central accounting and reporting operations of the Treasury.

a. Financial Reporting

(1) Status of implementation of current year programs is reported to management through issuance of a Financial Report within six (6) working days after the end of each month. The Report reflects currently approved program levels (OYB), allotments issued, and obligations incurred by funding category, administering bureau, and country and/or program.

(2) Financial accounting results for current and prior year programs are reported approximately thirty (30) days after the end of each month.

VI. B. The Project Implementation Process

1. Definition.

Conceptually, project implementation encompasses all actions necessary to put an approved activity or project into effect. It is distinguished from project development, i.e., the identification, design, review, approval and negotiation of projects, in that the latter involves the specification and agreement as to what is to be accomplished. Implementation is the doing of what has been agreed to.

2. Methods of Implementation

A fundamental principle of AID and its predecessor agencies has been that the countries and organizations it assists should themselves undertake the implementation of their own development programs, rather than employ AID as their agent to do so. The principle rests on a number of considerations, the first and most important of which is that the ultimate responsibility for all development projects rests with the countries whose projects they are. Moreover, the process of implementation is itself an important opportunity for development of technical, institutional and administrative skills needed to undertake subsequent projects. To the extent AID performs as an implementing agent for countries or organizations, they forego such institutional development benefits. Finally, AID is not principally a project management and procurement organization and must conserve its staff resources for its primary functions as a development planning, financing and monitoring agency.

AID policy does, however, recognize that not all countries or projects are equal in their respective capacities and requirements when it comes to project management, technical expertise and procurement skill levels. AID allows exceptions to the general principle of implementation by recipient countries when:

- the designated organizations do not have access to sufficient trained manpower, or

- have a record of project management or contracting problems which, if not compensated for, would increase costs or implementation problems to unacceptable levels.

102

The basic variances within the concept of recipient country implementation of its own projects are given below.

Recipient Country Plus Technical Assistance - If the country's organizations cannot by themselves implement the activity, the project design will normally include parallel training and development of the recipient country organizations so that they would be able to perform similar functions in subsequent development activities. Such services are normally provided on a contract basis from profit-making, nonprofit or governmental institutions. If the specific project management or technical skills are only available from a U.S. Government organization, e.g., National Aeronautics & Space Administration (NASA), U.S. Geological Survey (USGS) or Bureau of Census, then AID may arrange for such skills to be provided directly to the project, but still with only limited AID involvement.

Implementation Agent - The next preferred method for project implementation is to have recipient country projects carried out by implementation agents, i.e., through contracts with profit-making or nonprofit organizations. Contracts or grant agreements may also be used to engage the resources of private voluntary organizations or quasi-governmental institutions to act as implementation agents.

Direct AID Participation - When the above implementation approaches are not appropriate or for other special reasons, AID may itself become directly involved in implementation, e.g., in contracting and procurement activities, such that the project can be completed within reasonable time and cost guidelines. Direct AID involvement in procurement actions may also be necessary to address special situations, e.g., the charters of some U.S. state universities preclude them from entering into contracts or agreements with foreign governments. They may, however, enter into a contract or agreement with AID which enables them to perform the required services for the recipient country.

3. AID's Role During Implementation

The vast majority of AID-financed development activities are implemented by recipient country organizations or third parties. AID may play a direct role in management and implementation at the project level, but its primary operational responsibilities and allocation of staff resources are directed towards the activities outlined below. Prudent management concepts and guidelines for minimum accountability regarding the expenditure of appropriated public funds dictate that AID personnel in the field will spend a large percentage of their time supporting and overseeing the project implementation process.

101

Implementation Support and Monitoring Responsibilities

- Providing general planning support and guidance to recipient country officials on the satisfaction of legal and procedural requirements associated with the use of AID financing;

- Preparing and administering the operation of AID financing instruments which make funds available to project organizations;

- Monitoring implementation methods, progress and results to ensure that activities conform to AID statutory requirements and other terms of the project agreement;

- Evaluating project design and implementation elements and, as appropriate, assisting in making adjustments that enable a project to achieve its intended objectives, and

- Advising recipient country officials on the operation and maintenance of completed projects so that planned outputs are produced and received by the intended beneficiaries.

VI. C. Workforce

1. Resources

AID obtains its workforce resources under a variety of arrangements and authorities -- direct-hire U.S. and foreign national employees, contractors, and personnel of other Federal agencies who are assigned to work with AID by agreement between the two agencies.

a. AID Direct-Hire Personnel

In total, as of October 31, 1980, the Agency had 5,940 direct-hire employees, of these, 5,411 were full-time employees in permanent positions (FTEPP) in Washington and overseas, and 529 were part-time and temporary employees.

Overseas, there were 1,518 AID U.S. personnel responsible for the administration of Agency programs and projects, including the functions of program planning, development, evaluation, and management support. Very few of these U.S. personnel actually engage in project execution. The agency uses, for the most part, the expertise of other Federal agency personnel and contractors for project execution aspects of our programs.

Supporting AID activities overseas were 1,870 foreign national direct-hire employees. Most of the foreign nationals provide support in the administrative and clerical fields; some, however, perform functions which could be -- and in the past often were -- performed by U.S. staff such as engineers, economists, participant training officers, personnel officers, and a wide range of other specialists. Because of their knowledge of local customs and practices local employees are often more effective and appropriate than an American might be, and they are less costly.

In AID/Washington, there were 2,552 direct-hire employees (of which 370 were less than full-time). These employees are responsible for a wide range of functions, including the provision of policy and program direction to the overseas posts, and a wide variety of program and management support services.

b. Contractor Personnel

Consistent with explicit direction in the Foreign Assistance Act, the Agency has established a policy of carrying out its development assistance programs to the maximum extent possible through the private sector.

AID currently utilizes the services of approximately 975 Americans, plus 873 foreign nationals through contractual arrangements with individuals, private institutions and firms. The contract may be directly between AID and the contractor (AID-direct contract), or may be between the recipient country and the contractor (Borrower/Grantee — "B/G" - contract). Broadly speaking, these figures include those contract activities which involve the provision of technical assistance to the recipient country. The figures reflect the number which AID, through its contracting processes, has determined are required to carry out the activity; not reflected are the number which AID, allows the contractor at its own discretion--within the funding constraints of the contract-- to carry out the terms of the contract. In this latter--excluded--category are personnel involved in such things as the construction of real property (e.g., buildings and dams) and services provided incidental to the purchase of commodities or equipment under contract, such as the labor provided by a contractor in connection with the installation of purchased machinery. AID has authority--only for overseas work--to enter into Personal Services Contracts, i.e., a contractual arrangement with an individual in which there is, essentially, an employer/employee relationship.

c. Other Federal Agency Personnel

AID also looks to other Federal agencies to provide the expertise from their staff under a special Participating Agency Service Agreement (PASA) worked out with each agency. Under such agreements, the personnel involved remain employees of the parent agency during their assignment with AID, which is overseas; they do not enter AID's employment rolls. The Agency had some 107 such "PASA" personnel, as of October 31, 1980. A Resources Support Services Agreement (RSSA) is used for obtaining continuing professional staff assistance from other agencies when the services are not related to specific projects with a fixed-time period for their accomplishment. RSSA personnel are assigned in the U.S., and there were approximately 315 at the end of FY 1980.

104

In addition, there are a few other federal employees detailed-in to AID/Washington for which AID, in most cases, pays a reimbursement to the parent agency.

In summary, the Agency's policy of using non-AID expertise to the maximum extent feasible is based on several factors. First, the scope of the economic assistance program requires that the Agency draw upon the variety of technical resources and skills of other government and private institutions; in many cases, the need for specialized skills may be only temporary, and "borrowing," rather than employing, such personnel provides the Agency with greater program management flexibility. Second, this policy encourages the continuing infusion of up-to-date technology from the institutions with outstanding capabilities in the various technical areas. Further, the use of personnel from private institutions encourages the establishment of post-assistance ties and relationships between those institutions and parallel institutions and entities in the recipient countries, which can provide a mutual benefit to both parties in the future.

2. Constraints on Workforce Resources

Particularly in the last several years, the Agency has sought to achieve staffing levels both overseas and in Washington which are austere but, at the same time, adequate levels necessary to perform the work efficiently and effectively. In setting these balanced levels, however, three basic constraints effect management judgments, and decisions.

a. OMB Limitation

The Office of Management and Budget establishes a world-wide, end of fiscal year direct-hire employment limitation. For FY 1980, AID's level under the IDCA allocation is 5518 FTEPP positions -- including both U.S. and Foreign National employees in the U.S. and overseas. Under this limitation, the Agency distributes its workforce between AID/Washington and overseas and among its organizational elements.

b. MODE (Monitoring Overseas Direct Employment)

This is a control exercised by the National Security Council, with staff support from the Department of State. MODE controls the total number of employees assigned abroad who contribute to the official U.S. Government presence and profile overseas. Included in the MODE system, as it affects AID, are all direct-hire employees of the Agency, both U.S.

105

and Foreign National, as well as employees of other Federal agencies under PASA's (employees under contract are excluded). U.S. Ambassadors exercise this control as the personal representatives of the President, approving or disapproving proposed AID staffing levels of the country. In those instances where AID and the Ambassador cannot reach agreement on the staffing levels required, and in AID's judgment a higher level is essential for prudent conduct of a country program, an appeal process is available with the Department of State and subsequently to a committee of the N.S.C.

c. Appropriations

Limitations on any Agency's appropriations -- for AID, especially the Operating Expenses Account since that is the source from which the bulk of Agency personnel are paid -- is the ultimate constraint on the Agency's personnel levels. Additionally for AID, Congressional views on the size and location of AID staffing, as espressed most recently during the appropriations process, affect the decisions senior Agency management makes on AID's personnel levels.

3. AID Internal Workforce Resource Allocation and Employment Control System

AID's workforce resource requirements are determined as an integral part of the annual program development and budget cycle. This cycle begins with the transmission to each AID overseas post of the Annual Budget Submission (ABS) guidance prepared by the Bureau for Program and Policy Coordination (PPC) and the Office of Financial Management (FM) for field submission of budget requests. The ABS is developed consistent with and in support of the Country Development Strategy Statement (CDSS) from each overseas mission. It is designed to provide data for use in the review and approval of the current and projected workforce resource requirements.

The Office of Financial Management is responsible for reviewing and making recommendations on the workforce resource requests of the Missions in conjunction with the appropriate Geographic Bureaus, and with other AID Bureaus and Offices with overseas staffs.

Concurrently, for AID/Washington, guidance for the Annual Budget Submission (ABS) which includes workforce requirements is sent from the Office of Financial Management to each AID Bureau and

106

Office. These requests are also reviewed by the Office of Financial Management, which makes recommendations based on overall Agency priorities and program requirements.

After comprehensive review, the Office of Financial Management aggregates all of the workforce requests and recommendations to develop the overall AID workforce budget proposal. This proposal is then reviewed and approved by the Administrator and submitted to the Office of Program and Policy Coordination as part of the AID Operating Expense Budget proposal for formal submission to the Office of Management and Budget by the AID Administrator.

Based on the decisions resulting from the foregoing process, and after the appropriation process, the Administrator or Deputy Administrator authorizes the Office of Financial Management to issue to each AID/Washington Bureau and Office the approved workforce allocations for the operational year.

These allocations which are expressed in terms of positions provide separate ceilings for overseas and Washington, and for American and foreign national incumbency. The allocations represent the maximum number of positions which may be established for the organizational unit.

Because of staff turnover, coupled with the length of time required to recruit and process qualified candidates, a portion of all direct hire positions are normally vacant at any given time. Although some offices or posts may have all their positions filled, it is virtually impossible, in the aggregate, to fill all the positions authorized worldwide. Actual employment is fairly predictable and manageable by taking this normal lapse (or vacancy) phenomenon into account. Since the workforce limitation imposed on the Agency by the Office of Management and Budget is a limitation on actual employment and not positions, the position allocations issued by the Office of Financial Management range from five to ten percent above the employment limitation.

Simultaneous with this process, requests for allocations of consultant workdays and overtime are reviewed by the Office of Financial Management and levels for each AID/Washington Bureau and Office are determined after a careful assessment of requirements, as well as the availability of operating expense funds. These allocations are included in the budget which is approved by the Administrator.

Adherence to Agency U.S. national workforce allocations--both for AID/W and overseas--are assured by control procedures in the Office of Personnel Management supported by an automated

107

data system. Foreign National employment is controlled at the Mission level and monitored by Washington.

Overtime and consultant allocations in AID/W are monitored centrally.

4. Workforce Numbers and Trends

AID's Direct-Hire workforce has changed significantly over the years. From an on-board level of about 14,751 full and part-time direct hire personnel in 1961, the Agency reached a peak of 18,030 in 1968. Between 1968 and the end of fiscal year 1980 (September 30, 1980) this full and part-time workforce has been reduced by over 12,000 -- a decrease of 67% -- to a level of 5,958.

There are a number of factors which have affected the changing workforce levels. The peak employment of the late 1960's reflects the expansion of the Agency's programs in the Southeast Asia area.

Then during FY 1969, AID sustained a 12% reduction in American personnel overseas -- both AID direct-hire and other Federal agency personnel serving with AID under Participating Agency Service Agreements -- and a similar reduction in foreign national under the President's Balance of Payments Program (BALPA), the purpose of which was to save staff cost outflows overseas. The Washington staff was also reduced (through reduction-in-force procedures) by approximately 12% during this period due to a reduction in the FY 1969 administrative appropriation.

During FY 1970 the Agency's overseas staff was reduced further under another exercise -- Overseas Presence Reduction (OPRED) -- in which the President directed that by June 30, 1970 AID and other government agencies reduce overseas employment 10% below the June 1969 level in order to minimize the official U.S. Government profile overseas. For purposes of OPRED, AID overseas employment was defined to include: (1) AID direct-hire employees in permanent positions, (2) other U.S. agency employees working for AID under Participating Agency Service Agreements, and (3) American personal services contract employees. Under OPRED, AID actually reduced the total number of employees overseas by 758 Americans, or 14%. In the same period foreign national employment was reduced by over 854 or 10%.

In FY 1971, AID achieved a further reduction of 12% overseas. The President directed the Under Secretaries Committee of the National Security Council to continue to monitor and control U.S. Government Presence abroad.

In FY 1972, and FY 1973, AID's direct-hire staff was reduced by more than 3,300 employees -- a two-year reduction of 25%. This reduction, resulting from a Reform Plan initiated by the Agency in 1972, was achieved through a consolidation of program and management support services in Washington, a tightly enforced hiring freeze, and the separation of Foreign Service employees serving in time-limited appointments.

Reductions continued in the Agency's direct-hire overseas staff during FY 1974 as a result of program changes, as well as new ways of doing business, whereby more project implementation was carried out by others -- the host country itself, the U.S. private sector, and other Federal agencies.

During FY 1975, the overseas AID direct-hire staff was reduced dramatically as a result of the termination of programs in Indochina -- by about 525 Americans and about 1,600 foreign nationals.

During the past few years new initiatives have been legislated by Congress in the Foreign Assistance Act in agriculture development, disaster relief, women in development, environmental concerns, the Sahel, and the Middle East. The Agency is continuing to adjust its workforce to these changing program requirements. Emphasis has been undertaken for those skills in short supply within the Agency, and AID has accelerated the hiring of International Development Interns (junior-level foreign service personnel selected under a highly competitive process and given intensive training prior to overseas service) to ensure a steady input of young talent.

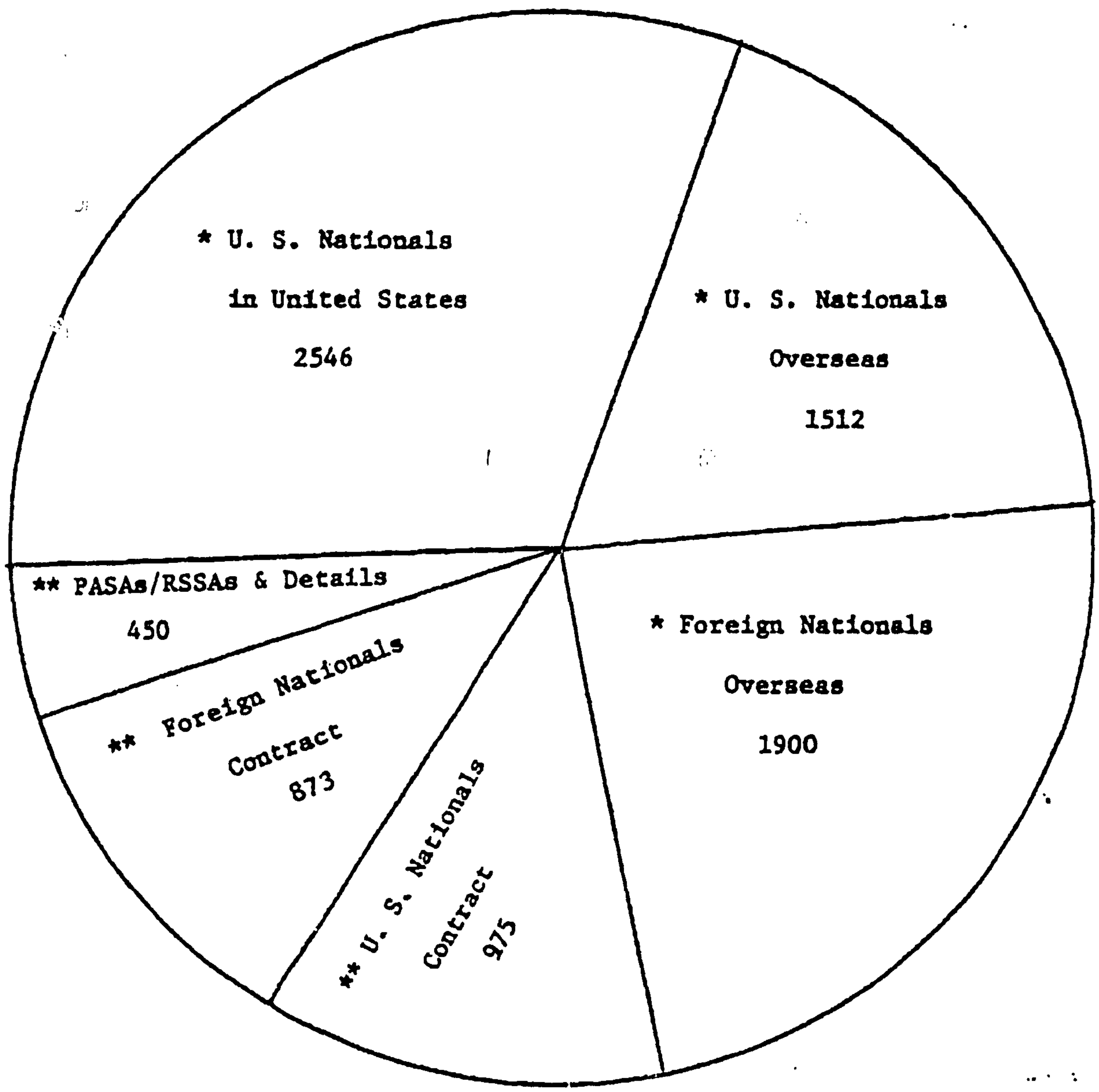
The Agency's current estimate of the direct-hire strength at the end of fiscal year 1981 is 3,980 American employees, and 1,958 foreign national employees, or a total strength of 5,938 (full and part-time).

The details of the AID workforce situation -- past, present and future -- are covered by the charts on the following pages.

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORKFORCE RESOURCES

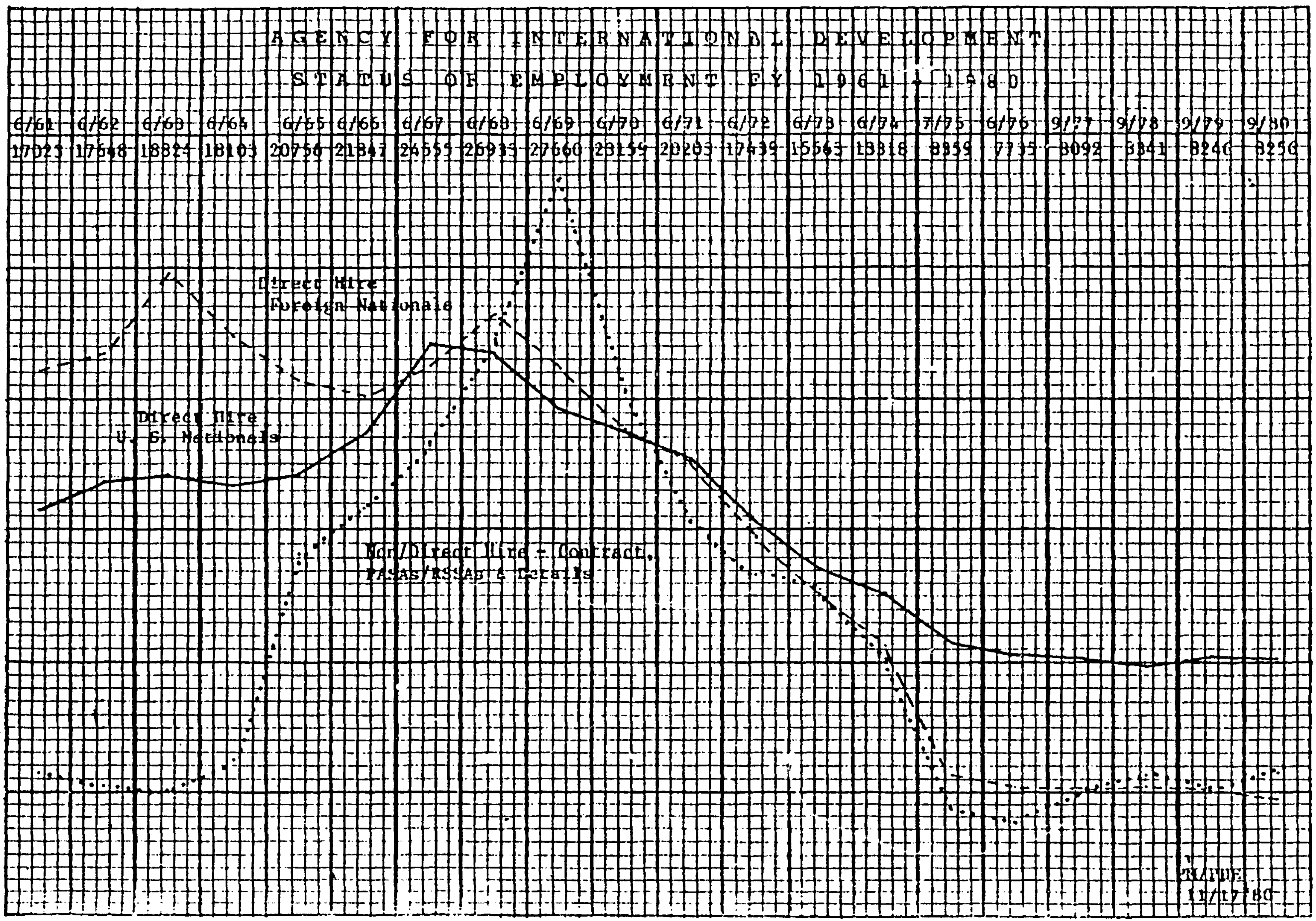
September 30, 1980



*Total Direct Hire	-	5958
**Total Non/Direct Hire	-	2298
Total A.I.D.		8256

PM/PDE
11/17/80

110


AGENCY FOR INTERNATIONAL DEVELOPMENT
STATUS OF EMPLOYMENT FY 1961 - 1980
6/61 6/62 6/63 6/64 6/65 6/66 6/67 6/68 6/69 6/70 6/71 6/72 6/73 6/74 7/75 6/76 9/77 9/78 9/79 9/80
17023 17648 18824 18103 20756 21847 24555 26933 27660 23159 20203 17439 15565 13318 8859 7735 8092 8341 8240 8256
Direct Hire
Foreign Nationals
Direct Hire
U. S. Nationals
Non/Direct Hire - Contract,
PASAs/RSSAs & Details
11/17/80

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORKFORCE TRENDS BY CATEGORY -- FY 1961 - FY 1980

	6/61	6/62	6/63	6/64	6/65	6/66	6/67	6/68	6/69	6/70
I. Direct Hire										
FTEPP										
U.S. Nat'ls-U.S.	2130	2559	2648	2798	2930	3116	3505	3468	3030	3076
U.S. Nat'ls-O/S	4031	3965	4011	3721	3539	3770	4729	4838	4322	3863
Tot U.S. Nat'ls	6161	6524	6657	6519	6469	6886	8234	8306	7352	6939
For. Nat'ls	8360	8669	9949	8918	8244	8006	8479	9263	8401	7547
Total FTEPP	14521*	15193*	16606*	15437	14713	14892	16713	17569	15753	14486
Non/FTEPP										
U.S. Nat'ls-U.S.	85	146	85	144	340	509	527	420	436	499
U.S. Nat'ls-O/S	96	107	76	25	19	47	55	27	54	21
Tot U.S. Nat'ls	181	253	161	169	359	556	582	447	490	520
For. Nat'ls	49	49	15	36	26	24	16	14	47	44
Total Non/FTEPP	230	302	176	205	385	580	598	461	537	564
Total Direct Hire	14751	15495	16782	15642	15098	15472	17311	18030	16290	15050
II. Non/Director Hire										
Contract										
U.S. Nat'ls	1704	1572	1476	1874	2769	2894	2713	2510	2336	1926
For. Nat'ls	N.A.	N.A.	N.A.	N.A.	2255	2793	3248	5147	8000	5144
Total Contract	1704	1572	1476	1874	5024	5687	5961	7657	10336	7070
PASAs/RSSAs/Details	568	581	566	587	634	688	1283	1246	1034	1039
Tot Non/Direct Hire	2272	2153	2042	2461	5658	6375	7244	6903	11370	8109
TOTAL A.I.D.	17023	17648	18824	18103	20756	21847	24555	26933	27660	23159

	6/71	6/72	6/73	6/74	6/75	6/76	9/77	9/78	9/79	9/80
I. Direct Hire										
FTEPP										
U.S. Nat'ls-U.S.	3040	2899	2924	2872	2735	2427	2329	2200	2223	2112
U.S. Nat'ls-O/S	3473	2893	2181	1847	1231	1279	1342	1449	1504	1472
Tot U.S. Nat'ls	6513	5792	5105	4719	3966	3706	3671	3649	3727	3584
For. Nat'ls	6964	5927	5003	4242	2219	2045	2041	2106	2026	1861
Total FTEPP	13477	11719	10108	8961	6185	5751	5712	5755	5753	5445
Non/FTEPP										
U.S. Nat'ls-U.S.	508	345	310	311	399	444	377	306	390	434
U.S. Nat'ls-O/S	12	7	3	2	-	-	-	8	19	40
Tot U.S. Nat'ls	520	352	313	313	399	444	377	314	409	474
For. Nat'ls	53	1	2	4	7	3	3	4	24	39
Total Non/FTEPP	573	353	315	317	406	447	380	318	433	513
Total Direct Hire	14050	12072	10423	9278	6591	6198	6092	6073	6186	5958
II. Non/Director Hire										
Contract										
U.S. Nat'ls	1439	1341	1245	1070	744	716	897	1048	920	975
For. Nat'ls	3797	3303	3339	2691	757	553	824	814	663	873
Total Contract	5236	4644	4584	3761	1501	1269	1721	1862	1583	1848
PASAs/RSSAs/Details	917	723	556	279	267	268	279	406	477	450
Tot Non/Direct Hire	6153	5367	5140	4040	1768	1537	2000	2268	2060	2298
TOTAL A.I.D.	20203	17439	15563	13318	8359	7735	8092	8341	8246	8256

* Full-Time (Excluding Experts/Consultants) - FTEPP not available at that time

PM/PDE
11/18/80

112

VI. D. Personnel

1. Foreign Service Personnel

AID has authority to employ persons in the foreign service. The agency has a good deal of flexibility to determine appointment qualifications and to hire, promote, and assign foreign service reserve officers.

Internal Agency regulations governing this category of personnel have been designed to provide AID's foreign service employees with rights, compensation and benefits which are comparable to those of State Department Foreign Service Officers and AID Civil Service employees. These regulations can for the most part, be waived or changed at the discretion of the AID Administrator. With the effective date of the Foreign Service Act of 1980, February 15, 1981, this discretion will be somewhat more circumscribed.

All AID American employees serving overseas are in the foreign service category. As of October 31, 1980, AID had 2045 foreign service employees on the rolls, with 527 serving in Washington and the remainder overseas. These employees include professionals appointed as foreign service reserve officers (FSR) and supporting personnel (principally secretarial and administrative assistants) appointed as foreign service staff (FSS).

The Foreign Service is distributed by class as follows:

Class	No.	Salary Range
FSR-01	43	$50,112.50
02	204	50,112.50
03	518	44,547.00-50,112.50
04	601	36,097.00-50,112.50
05	277	29,249.00-42,953.00
06	110	23,701.00-34,806.00
07	83	19,205.00-28,203.00
08	17	17,169.00-25,213.00
TOTAL	1853	

Class	No.	Salary Range
FSS-01	-	$44,547.00-50,112.50
02	-	36,097.00-50,112.50
03	5	29,249.00-42,953.00
04	8	23,701.00-34,806.00
05	28	19,205.00-28,203.00
06	52	17,169.00-25,213.00
07	43	15,348.00-22,539.00
08	11	13,721.00-20,150.00
09	33	12,266.00-18,013.00
10	10	12,266.00-18,013.00
TOTAL	190	

113

Chiefs of Mission

Class	No.	Salary Range
FA-II	1	$55,387.50
FA-III	1	52,750.00
TOTAL	2	

3. Overseas Mission Chiefs and Deputies

Chiefs and Deputies of AID's overseas Missions are appointed to positions in the AID foreign service under a special provision of the Foreign Assistance Act. Such employees may be appointed and removed by the AID Administrator (under delegated authority) without regard to the provisions of any other law. Senate confirmation is not required, and the actual appointment authority has been delegated by the President to the AID Administrator through redelegation from IDCA.

Many of AID's Mission Chiefs and deputies are career Foreign Service Reserve employees who previously held unlimited appointments. When such career employees are separated as Mission Chiefs or deputies they do not have statutory reemployment rights, but have reinstatement eligibility to a job at their career foreign service rank.

Civil Service Personnel

a. Description and Summary

The majority of the Agency's jobs in Washington are under the regular Civil Service. Appointments, rates of compensation, promotions, separations, and other such actions are controlled by Civil Service rules and regulations originating in the Office of Personnel Management (OPM). Before an individual may be appointed to a regular Civil Service job he must have or obtain eligibility from OPM.

There are a number of ways to obtain such eligibility depending upon the job skill and grade involved -- for the most part a difficult and time-consuming process. There are several Civil Service categories -- Schedules A, B, and C (defined following the table below) -- which permit the Agency discretional appointment of employees without Civil Service eligibility. A total of 100 employees are presently employed under all these Schedules, 34 of which are employees under Schedules B and C.

As of October 31, 1980 AID employed 2,025 non-foreign service personnel in Washington (of which 370 were part-time or intermittent employees). Of this number 34 were SES executives, 64 were AD or statutory appointees, 31 were Wage Board employees* and 25 were consultants. The remaining 1871 were regular Civil Service employees distributed by grade as follows:

Pay Sch. & Grade	No.	Salary Range
GS-01	-	$ 7,960.00- 9,954.00
02	7	8,951.00-11,265.00
03	25	9,766.00-12,700.00
04	124	10,963.00-14,248.00
05	209	12,266.00-15,947.00
06	265	13,672.00-17,776.00
07	206	15,193.00-19,747.00
08	84	16,826.00-21,875.00
09	130	18,875.00-24,165.00
10	15	20,467.00-26,605.00
11	115	22,486.00-29,236.00
12	133	26,951.00-35,033.00
13	208	32,048.00-41,660.00
14	211	37,871.00-49,229.00
15	137	44,547.00-50,112.50
16	2	49,198.00-50,112.50
17	-	50,112.50
18	-	50,112.50

* Wage Board employees are employees in recognized trades and crafts (skilled, semiskilled, unskilled). They are paid on special schedule based on prevailing wage rates.

b. Excepted Positions

The following paragraphs define the types of positions falling under the schedules applicable to excepted positions.

SCHEDULE A

Positions other than those of a confidential or policy-determining character for which it is not practicable to examine. *(FAM 213.3101)

SCHEDULE B

Positions other than those of a confidential or policy-determining character for which competitive examinations are im-

115

practicable, but for which non-competitive examinations are given.
*(FAM 213.3201)

SCHEDULE C

Positions of a confidential or policy-determining character.
*(FAM 213.3301)

*Federal Personnel Manuals (FPM's) are issued by the Civil Service Commission and provide regulatory, policy and procedural guidelines governing federal personnel management.

INTERNATIONAL DEVELOPMENT ... ERATION AGENCY
AGENCY FOR INTERNATIO... DEVELOPMENT

EXECUTIVE ORDER 12248 DATED 10/16/80 AND 12249 DATED 10/25/80
EFFECTIVE - FIRST PAY PERIOD BEGINNING ON OR AFTER OCTOBER 1, 1980

...V. GRADE OR CLASS				STEP RATES WITHIN GRADE LEVEL OR CLASS													
...AD	FSO FSR	FS	FC	1	2	3	4	5	6	7	8	9	10	11	12	13	14
				50,112.50*													
	1			50,112.50*	50,112.50*	50,112.50*											
			14	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*									
				50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*									
				50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*					
			13	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*					
	2			50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*							
				44,547.00	46,032.00	47,517.00	49,002.00	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*				
			12	44,547.00	45,883.00	47,260.00	48,678.00	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*				
	3	1		44,547.00	45,883.00	47,260.00	48,678.00	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*	50,112.50*
			11	38,163.00	39,308.00	40,487.00	41,702.00	43,102.00	44,395.00	45,727.00	47,098.00	48,511.00	49,967.00				
				37,871.00	39,133.00	40,395.00	41,657.00	42,919.00	44,181.00	45,443.00	46,705.00	47,967.00	49,229.00				
	4	2		36,097.00	37,180.00	39,295.00	39,444.00	40,627.00	41,846.00	43,102.00	44,395.00	45,727.00	47,098.00	48,511.00	49,967.00	50,112.50*	50,112.50*
				32,048.00	33,116.00	34,184.00	35,252.00	36,320.00	37,388.00	38,456.00	39,524.00	40,592.00	41,660.00				
			10	31,961.00	32,920.00	33,908.00	34,925.00	36,097.00	37,180.00	38,295.00	39,444.00	40,627.00	41,702.00				
	5	3		29,249.00	30,126.00	31,030.00	31,961.00	32,920.00	33,908.00	34,925.00	35,973.00	37,052.00	38,163.00	39,308.00	40,487.00	41,702.00	42,953.00
				26,951.00	27,849.00	28,747.00	29,645.00	30,543.00	31,441.00	32,339.00	33,237.00	34,135.00	35,033.00				
			9	26,676.00	27,476.00	28,300.00	29,249.00	30,126.00	31,030.00	31,961.00	32,920.00	33,908.00	34,925.00				
	6	4		23,701.00	24,412.00	25,144.00	25,899.00	26,676.00	27,476.00	28,300.00	29,149.00	30,024.00	30,924.00	31,852.00	32,808.00	33,792.00	34,806.00
			8	22,539.00	23,074.00	23,766.00	24,479.00	25,213.00	25,899.00	26,676.00	27,476.00	28,300.00	29,149.00				
				22,486.00	23,236.00	23,986.00	24,736.00	25,486.00	26,236.00	26,986.00	27,736.00	28,486.00	29,236.00				
				20,467.00	21,149.00	21,831.00	22,513.00	23,195.00	23,877.00	24,559.00	25,241.00	25,923.00	26,605.00				
			7	20,375.00	21,245.00	21,883.00	22,539.00	23,074.00	23,766.00	24,479.00	25,213.00	25,810.00	26,676.00				
	7	5		19,205.00	19,781.00	20,375.00	20,986.00	21,615.00	22,264.00	22,932.00	23,620.00	24,328.00	25,058.00	25,810.00	26,584.00	27,382.00	28,203.00
			6	18,761.00	19,205.00	19.781.00	20,375.00	20,986.00	21,615.00	22,264.00	22,932.00	23,620.00	24,328.00				
				18,585.00	19,205.00	19,825.00	20,445.00	21,065.00	21,685.00	22,305.00	22,925.00	23,545.00	24,165.00				
	8	6		17,169.00	17,684.00	18,215.00	18,[illegible]61.00	19,324.00	19,904.00	20,501.00	21,116.00	21,749.00	22,402.00	23,074.00	23,766.00	24,479.00	25,213.00
			5	16,875.00	17,381.00	17,903.00	18,440.00	18,993.00	19,563.00	20,150.00	20,626.00	21,245.00	21,883.00				
				16,826.00	17,387.00	17,948.00	18,509.00	19,070.00	19,631.00	20,192.00	20,753.00	21,314.00	21,875.00				
		7		15,348.00	15,808.00	16,283.00	16,771.00	17,274.00	17,793.00	18,326.00	18,876.00	19,442.00	20,026.00	20,626.00	21,245.00	21,883.00	22,539.00
			4	15,348.00	15,808.00	16,283.00	16,771.00	17,274.00	17,793.00	18,215.00	18,761.00	19,205.00	19,781.00				
				15,193.00	15,699.00	16,205.00	16,711.00	17,217.00	17,723.00	18,229.00	18,735.00	19,241.00	19,747.00				
		8		13,721.00	14,133.00	14,557.00	14,993.00	15,443.00	15,906.00	16,384.00	16,875.00	17,381.00	17,903.00	18,440.00	18,993.00	19,563.00	20,150.00
			3	13,721.00	14,133.00	14,557.00	15,086.00	15,443.00	15,906.00	16,384.00	16,875.00	17,274.00	17,793.00				
				13,672.00	14,128.00	14,584.00	15,040.00	15,496.00	15,952.00	16,408.00	16,864.00	17,320.00	17,776.00				
		9		12,266.00	12,634.00	13,013.00	13,403.00	13,805.00	14,220.00	14,646.00	15,086.00	15,538.00	16,004.00	16,484.00	16,979.00	17,488.00	18,013.00
		10		12,266.00	12,634.00	13,013.00	13,403.00	13,805.00	14,220.00	14,646.00	15,086.00	15,538.00	16,004.00	16,484.00	16,979.00	17,488.00	18,013.00
			2	12,266.00	12,634.00	13,013.00	13,403.00	13,805.00	14,220.00	14,646.00	15,086.00	15,538.00	15,906.00				
				12,266.00	12,675.00	13,084.00	13,493.00	13,902.00	14,311.00	14,720.00	15,129.00	15,538.00	15,947.00				
				10,963.00	11,328.00	11,693.00	12,058.00	12,423.00	12,788.00	13,153.00	13,518.00	13,883.00	14,248.00				
				9,766.00	10,092.00	10,418.00	10,744.00	11,070.00	11,396.00	11,722.00	12,048.00	12,374.00	12,700.00				
				8,951.00	9,163.00	9,459.00	9,712.00	9,820.00	10,109.00	10,398.00	10,687.00	10,976.00	11,265.00				
				7,960.00	8,225.00	8,490.00	8,755.00	9,020.00	9,175.00	9,437.00	9,699.00	9,712.00	9,954.00				

...ade level for FC-1 has been eliminated from the salary chart due to combining grades FS-9/10 into one salary level under E.O. 12249.

...iefs of Mission Class 1, $60,662.50; Class 2, $55,387.50; Class 3, $52,750.00; Class 4, $50,112.50

1

...cutive Level I, $59,630.00; II, $5[illegible],662.50; III, $55,387.50; IV, $52,750.00; V, $50,112.50

...ior Executive Service: ES-1 thru ES-5, $50,112.50; ES-6 is $50,112.50 ($52,750.00 for individuals who are in

VI.D.2. LABOR RELATIONS

a. Legislative Enactments — Executive Branch Policy Overview

A.I.D.'s labor relations activities flow from the Civil Service Reform Act, Chapter 71 and the Foreign Service Act, Chapter 10, the former being applicable to the Agency's Civil Service employees, the latter to its Foreign Service employees. Executive Branch policy with respect to labor-management relations in the Federal service is based upon the following premises which are explicitly stated in both Acts:

(1) The public interest requires high standards of employee performance and the development and implementation of progressive work practices;

(2) The well being of employees and efficient administration of Government are benefitted by providing employees an opportunity to participate in the formulation and implementation of personnel policies and practices affecting conditions of their employment; and

(3) The participation of employees should be improved through the maintenance of constructive and cooperative relationships between labor organizations and management officials.

Further, it is policy that each employee has the right freely and without fear of penalty or reprisal to form join or assist a labor organization, or to refrain from such activity. In short, agencies must remain completely neutral with respect to employee participation in a labor organization.

Both Acts require the Agency to negotiate with elected exclusive representative organizations any proposed changes in personnel policies and practices affecting the working conditions of employees over which the Agency has control (as opposed to changes mandated by higher authority).

The obligation to negotiate, however, is not unlimited. Both Acts reserve to management certain rights:

(1) To determine the mission, budget, organization, number of employees, and internal security practices of the agency;

(2) To hire, assign, direct, layoff, and retain employees in the agency, or to suspend, remove, reduce in grade or pay,

\\(3

or take other disciplinary action against such employees;

(3) To assign work, to make determinations with respect to contracting out, and to determine the personnel by which agency operations shall be conducted;

(4) To make selections for appointments from among properly ranked and certified candidates for promotion; or any other appropriate source; and

(5) To take whatever actions may be necessary to carry out the agency mission during emergencies.

The parties may negotiate if they so choose:

(1) At the election of the agency, on the numbers, types, and grades of employees or positions assigned to any organizational subdivision, work project, or tour of duty, or on the technology, methods, and means of performing work;

(2) Procedures which management officials of the agency will observe in exercising any authority; or

(3) Appropriate arrangements for employees adversely affected by the exercising of any authority by such management officials.

The Agency deals with two labor organizations:

AFSA -- The American Foreign Service Association won a contested election (against AFGE) under E.O. 11636, and was recognized in April 1973 as the exclusive representative of A.I.D.'s Foreign Service employees. The AFSA unit represents approximately 1860 employees of whom, according to AFSA, about half actually are dues-paying members.

AFGE -- The American Federation of Government Employees, AFL-CIO, Local 1534 won an uncontested representation election in February 1972 under E.O. 11491, thus becoming the exclusive representative of A.I.D.'s Civil Service employees. AFGE then presented contract proposals to the Agency, following protracted negotiations, a two-year renewable agreement was concluded which has since been renegotiated. There are some 1450 employees in the bargaining unit which AFGE represents with Local 1534 claiming a dues-paying membership of 500.

119

Both Acts impose the obligation of "fair representation" on labor unions. That is, the exclusive representative represents all employees in the bargaining unit, whether or not they are members of the union. By the same token, employees who are not in the Unit, e.g., Management Officials, may be dues-paying members of either or both organizations, but their participation is quite limited and they may not be represented by the unions.

b. General Background -- Labor Relations in the Executive Branch

(1) Early History -- Union activity by Federal employees goes back to the early nineteenth century; however, until 1962, its principal vehicle was lobbying rather than bargaining.

(2) Executive Order 10988 -- "The Kennedy Order" -- was issued in January 1962 covering both Civil and Foreign Service employees. It introduced the concepts of the exclusive bargaining unit, the negotiated agreement ("contract"), and dues checkoff. By the end of 1969, nearly 842,000 Federal employees -- 48 percent of the total -- were represented.

(3) Executive Order 11491 -- "The Nixon Order" -- became effective on January 1, 1970, was amended in August 1971, and again in February 1975. It established a third-party mechanism for resolving disputes, thus eliminating a good deal of the unilateral control formerly exercised by heads of agencies; it enlarged the scope of what is bargainable; and it required that each contract include a grievance procedure, permitting binding arbitration as the final step. This triggered another surge of union activity so that by the end of 1974, almost 60 percent of all Federal employees were exclusively represented, close to 1.5 million of them dues-paying members of unions.

(4) CSRA, Chapter 71 -- The provisions of Chapter 71, which became effective January 11, 1979, gave a statutory base to the labor relations program which had been operating under an executive order since its inception. The major change made in the Act was to establish independent authority, to establish policy, adjudicate disputes, and resolve impasses.

(5) Executive Order 11636 -- About ten months after the issuance of E.O. 11491, the State Department petitioned the Federal Labor Relations Council to exempt the Foreign Service from its provisions. The President agreed to do so

(March 1971) contingent upon the three foreign affairs agencies -- State, USIA and AID -- developing an acceptable substitute labor-management relations program. The result was Executive Order 11636, signed by President Nixon on December 16, 1971. While similar in much of its form and substance to the Civil Service counterpart, the Foreign Service Executive Order differed in several significant respects.

(6) FSA, Chapter 10 -- The provisions of Chapter 10 are effective on February 15, 1981, and are similar to the Civil Service provisions. The adjudicatory bodies are established as independent boards and the exclusive representative is given some additional responsibility.

c. Chapter 71 and Chapter 10 -- Similarities and Differences

(1) Scope of Bargaining -- Similar in most respects under both Acts, the scope of bargaining in the Federal Government is estimated to be about 25 percent of that in the private sector. Pay, hours of work, retirement, fringe benefits, and leave are products of legislation (50 percent), therefore not within the discretion of agency heads, and hence not bargainable. In addition, regulations binding upon A.I.D. which are promulgated by the Civil Service Commission, OMB, GSA, or other agencies of "higher authority" are not bargainable (25 percent). What remains negotiable then are personnel policies and practices and other matters affecting working conditions over which the Agency itself has control and which are not otherwise excluded by the Acts. While both Acts reserve to management certain rights, the procedures through which the exercise of those rights are implemented are negotiable unless the procedures themselves are controlled by law or regulation; e.g., promotion *per se* is a reserved management right, but the procedures of our Civil Service Merit Promotion Program and of our Foreign Service Performance Evaluation System must be bargained. However, it should be noted that the scope of bargaining is somewhat broader on the Foreign Service side since certain allowances and benefits unique to the Foreign Service are controlled internally and, therefore, are negotiable, while in the Civil Service most benefits and all allowances are controlled by "higher authority", i.e., the Congress or the Office of Personnel Management, and so are not negotiable.

(2) Mode of Bargaining -- One of the unique features of Chapter 10 (Foreign Service) is that it does not provide for the traditional comprehensive, fixed-term contract; rather, we negotiate on issues one at a time. This approach -- "rolling negotiations" rather than term bargaining -- limits the Agency's ability to develop trade-offs and bargaining packages, and results in continuous negotiations between A.I.D. and AFSA. It also defies the doctrine that relations between the parties to a labor-management relationship are least stable during negotiations, but then settle down to a period of relative stability during the life of the contract.

We must negotiate with AFSA prior to adopting any new or revised personnel policies or procedures which affect working conditions of our Foreign Service employees. AFSA, too, can propose new personnel policies or changes requiring that the Agency negotiate with AFSA. Thus, we cannot institute new or revised policies or procedures that affect working conditions without getting agreement from out employees, through their union, and we must bargain in good faith on proposals made by them.

On the Civil Service side, a comprehensive Negotiated Agreement ("contract") is concluded for an agreed upon period of time. Its provisions are then administered for the life of the contract and can be modified only by the written mutual agreement of the parties. However, the Agency retains the right to amend its rules and regulations relating to personnel policy, procedures, practices, and working conditions of employees during the life of the contract through mid-term bargaining.

(3) Bargaining Unit Exclusions -- Exclusions on the Civil Service side are more comprehensive in that they reflect the traditional demarcation between labor and management found in the private sector. Such exclusions from the Unit include supervisors, management officials, employees engaged in personnel work in other than a purely clerical capacity, and employees engaged in personnel work in other than a purely clerical capacity, and employees engaged in investigatory and security work.

On the Foreign Service side, the bargaining unit is more extensive. A large portion of those who are commonly regarded, and who regard themselves, as members of the management team are included in the bargaining unit for purposes of collective bargaining. For example, in most Washington (AID/W) bureaus only the Assistant Administrator (or equivalent), his/her deputy, their confidential secretaries and special assistants, and the principal administrative management officer and deputy are excluded from the Foreign Service bargaining unit. Overseas, only the Mission Director, his/her deputy and secretary, and the Executive Officer, Deputy Executive Officer, and Personnel Officer are defined as Management Officials or Confidential Employees, and thus excluded.

(4) Third Party Administrative and Adjudicatory Bodies -- Both Acts provide for their own administrative and third-party adjudicatory machinery. While the two systems involve different entities, their forms and membership are similar and even overlapping in some respects. The respective systems are designed to deal with the delineation of overall policy and refinements to the systems, to adjudicate issues of negotiability and unfair labor practice charges, and to resolve bargaining impasses. In performing these functions, they continue to establish a considerable body of case law.

d. Administration of Labor Relations within A.I.D.

The Agency's Labor Relations Staff is responsible for all aspects of A.I.D.'s labor relations program. Assisted by a staff of two labor relations specialists, the Director reports directly to the Director, OPM.

(1) A.I.D./AFGE Relationships -- The dominant theme underlying day-to-day relations with AFGE is that most fundamental of all employee concerns: job security. There has probably always been a feeling of second-class citizenship on the part of our Civil Service employees who perceive the assignment of large numbers of Foreign Service employees to Washington as a threat to promotion opportunities and even to employment itself. While acrimony is minimal, contract difficulties and employee grievances do arise.

(2) A.I.D./AFSA Relationships -- Prior to its accreditation as a labor union under E.O. 11636, AFSA had operated as a professional association since its inception some fifty years ago. In view of this history, and based also on the fact that a separate Act sets forth the ground rules for labor relations in the Foreign Service, AFSA sees its role as one of "co-manager". There is no legal basis for AFSA's view of its role. This has led to a somewhat difficult period for the Agency in its relationship with AFSA, specifically as between AFSA's view of the permissible

scope of bargaining and the Agency's exercise of the rights reserved to Management, furthermore, as noted earlier, continual negotiations are not conducive to stability.

In addition to bargaining on Agency-wide issues in AID/W, AFSA has established chapters at most overseas posts. Management officials at these posts are authorized to negotiate, within the scope of the Act, those matters which are entirely within local discretion. Examples include parking, local Post-funded training, and AFSA use of facilities. Such dealings may not assume the characteristics of formal consultation, extend to employees at any other posts, or be regarded as a precedent by any other post.

Grievances of Foreign Service employees are precessed under the grievance procedures of Chapter 11 of the Foreign Service Act, 1980.

124

VI. D. 3. Equal Employment Opportunity

a. Legal Authorities

Requirements for Federal agency and equal employment opportunity and affirmative action programs were first established in 1969 by Executive Order 11478. In the 1972 amendments of Title VII, of the Civil Rights Act of 1964, the Congress mandated Federal agencies to maintain affirmative action programs to ensure enforcement of Federal equal employment opportunity policy and to apply the same legal standards of prohibited discrimination established for the private sector. This mandate was a consequence of the specific findings of pervasive discrimination in Federal employment evidenced by:

-- serious underrepresentation and exclusion of minority group members and women in specific occupational areas, grade levels, agencies, and regions; and

-- systemic, institutional barriers operating through various civil service regulations and procedures, particularly non-job related selection and promotion techniques.

Other legal authorities relating to Federal equal employment opportunity include the following statutes:

-- Section 503 of the Rehabilitation Act of 1973 which pertains to employment discrimination against handicapped persons in the Federal Government;

-- Equal Pay Act of 1962 which prohibits sex-based difference where work performed is of equal skill, effort, and responsibility;

-- Age Discrimination in Employment Act of 1967 which prohibits job discrimination against workers 40 to 70 years of age.

b. <u>Agency Policy and Program</u>

In enacting the Federal equal employment opportunity mandated requirements, the AID Administrator exercises personal leadership in the development, implementation, maintenance, and monitoring of a continuing affirmative program for equality of opportunity in employment and personnel operations. The program is designed to promote equal opportunity in every aspect of Agency personnel policy and practice in the employment, development, advancement, and treatment of employees and applicants for employment on the basis of merit and fitness and without regard to race, color, national origin, religion, sex, or age.

To implement the Agency equal employment opportunity program, the Administrator has a designated Director of Equal Employment Opportunity Programs.

AID's equal employment opportunity policy requires special affirmative action throughout the Agency to eliminate the existing underrepresentation of minority group members and women in all categories of employment, grades, and pay plans. An integral part of the Agency's affirmative action program planning process is the setting of hiring goals for targeted occupations, accompanied by timetables for the purpose of reducing and, ultimately, eliminating the underrepresentation determined for each minority and sex group in its workforce profile. This is a results-oriented element of the process which emphasizes quantifiable results.

All levels of management, in addition to the Directors of Equal Opportunity Programs and Personnel Management, share responsibility and are held responsible for the successful implementation of the Agency's affirmative action goals and objectives. Supervisory and managerial performance is evaluated on these and other major Agency goals.

Employment profiles for both IDCA and AID illustrating the degree to which each race/national origin, and sex group is represented at each grade level and pay plan in the individual Agencies' work-force follow.

Attachments:

1. Tab A - Statistical Analyses of IDCA's Workforce Dispersion of Race/National Origin and Sex Groups by Individual Grade Levels, Pay Plans and by Levels of Authority;

2. Tab B - Statistical Analyses of AID's Workforce Dispersion of Race/National Origin and Sex Groups by Individual Grade Levels, Pay Plans and by Levels of Authority.

U.S. INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

WORK FORCE PROFILE BY PAY SCHEDULE AND GRADE 1/
AS OF SEPTEMBER 30, 1980

PAY SCHEDULE AND GRADE	TOTAL				WHITE				BLACK				HISPANIC				ASIAN AMERICAN				NATIVE AMERICAN				TOTAL EMPLOYEES
	MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
GS-15	1	50.0	1	50.0	--	--	1	50.0	--	--	--	--	1	50.0	--	--	--	--	--	--	--	--	--	--	2
14	1	50.0	1	50.0	1	50.0	--	--	--	--	--	--	--	--	--	--	--	--	1	50.0	--	--	--	--	2
12	1	50.0	1	50.0	1	50.0	1	50.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2
11	--	--	2	100.0	--	--	2	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2
09	--	--	3	100.0	--	--	3	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3
08	--	--	5	100.0	--	--	3	60.0	--	--	2	40.0	--	--	--	--	--	--	--	--	--	--	--	--	5
07	--	--	4	100.0	--	--	2	50.0	--	--	2	50.0	--	--	--	--	--	--	--	--	--	--	--	--	4
06	--	--	3	100.0	--	--	1	33.3	--	--	2	66.7	--	--	--	--	--	--	--	--	--	--	--	--	3
05	--	--	2	100.0	--	--	1	50.0	--	--	1	50.0	--	--	--	--	--	--	--	--	--	--	--	--	2
04	1	50.0	1	50.0	1	50.0	--	--	--	--	1	50.0	--	--	--	--	--	--	--	--	--	--	--	--	2
GS	4	14.8	23	85.2	3	11.1	14	51.9	--	--	8	29.6	1	3.7	--	--	--	--	1	3.7	--	--	--	--	27
AD-18	1	100.0	--	--	1	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
17	--	--	1	100.0	--	--	1	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
16	--	--	2	100.0	--	--	2	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2
15	3	60.0	2	40.0	3	60.0	2	40.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5
14	2	100.0	--	--	2	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2
13	--	--	1	100.0	--	--	--	--	--	--	1	100.0	--	--	--	--	--	--	--	--	--	--	--	--	1
12	1	50.0	1	50.0	1	50.0	1	50.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2
11	--	--	3	100.0	--	--	3	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	3
09	--	--	3	100.0	--	--	2	66.7	--	--	1	33.3	--	--	--	--	--	--	--	--	--	--	--	--	3
AD	7	35.0	13	65.0	7	35.0	11	55.0	--	--	2	10.0	--	--	--	--	--	--	--	--	--	--	--	--	20
EX-02	1	100.0	--	--	1	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
03	1	100.0	--	--	1	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
EX	2	100.0	--	--	2	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2

1/ Includes full-time and part-time employees
Excludes experts/consultants

WORK FORCE PROFILE BY PAY SCHEDULE AND GRADE
AS OF SEPTEMBER 30, 1980

PAY SCHEDULE AND GRADE	TOTAL MALE #	%	TOTAL FEMALE #	%	WHITE MALE #	%	WHITE FEMALE #	%	BLACK MALE #	%	BLACK FEMALE #	%	HISPANIC MALE #	%	HISPANIC FEMALE #	%	ASIAN AMERICAN MALE #	%	ASIAN AMERICAN FEMALE #	%	NATIVE AMERICAN MALE #	%	NATIVE AMERICAN FEMALE #	%	TOTAL EMPLOYEES
ES-00	2	40.0	3	60.0	2	40.0	3	60.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5
ES	2	40.0	3	60.0	2	40.0	3	60.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	5
FSR-02	1	100.0	--	--	1	100.0	--	--	--	--	--	--	--	--	--	----	--	--	--	--	--	--	--	--	1
FSR	1	100.0	--	--	1	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
WG-05	1	100.0	--	--	--	--	--	--	1	100.0	--	--	--	--	--	--	--	---	--	--	--	--	--	--	1
WG	1	100.0	--	--	--	--	--	--	1	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
TOTALS	17	30.4	39	69.6	15	26.8	28	50.0	1	1.8	10	17.8	1	1.8	--	--	--	--	1	1.8	--	--	--	--	56

U.S. INTERNATIONAL DEVELOPMENT COOPERATION AGENCY

WORK FORCE PROFILE BY LEVEL OF AUTHORITY
AS OF SEPTEMBER 30, 1980

LEVEL OF AUTHORITY	TOTAL				WHITE				BLACK				HISPANIC				ASIAN AMERICAN				NATIVE AMERICAN				TOTAL EMPLOYEES
	MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
Executive	2	100.0	--	--	2	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	2
Managerial	--	--	1	100.0	--	--	1	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	1
Other	13	26.5	36	73.5	11	22.5	25	51.0	1	2.0	10	20.4	1	2.0	--	--	--	--	1	2.0	--	--	--	--	49
Supervisory	2	50.0	2	50.0	2	50.0	2	50.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	4
Total	17	30.4	39	69.6	15	26.8	28	50.0	1	1.8	10	17.8	1	1.8	--	--	--	--	1	1.8	--	--	--	--	56

130

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORK FORCE PROFILE - BY PAY SCHEDULE - AND GRADE

AS OF SEPTEMBER 30, 1980

PAY SCHEDULE AND GRADE	TOTAL				WHITE				BLACK				HISPANIC				ASIAN AMERICAN				NATIVE AMERICAN				TOTAL EMPLOYEES
	MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
GS-16	2	100.0	--	--	2	100.0	--	--	-	-	-	-	-	-	-	-	-	-	--	--	--	-	--	-	2
15	120	89.6	14	10.4	116	86.6	9	6.7	2	1.5	3	2.2	2	1.5	-	-	-	-	2	1.5	--	-	--	-	134
14	162	76.8	49	23.2	155	73.5	37	17.5	4	1.9	11	5.2	2	0.9	-	-	-	-	--	--	1	0.5	1	0.5	211
13	129	62.9	76	37.1	108	52.6	52	25.4	17	8.3	22	10.7	2	1.0	2	1.0	2	1.0	--	--	--	-	--	-	205
12	52	39.4	80	60.6	37	28.0	46	34.8	14	10.6	33	25.0	1	0.8	-	-	-	-	1	0.8	--	-	--	-	132
11	37	33.6	73	66.4	21	19.1	31	28.2	14	12.7	37	33.7	1	0.9	3	2.7	1	0.9	2	1.8	--	-	--	-	110
10	3	20.0	12	80.0	1	6.7	5	33.3	2	13.3	6	40.0	-	-	1	6.7	-	-	--	--	--	-	--	-	15
09	28	21.7	101	78.3	14	10.8	41	31.7	12	9.3	56	43.4	-	-	2	1.6	2	1.6	2	1.6	--	-	--	-	129
08	10	11.3	78	88.7	-	-	34	38.7	10	11.3	41	46.6	-	-	-	-	-	-	2	2.3	--	-	1	1.1	88
07	27	13.6	172	86.4	6	3.0	76	38.2	18	9.1	93	46.7	2	1.0	1	0.5	1	0.5	2	1.0	--	-	--	-	199
06	17	6.5	244	93.5	3	1.1	94	36.0	12	4.6	145	55.6	2	0.8	4	1.5	-	-	1	0.4	--	-	--	-	261
05	20	9.2	198	90.8	9	4.1	91	41.8	11	5.1	100	45.8	-	-	2	0.9	-	-	2	0.9	--	-	3	1.4	218
04	24	18.3	107	81.7	16	12.2	47	35.9	8	6.1	59	45.0	-	-	1	0.8	-	-	--	--	--	-	--	-	131
03	7	26.9	19	73.1	1	3.8	6	23.1	6	23.1	13	50.0	-	-	-	-	-	-	--	--	--	-	--	-	26
02	-	-	5	100.0	-	-	1	20.0	-	-	4	80.0	-	-	-	-	-	-	--	--	--	-	--	-	5
GS	638	34.2	1228	65.8	489	26.2	570	30.6	130	7.0	623	33.4	12	0.6	16	0.8	6	0.3	14	0.7	1	0.05	5	0.3	1866

131

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORK FORCE PROFILE – BY PAY SCHEDULE – AND GRADE

AS OF SEPTEMBER 30, 1980

PAY SCHEDULE AND GRADE	TOTAL				WHITE				BLACK				HISPANIC				ASIAN AMERICAN				NATIVE AMERICAN				TOTAL EMPLOYEES
	MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
AD-18	2	100.0	-	-	2	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
17	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
16	3	100.0	-	-	3	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
15	17	68.0	8	32.0	16	64.0	7	28.0	1	4.0	1	4.0	-	-	-	-	-	-	-	-	-	-	-	-	25
14	9	69.2	4	30.8	5	38.4	3	23.1	2	15.4	1	7.7	-	-	-	-	2	15.4	-	-	-	-	-	-	13
13	3	50.0	3	50.0	2	33.3	2	33.3	-	-	1	16.7	1	16.7	-	-	-	-	-	-	-	-	-	-	6
12	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
11	-	-	4	100.0	-	-	4	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4
10	-	-	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
AD	36	64.3	20	35.7	30	53.6	17	30.4	3	5.3	3	5.3	1	1.8	-	-	2	3.6	-	-	-	-	-	-	56
ES-00	31	88.6	4	11.4	31	88.6	3	8.6	-	-	1	2.8	-	-	-	-	-	-	-	-	-	-	-	-	35
ES	31	88.6	4	11.4	31	88.6	3	8.6	-	-	1	2.8	-	-	-	-	-	-	-	-	-	-	-	-	35
EX-02	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
03	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
04	5	83.3	1	16.7	4	66.6	-	-	1	16.7	1	16.7	-	-	-	-	-	-	-	-	-	-	-	-	6

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORK FORCE PROFILE - BY PAY SCHEDULE - AND GRADE

AS OF SEPTEMBER 30, 1980

PAY SCHEDULE AND GRADE	TOTAL				WHITE				BLACK				HISPANIC				ASIAN AMERICAN				NATIVE AMERICAN				TOTAL EMPLOYEES
	MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
EX	7	87.5	1	12.5	6	75.0	-	-	1	12.5	1	12.5	-	-	-	-	-	-	-	-	-	-	-	-	8
FA-02	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
03	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
FA	2	100.0	-	-	2	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
FSR-01	40	97.6	1	2.4	36	87.8	1	2.4	2	4.9	-	-	2	4.9	-	-	-	-	-	-	-	-	-	-	41
02	190	97.4	5	2.6	173	88.7	5	2.6	12	6.2	-	-	3	1.5	-	-	-	-	-	-	2	1.0	-	-	195
03	451	98.5	7	1.5	418	91.3	6	1.3	17	3.7	1	0.2	10	2.2	-	-	6	1.3	-	-	-	-	-	-	458
04	404	92.0	35	8.0	347	79.0	31	7.1	36	8.2	3	0.7	12	2.8	1	0.2	9	2.0	-	-	-	-	-	-	439
05	142	76.3	44	23.7	127	68.3	34	18.3	7	3.7	7	3.7	8	4.3	1	0.6	-	-	2	1.1	-	-	-	-	186
06	6	60.0	4	40.0	6	60.0	3	30.0	-	-	-	-	-	-	-	-	-	-	1	10.0	-	-	-	-	10
FSR	1233	92.8	96	7.2	1107	83.3	80	6.0	74	5.6	11	0.9	35	2.7	2	0.1	15	1.1	3	0.2	2	0.1	-	-	1329
FSRL-01	3	100.0	-	-	3	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3
02	13	100.0	-	-	10	76.9	-	-	3	23.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	13

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORK FORCE PROFILE - BY PAY SCHEDULE - AND GRADE

AS OF SEPTEMBER 30, 1980

PAY SCHEDULE AND GRADE	TOTAL MALE #	TOTAL MALE %	TOTAL FEMALE #	TOTAL FEMALE %	WHITE MALE #	WHITE MALE %	WHITE FEMALE #	WHITE FEMALE %	BLACK MALE #	BLACK MALE %	BLACK FEMALE #	BLACK FEMALE %	HISPANIC MALE #	HISPANIC MALE %	HISPANIC FEMALE #	HISPANIC FEMALE %	ASIAN AMERICAN MALE #	ASIAN AMERICAN MALE %	ASIAN AMERICAN FEMALE #	ASIAN AMERICAN FEMALE %	NATIVE AMERICAN MALE #	NATIVE AMERICAN MALE %	NATIVE AMERICAN FEMALE #	NATIVE AMERICAN FEMALE %	TOTAL EMPLOYEES
FSRL-03	56	94.9	3	5.1	51	86.4	2	3.4	3	5.1	-	-	1	1.7	-	-	1	1.7	1	1.7	-	-	-	-	59
04	138	87.3	20	12.7	115	72.8	17	10.8	9	5.7	3	1.9	7	4.4	-	-	7	4.4	-	-	-	-	-	-	158
05	71	80.7	17	19.3	63	71.6	15	17.0	5	5.7	2	2.3	1	1.1	-	-	2	2.3	-	-	-	-	-	-	88
06	75	75.8	24	24.2	65	65.7	22	22.2	3	3.0	1	1.0	5	5.1	-	-	2	2.0	1	1.0	-	-	-	-	99
07	50	64.1	28	35.9	37	47.4	25	32.0	4	5.1	2	2.6	6	7.7	-	-	3	3.9	1	1.3	-	-	-	-	78
08	9	64.3	5	35.7	6	42.9	3	21.4	-	-	1	7.1	1	7.1	-	-	2	14.3	1	7.1	-	-	-	-	14
FSRL	415	81.1	97	18.9	350	68.4	84	16.4	27	5.3	9	1.8	21	4.1	-	-	17	3.3	4	0.7	-	-	-	-	512
FSS-03	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
04	-	-	8	100.0	-	-	8	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	8
05	-	-	27	100.0	-	-	24	88.9	-	-	2	7.4	-	-	-	-	-	-	1	3.7	-	-	-	-	27
06	2	3.6	54	96.4	1	1.8	43	76.7	1	1.8	7	12.5	-	-	3	5.4	-	-	1	1.8	-	-	-	-	56
07	-	-	33	100.0	-	-	28	84.9	-	-	3	9.1	-	-	1	3.0	-	-	1	3.0	-	-	-	-	33
08	-	-	1	100.0	-	-	-	-	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	1
09	-	-	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
FSS	3	2.4	124	97.6	2	1.6	104	81.9	1	0.8	13	10.2	-	-	4	3.1	-	-	3	2.4	-	-	-	-	127

50

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORK FORCE PROFILE - BY PAY SCHEDULE - AND GRADE

AS OF SEPTEMBER 30, 1980

PAY SCHEDULE AND GRADE	TOTAL MALE #	%	TOTAL FEMALE #	%	WHITE MALE #	%	WHITE FEMALE #	%	BLACK MALE #	%	BLACK FEMALE #	%	HISPANIC MALE #	%	HISPANIC FEMALE #	%	ASIAN AMERICAN MALE #	%	ASIAN AMERICAN FEMALE #	%	NATIVE AMERICAN MALE #	%	NATIVE AMERICAN FEMALE #	%	TOTAL EMPLOYEES
FSSL-05	-	-	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
07	-	-	7	100.0	-	-	6	85.7	-	-	-	-	-	-	-	-	-	-	1	14.3	-	-	-	-	7
08	1	10.0	9	90.0	1	10.0	8	80.0	-	-	1	10.0	-	-	-	-	-	-	-	-	-	-	-	-	10
09	1	12.5	7	87.5	1	12.5	3	37.5	-	-	3	37.5	-	-	-	-	-	-	1	12.5	-	-	-	-	8
FSSL	2	7.7	24	92.3	2	7.7	18	69.2	-	-	4	15.4	-	-	-	-	-	-	2	7.7	-	-	-	-	26
FSRR-05	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
07	-	-	5	100.0	-	-	4	80.0	-	-	-	-	-	-	1	20.0	-	-	-	-	-	-	-	-	5
08	-	-	2	100.0	-	-	2	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2
FSRR	1	12.5	7	87.5	1	12.5	6	75.0	-	-	-	-	-	-	1	12.5	-	-	-	-	-	-	-	-	8
FSSR-07	-	-	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
09	-	-	23	100.0	-	-	22	95.6	-	-	-	-	-	-	-	-	-	-	1	4.4	-	-	-	-	23
10	-	-	9	100.0	-	-	8	88.9	-	-	-	-	-	-	1	11.1	-	-	-	-	-	-	-	-	9
FSSR	-	-	33	100.0	-	-	31	94.0	-	-	-	-	-	-	1	3.0	-	-	1	3.0	-	-	-	-	33
WG -05	10	100.0	-	-	1	10.0	-	-	8	80.0	-	-	1	10.0	-	-	-	-	-	-	-	-	-	-	10
06	1	100.0	-	-	-	-	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
WG	11	100.0	-	-	1	9.1	-	-	9	81.8	-	-	1	9.1	-	-	-	-	-	-	-	-	-	-	11

135

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORK FORCE PROFILE - BY PAY SCHEDULE - AND GRADE

AS OF SEPTEMBER 30, 1980

PAY SCHEDULE AND GRADE	TOTAL				WHITE				BLACK				HISPANIC				ASIAN AMERICAN				NATIVE AMERICAN				TOTAL EMPLOYEES
	MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
WI-06	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	1	100.0	-	-	-	-	-	-	-	-	1
07	1	100.0	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
09	-	-	1	100.0	-	-	-	-	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	1
10	3	75.0	1	25.0	1	25.0	-	-	2	50.0	1	25.0	-	-	-	-	-	-	-	-	-	-	-	-	4
13	1	100.0	-	-	-	-	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
14	1	100.0	-	-	-	-	-	-	1	100.0	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1
WI	6	66.7	3	33.3	2	22.2	-	-	4	44.4	2	22.2	-	-	1	11.1	-	-	-	-	-	-	-	-	9
IW-00	3	30.0	7	70.0	1	10.0	-	-	2	20.0	7	70.0	-	-	-	-	-	-	-	-	-	-	-	-	10
IW	3	30.0	7	70.0	1	10.0	-	-	2	20.0	7	70.0	-	-	-	-	-	-	-	-	-	-	-	-	10
TOTAL	2388	59.2	1644	40.8	2024	50.2	913	22.6	251	6.2	674	16.8	70	1.8	25	0.6	40	1.0	27	0.7	3	.07	5	0.1	4032

Excludes International Development Cooperation Agency (IDCA), experts/consultants, details to AID from other agencies, employees on LWOP, IMP, IPA, pending disability retirement and on intermittent work schedule.

Source: EOP Data File
Prepared By: Office of Equal Opportunity Programs

AGENCY FOR INTERNATIONAL DEVELOPMENT

WORK FORCE PROFILE BY LEVEL OF AUTHORITY

AS OF SEPTEMBER 30, 1980

LEVEL OF AUTHORITY	TOTAL				WHITE				BLACK				HISPANIC				ASIAN AMERICAN				NATIVE AMERICAN				TOTAL EMPLOYEES
	MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		MALE		FEMALE		
	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	#	%	
Executive	34	91.9	3	8.1	32	86.5	2	5.4	2	5.4	1	2.7	-	-	-	-	-	-	-	-	-	-	-	-	37
Managerial	592	96.0	25	4.0	542	87.9	19	3.0	32	5.2	5	0.8	11	1.7	-	-	6	1.0	1	0.2	1	0.2	-	-	617
Other	1438	48.2	1544	51.8	1170	39.2	846	28.4	186	6.2	647	21.7	49	1.7	23	0.8	32	1.1	24	0.8	1	.03	4	0.1	2982
Supervisory	324	81.8	72	18.2	280	70.7	46	11.6	31	7.8	21	5.3	10	2.5	2	0.5	2	0.5	2	0.5	1	0.3	1	0.3	396
TOTAL	2388	59.2	1644	40.8	2024	50.2	913	22.6	251	6.2	674	16.8	70	1.8	25	0.6	40	1.0	27	0.7	3	.07	5	0.1	4032