

SECTION-BY-SECTION ANALYSIS
OF THE PROPOSED
FOREIGN ASSISTANCE ACT OF 1968

H.R. 15263

TO AMEND FURTHER THE FOREIGN ASSISTANCE ACT
OF 1961, AS AMENDED, AND FOR OTHER PURPOSES

PREPARED BY THE
EXECUTIVE BRANCH



FEBRUARY 21, 1968

FOREWORD

FEBRUARY 21, 1968.

This section-by-section analysis of the proposed Foreign Assistance Act of 1968 has been prepared by the Agency for International Development for the use of the members of the Committee on Foreign Affairs and of the House of Representatives in its consideration of the proposed amendments to the Foreign Assistance Act of 1961, as amended.

(III)

SECTION-BY-SECTION ANALYSIS OF THE PROPOSED FOREIGN ASSISTANCE ACT OF 1968

I. INTRODUCTION

The proposed Foreign Assistance Act of 1968 (the "bill") amends the Foreign Assistance Act of 1961, as amended (the "Act"), by—

(1) Authorizing new appropriations in existing assistance categories for fiscal year 1969;

(2) Increasing ceilings and extending a termination date to permit continuance of the investment guaranty program as an effective investment incentive through fiscal year 1969;

(3) Extending authority to use any economic assistance funds, and removing the provision earmarking a portion of fiscal year 1968 funds, for programs relating to population growth; and

(4) With respect to military assistance, extending through fiscal year 1969 the authority to draw down Department of Defense stocks, reducing ceilings on military aid to Latin America and Africa, and making technical amendments to conform the Act to proposed separate legislation for foreign military sales.

	Authorization request for fiscal year 1969	Appropriation request for fiscal year 1969
PART I		
Ch. 2, development assistance:		
Title I: Development Loan Fund: Sec. 202(a), authorization.....	\$765,000,000	\$765,000,000
Title II:		
Technical cooperation, development grants: Sec. 212, authorization....	235,000,000	235,000,000
American schools and hospitals abroad: Sec. 214(c), authorization.....	15,100,000	15,100,000
Special foreign currency program: Sec. 214(d), authorization.....	(3,100,000)	(3,100,000)
Title IV: Surveys of investment opportunities: Sec. 232, authorization.....	1,500,000	1,500,000
Title VI:		
Alliance for Progress loans: Sec. 252(a), authorization.....	515,000,000	515,000,000
Alliance for Progress grants: Sec. 252(a), authorization.....	110,000,000	110,000,000
Total request, ch. 2.....	1,641,600,000	1,641,600,000
Ch. 3, international organizations and programs:		
Grants: Sec. 302(a), authorization.....	143,000,000	142,255,000
Loans: Indus Basin development: Sec. 302(b).....	(1)	12,000,000
Total request, ch. 3.....	143,000,000	154,255,000
Ch. 4, supporting assistance: Sec. 402, authorization.....	595,000,000	595,000,000
Ch. 5, contingency fund: Sec. 451(a), authorization.....	100,000,000	45,000,000
Total request, pt. I.....	2,479,600,000	2,435,855,000
PART II		
Ch. 2, military assistance: Sec. 504(a), authorization.....	420,000,000	420,000,000
PART III		
Ch. 2, Administrative provisions:		
Title III:		
Sec. 637(a), administrative expenses (AID).....	58,775,000	58,775,000
Sec. 637(b), administrative expenses (State).....	(?)	3,870,000
Total request, pt. III.....	62,645,000	62,645,000
Total request, pts. I, II, and III.....	2,962,245,000	2,918,500,000

¹ The act now authorizes \$51,220,000 for loans for Indus Basin development for use beginning in fiscal year 1969.

² Permanent authorization for such amounts as may be necessary is contained in sec. 637(b) of the act.

II. PROVISIONS OF THE BILL

Part I

CHAPTER 2—DEVELOPMENT ASSISTANCE

Title I—Development loan fund

Sections 101 (a) and (b). Authorization

These sections amend section 202(a) of the Act, which relates to the authorization for development loans, by adding to the existing authorizations of \$685 million for fiscal year 1967 and \$450 million for fiscal year 1968 an authorization of \$765 million for fiscal year 1969.

Section 101(c). Encouragement of private enterprise

This section amends section 202(a) of the Act to extend through fiscal year 1969 the requirement that not less than 50 percent of the funds appropriated for development loans shall be available for loans made to encourage economic development through private enterprise.

Title II—Technical cooperation and development grants

Section 102(a). Authorization

This section amends section 212 of the Act, which relates to the authorization for technical cooperation and development grants, by substituting for the obsolete fiscal year 1968 authorization of \$210 million an authorization of \$235 million for fiscal year 1969.

Section 102(b)(1). American schools and hospitals abroad

This section amends section 214(c) of the Act, which relates to the authorization for American schools and hospitals abroad, by substituting for the obsolete fiscal year 1968 authorization of \$14 million an authorization of \$15,100,000 for fiscal year 1969.

Section 102(b)(2). Excess foreign currencies

This section amends section 214(d) of the Act, which relates to the authorization of excess foreign currencies for American schools and hospitals abroad, by substituting for the obsolete fiscal year 1968 authorization of \$2,986,000 an authorization of \$3,100,000 in excess foreign currencies for fiscal year 1969. This is to provide for a grant of \$2.1 million in excess Polish zlotys for the Polish Children's Hospital in Krakow and a grant of \$1.0 million in excess Egyptian pounds for the American University in Cairo.

Title III—Investment guaranties

Section 103(a). Specific risk guaranty ceiling

This section amends section 221(b)(1) of the Act to increase from \$8 billion to \$9 billion the total face amount of specific risk guaranties that may be outstanding at any one time.

Section 103(b)(1). Extended risk guaranty ceiling

This section amends the third proviso of section 221(b)(2) of the Act by (1) increasing from \$475 million to \$625 million the total face amount of extended risk guaranties that may be outstanding at any one time, and (2) raising the ceiling on extended risk guaranties for other than housing projects by an equal amount from \$315 million to

\$465 million. The latter increase maintains the requirement that \$160 million of extended risk guaranty authority be used or available for housing projects similar to those insured by the Department of Housing and Urban Development.

Section 103(b)(2). Extended risk guaranty termination

This section amends the fourth proviso of section 221(b)(2) of the Act by extending from June 30, 1970, to June 30, 1971, the termination date for the authority to issue extended risk guaranties.

In line with past practice, the termination date is extended 2 years beyond the authorization period to assure eligible investors who start planning projects during fiscal year 1969 that guaranty authority will be available when they are ready to go forward with their projects.

Title IV—Surveys of investment opportunities

Section 104. Authorization

This section amends section 232 of the Act, which relates to the authorization for surveys of investment opportunities, by substituting for the existing authorization of \$2,100,000 for use beginning in fiscal year 1968 an authorization of \$1,500,000 for use beginning in fiscal year 1969.

Title VI—Alliance for Progress

Section 105(a). Authorization

This section amends section 252(a) of the Act, which relates to the authorization for the Alliance for Progress, by substituting for the obsolete authorizations for fiscal years 1967 and 1968 of \$696,500,000 and \$578,000,000 respectively an authorization of \$625 million for fiscal year 1969.

Section 105(b). Alliance grants

This section amends section 252(a) of the Act to increase from \$100 million to \$110 million the fiscal year limitation on the amount of funds appropriated thereunder which may be used other than as dollar repayable loans.

Section 105(c). Encouragement of private enterprise

This section amends section 252(a) of the Act to extend through fiscal year 1969 the requirement that not less than 50 percent of the loan funds appropriated under section 252 shall be available for loans made to encourage economic development through private enterprise.

Title X—Programs relating to population growth

Section 106. Authorization

This section amends section 292 of the Act by making permanent the authority to use any part I funds for programs relating to population growth and removing the requirement that \$35 million of part I funds for fiscal year 1968 shall be available only for such programs.

CHAPTER 3—INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Section 107. Authorization

This section amends section 302(a) of the Act, which relates to the authorization for grants to international organizations and programs,

by substituting for the obsolete fiscal year 1968 authorization of \$141 million an authorization of \$143 million for fiscal year 1969.

CHAPTER 4—SUPPORTING ASSISTANCE

Section 108. Authorization

This section amends section 402 of the Act, which relates to the authorization for supporting assistance, by substituting for the obsolete fiscal year 1968 authorization of \$660 million an authorization of \$595 million for fiscal year 1969.

CHAPTER 5—CONTINGENCY FUND

Section 109. Authorization

This section amends section 451(a) of the Act, which relates to the authorization for the contingency fund, by adding to the existing authorization of \$50 million for fiscal year 1968 an authorization of of the Act, which relates to foreign military sales.

Part II

MILITARY ASSISTANCE

Part II of the bill makes amendments only to chapter 2 of part II of the Act, which relates to military assistance, separate legislation is proposed by the executive branch to supersede chapter 3 of part II of the Act, which relates to foreign military sales.

Chapter 2—Military assistance

Section 201(a). Authorization

This section amends section 504(a) of the Act, which relates to authorization.

Paragraph (1) deletes the obsolete fiscal year 1968 authorization of \$510 million for appropriations for part II of the act and substitutes an authorization for appropriations for military assistance of \$420 million for the fiscal year 1969. The authorization for appropriations for financing foreign military sales is provided for in the proposed separate legislation to supersede chapter 3 of part II of the act.

Paragraph (2) deletes the obsolete language earmarking \$24.1 million for the fiscal year 1968 cost-sharing expenses of U.S. participation in the international military headquarters and related agencies program. A similar earmarking of funds for this program for fiscal year 1969 is not necessary since no proposal is being made by the executive branch for fiscal year 1969 to fund this program under any other legislation or in any other budget.

Section 201(b). Special authority

This section amends section 506(a) of the Act by renewing for another year the authority of the President, when he determines it to be vital to the security of the United States, to order defense articles from Department of Defense stocks and defense services to carry out the purposes of part II of the Act, subject to subsequent reimbursement therefor from military assistance funds. As in prior years, this authority is limited to \$300 million in the fiscal year 1969, and prompt notice

of action taken under this section is required to be given to the Congress.

Section 201(c). Restrictions on military aid to Latin America

This section amends section 507(a) of the Act by reducing the annual ceiling on the value of grant programs of defense articles for Latin America from \$55 million to \$25 million.

Section 201(d). Restrictions on military aid to Africa

This section amends section 508 of the Act relating to restrictions on military aid to Africa.

Paragraph (1) deletes the reference to sales in the first sentence of section 508 of the Act in view of the fact that authorizations for, and restrictions on, sales will be provided for in the proposed separate sales legislation.

Paragraph (2) similarly deletes the reference to sales in the second sentence of section 508 for the same reason. In lieu of the annual ceiling of \$40 million contained in that sentence on both military assistance and sales, this paragraph substitutes an annual ceiling of \$25 million on military assistance for African countries.

Combined ceilings on military assistance and sales will be provided for the Latin American and African regions, respectively, in the proposed separate legislation relating to sales.

Part III

Chapter 2—Administrative provisions

Section 301(a). Employment of personnel

This section makes a technical change to section 625(c) of the Act, which relates to the number of personnel employed in the United States to carry out chapters 2 and 3 of part II of the Act who may be compensated at rates higher than those provided for GS-15. The amendment makes no change in the applicability of this authorization relating to personnel carrying out the provisions of chapter 2 of part II of the Act; it simply continues the applicability of this authorization, with no change in substance, to personnel carrying out the new sales legislation, which, if enacted, will supersede the provisions of chapter 3 of part II of the Act.

Section 301(b). Provisions on uses of funds

This section amends section 636(g)(1) of the Act, relating to the use of funds made available under section 504 of the Act for the administrative expenses of carrying out part II of the Act, which hitherto has covered sales as well as military assistance. In accordance with the President's budget, this amendment provides that the administrative expenses incurred by the Department of Defense in carrying out the proposed separate sales legislation which would supersede chapter 3 of part II of the Act would continue to be funded from the military assistance appropriation authorized by section 504 of the act.

Section 301(c). Administrative expenses

This section amends section 637(a) of the Act, which relates to the authorization for administrative expenses of the Agency for International Development, by substituting for the obsolete fiscal year 1968 authorization of \$55,814,000 an authorization of \$58,775,000 for fiscal year 1969.

