

**SECTION-BY-SECTION ANALYSIS  
OF THE PROPOSED  
INTERNATIONAL DEVELOPMENT AND HUMANI-  
TARIAN ASSISTANCE ACT OF 1971**

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PREPARED BY THE  
**EXECUTIVE BRANCH**



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## **FOREWORD**

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APRIL 22, 1971.

This section-by-section analysis of the proposed International Development and Humanitarian Assistance Act of 1971 has been prepared by the Executive Branch for the use of the members of the Committee on Foreign Affairs and of the House of Representatives in their consideration of the proposed foreign assistance legislation.

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# SECTION-BY-SECTION ANALYSIS OF THE PROPOSED INTERNATIONAL DEVELOPMENT AND HUMANITARIAN ASSISTANCE ACT OF 1971

## I. INTRODUCTION

The proposed International Development and Humanitarian Assistance Act of 1971 (hereinafter referred to as the "bill") provides a comprehensive program of development assistance through technical cooperation, development lending, housing guaranties and voluntary contributions to international organizations and programs. It also provides for a coordinated program of humanitarian assistance and contains necessary general and administrative provisions to implement the various assistance authorities. Authorities are also provided to the President for the establishment of separate new organizations to carry out the various programs with increased efficiency. This bill repeals authorities for development assistance (other than those for the Overseas Private Investment Corporation) presently contained in the Foreign Assistance Act of 1961, as amended (hereinafter referred to as the "FAA").

The following table shows the authorization requests of the executive branch under the proposed bill:

Technical Cooperation and Assistance:	
Authorization request for July 1, 1971 through June 30, 1974.....	\$1, 275, 000, 000
American Schools and Hospitals Abroad:	
Authorization request for July 1, 1971 through June 30, 1974.....	35, 000, 000
Development Lending:	
Authorization request for July 1, 1971 through June 30, 1974.....	1, 500, 000, 000
Borrowing authority authorization request for July 1, 1971 through June 30, 1974.....	1, 000, 000, 000
Housing Guaranties:	
Guaranty authority increase request for fiscal year 1972..	100, 000, 000
International Organizations and Programs:	
Authorization request for fiscal year 1972.....	141, 000, 000
Indus Basin Development Loans:	
Authorization request for use beginning in fiscal year 1972..	33, 000, 000
Indus Basin Development Grants:	
Authorization request for use beginning in fiscal year 1972..	72, 000, 000
Humanitarian Assistance:	
Authorization request.....	Funds as necessary to carry out such programs.

## II. PROVISIONS OF THE BILL

### PART I

#### CHAPTER 1—POLICY

##### *Section 101. Statement of policy*

This section provides a statement of new development policy for the world of the 1970's, reflecting the U.S. interest in international cooperation for development. The statement recognizes that a basic goal of this country is to improve economic and social conditions in all developing countries of the world, primarily through the efforts of the developing nations themselves assisted by the technology and resources of the more developed nations. The statement sets forth six basic principles on which development assistance is to be provided and which form the basis on which this revised program of development assistance will be furnished. These principles apply to all forms of development assistance under the bill and are to be used as guides in conceiving, planning and implementing such assistance programs.

#### CHAPTER 2—DEVELOPMENT ASSISTANCE

##### TITLE I—TECHNICAL COOPERATION

This title contains authority for the President to establish a program of technical cooperation with other nations. It anticipates the creation of a new government agency, probably to be named the United States International Development Institute, to implement the new technical cooperation and assistance authorities of this title. The Institute will be headed by a board of trustees. It will concentrate on a limited number of key problem areas in which the United States has a capacity to respond and will focus on those problems which are of greatest concern to recipient countries. This authority will provide the continuity and stability of a long-range development effort which is vitally necessary for a successful program.

##### *Section 201. Statement of purpose*

This section provides a statement of purpose for the furnishing of programs of technical cooperation and assistance to friendly developing countries. The section outlines four principal means by which programs of technical cooperation and assistance will be implemented and which form the basis for the new approach to this type of assistance. In addition the section places special emphasis on the role of family planning programs in the development process.

##### *Section 202. Operating principles*

This section contains the five operating principles to be used as guides in furnishing technical cooperation and assistance under this title.

*Section 203. General authorities*

(a) This subsection provides the basic technical assistance authority and is similar to that provided by FAA section 211. The assistance authorized to be furnished under this subsection is to promote the development of friendly developing countries and areas, as that term is defined in section 410 of the bill. Such assistance may be furnished either on a bilateral basis or through "regional, multilateral or private entities." The term "multilateral" usually refers to international organizations which are worldwide in scope, as for example, the United Nations and its specialized agencies. Thus, assistance for the benefit of developing countries can be furnished under this section through the United Nations and its specialized agencies and may take any form which is designed to promote the development of developing countries, including, where appropriate for this purpose, the subsidizing (or "topping off") of salaries of personnel, either private citizens or public officials, serving with such international organizations or serving with foreign governments.

This subsection also permits any of the above assistance to be furnished through regional organizations of less than worldwide scope and through private organizations, both profit and nonprofit, including indigenous organizations and voluntary agencies, including multinational voluntary agencies. While most of the programs funded under this authority will be for technical assistance, the authority would also permit the making of local currency capital assistance grants and limited dollar capital grants where such are a necessary element of a technical assistance project.

This subsection also authorizes the conduct of research into critical development problems to facilitate the application of science and technology to development efforts. This may include assistance to the research and planning efforts of the developing countries themselves. The subsection also requires continuous evaluation of past and current development activities to increase their effectiveness and authorizes assistance to U.S. research and educational institutions to strengthen their capacities to carry out development programs. This latter authority is similar to that now contained in FAA section 211(d).

(b) This subsection authorizes a program of reimbursable technical services and commodities. It authorizes a program in which the United States locates and makes available technical services and commodities to other countries, to international and regional organizations and to private agencies within or without the United States. Recipient countries are not limited to those meeting the definition of friendly developing countries and areas contained in section 410, since services and commodities are provided here only on a reimbursable basis. Such services and commodities may be provided from either private or public sources, including agencies of the U.S. Government or State or local governments. Payment for services rendered by the public agencies or for commodities furnished by them can be either on an advance of funds basis or through reimbursement, which may be credited to the current applicable account of the agency furnishing the services or commodities, and may be continued available for the purpose for which that account was originally established. The requirement for full reimbursement by the recipient government or organization does not mean that it would be required to pay the administrative costs of the U.S. agency locating the services and commodities.

(c) This subsection authorizes an assistance program relating to population growth. It is similar to that which has been provided under title X of the FAA and underlines the importance attached to this particular form of technical assistance.

*Section 204. American schools and hospitals abroad*

This section provides authority similar to that of FAA section 214 to furnish assistance to schools and hospitals abroad founded or sponsored by U.S. citizens. The reference in FAA section 214 to libraries has been deleted from this section as no assistance has ever been given to libraries in the past and none is contemplated. The kind of educational institutions which this section is designed to assist are nonprofit, private institutions which either prepare graduates for admission to United States universities or to universities which provide training on patterns commonly found in United States educational institutions. The hospital centers which would normally receive assistance under this section are nonprofit, private institutions operated primarily as teaching and research facilities rather than those primarily for care and treatment of the sick and injured. Such institutions must be founded, operated or financially supported by United States citizens. Assistance under this section may be furnished to such schools and hospital centers in countries which do not meet the definition of "friendly developing countries" contained in section 410.

*Section 205. Authorization*

(a) This subsection authorizes the appropriation of \$1,275 million for programs under this title, other than for American schools and hospitals abroad, during a 3-year period, such funds to remain available until expended. Within the 3-year period no specific authorization is made for any one particular year. The funds authorized to be appropriated include not only program funds but also funds for administrative costs necessary to carry out the authorized programs.

(b) This subsection authorizes an appropriation of up to \$35 million during a 3-year period for assistance to American schools and hospitals abroad, as authorized by section 204.

TITLE II—DEVELOPMENT LENDING

This title provides the basic authority to make loans for economic development.

This bill contemplates the creation of a government corporation subject to the provisions of the Government Corporation Control Act to carry out development lending programs. This Corporation, probably to be named the United States International Development Corporation, will conduct its operations in a business-like manner.

*Section 206. Statement of purpose*

This policy statement sets forth the basic principles regarding U.S. bilateral development lending. In particular, this section expresses the policy of the United States to support multilateral institutions because of their constructive role in the development process and to extend bilateral lending where it contributes to that process. It expresses the conviction that U.S. bilateral lending should be conducted on a businesslike basis.

In addition, this section states the policy considerations which the President shall take into account in determining whether to lend in a particular country. The first of these is essentially a restatement of the principles expressed in FAA section 620(e). In particular, it requires that the President take into account whether a country has expropriated property owned by any U.S. citizen or by any corporation, partnership or association which is at least 50 percent beneficially owned by any U.S. citizen or citizens. The second consideration refers to whether a country is taking appropriate steps to prevent narcotic drugs which are either grown or processed within that country from entering the United States illegally. This provision reflects the executive branch's serious concern with the problem of narcotics which are grown or processed in certain countries and illegally imported into the United States. The third consideration is concerned with the extent to which a country is diverting its economic development resources to military expenditures, including those for sophisticated weapons systems. This amendment is similar in purpose to FAA section 620(s) and to former section 120(a) of the Foreign Assistance and Related Programs Appropriation Act, 1970.

*Section 207. Operating principles*

This section contains the seven operating principles to guide the President in determining whether to make loans under this title and in determining the terms and conditions of such loans.

*Section 208. General authorities*

(a) *Development loans.*—This subsection provides basic authority for the President to make development loans. Authority to set all terms and conditions of these loans is left to the President, except that the statute requires that loans must be repayable in U.S. dollars and that at least 1 percent per annum interest be charged on any loan. It is intended, however, that in exercising this authority, the President as a rule will not make loans for longer than 40 years and will not grant more than a 10-year-grace period. Furthermore, the interest rates and other terms of loans will vary depending on the financial ability of the borrowing country. However, the bill does require the President to take into account the cost of borrowed funds, the economic circumstances of the borrower, and other relevant factors in determining the interest rate and other terms and conditions of the loan.

(b) *Technical services.*—This subsection authorizes the President to furnish limited technical assistance grants when such technical assistance is directly related to lending which may be or is being undertaken by the President. The purposes of such technical assistance will be the identification of or preparation for loan proposals, feasibility studies, technical training for personnel serving on capital projects financed by loans, and other technical services closely related to lending under this title including project implementation and sector studies.

(c) *Shipping differentials.*—This provision, like a similar provision passed by the House of Representatives in 1969, permits the President to make grants to loan recipients to pay the differential in cost between shipping of commodities on U.S. and foreign flag vessels. Section 901(b) of the Merchant Marine Act of 1936 requires that at least 50 percent of U.S.-financed commodities be shipped on U.S.-owned commercial vessels. The rates for U.S. vessels are frequently

considerably in excess of those of foreign flag vessels. This subsection would provide the recipient of a foreign assistance loan with grant funds to pay the differential between the cost of shipping commodities on a foreign flag vessel and on a U.S. flag vessel, instead of requiring that the differential be paid with borrowed funds.

*Section 209. Authorization*

(a) This subsection authorizes the appropriation of \$1.5 billion during a 3-year period, which amount shall remain available until expended. This subsection also provides that not more than \$40 million of these appropriated funds may be used to make grants to pay shipping differentials authorized by section 208(c).

(b) This subsection authorizes the availability of dollar repayments of loans made under this bill, under the FAA and under predecessor foreign assistance legislation. Presently, under FAA section 203, A.I.D. only has available reflows from loans made under the FAA and loans made under the Mutual Security Act of 1954. Reflows from loans made under earlier aid programs accrue to the Treasury which this subsection will now make available for development lending. Section 410(b) lists the titles of the previous foreign assistance laws under which loans were made and from which the U.S. Government receives repayment of loans. This subsection also provides that when repayments of loans made under earlier legislation are made in local currency rather than dollars, these local currencies may be sold by the U.S. Treasury to government agencies for dollars, and dollar receipts deposited in the revolving fund established by section 210.

(c) This subsection authorizes the President, as provided in annual appropriation acts, to borrow up to \$1 billion either from the Treasury or on the public market during a 3-year period. Any borrowing made by the President would be backed by the full faith and credit of the U.S. Government.

(d) This subsection contains the language normally employed in legislation conferring agency borrowing authority. Public debt authorization enables the Secretary of the Treasury to purchase the obligations issued under section 209(c). The Secretary of the Treasury is also authorized to sell any of these obligations.

*Section 210. Revolving fund*

(a) This subsection authorizes the creation of a revolving fund which would be used by the President for making development loans, for repayment of borrowings authorized by section 209(c), for making grants for loan-related technical assistance under section 208(b) and shipping differentials under section 208(c) and for financing operating and administrative expenses under this title. The fund will have a capital and an income account.

(b) This subsection provides for a capital account in the fund which will contain—

- (1) amounts appropriated for the purpose of carrying out this title;
- (2) the proceeds of borrowings made by the President under this title;
- (3) the principal repayments of loans made by the President under this title and the principal repayments of dollar-repayable loans made under earlier foreign assistance lending programs;

and, in addition, to the extent that the interest and principal of loans made under predecessor foreign assistance legislation are repayable in local currency rather than dollars and such local currency is sold by the Treasury for dollars as provided in section 209(b), the dollar proceeds of such sales;

(4) if loans or other obligations made under this bill or administered by the President under this title are sold, transferred or renegotiated, the proceeds of such sales, transfers or renegotiations;

(5) undisbursed amounts previously appropriated for development lending under the FAA; and

(6) amounts in the income account established by subsection (c) of this section which are transferred into the capital account under subpart d(3) of this section.

(c) This subsection establishes an income account within the revolving fund which would contain the interest payments on all loans made under this bill and on dollar repayable loans made under predecessor foreign assistance legislation as well as any other receipt, property, or revenue received by the President to carry out this title including transfers from other Government agencies.

(d) This subsection sets forth the uses for which the accounts of the fund may be expended.

Subparagraph (1) provides that the resources of the capital account of the revolving fund may be used only for development lending, for the repayment of the principal of borrowings made under the authority of section 209(c), and for payment of shipping differential grants under section 208(c).

Subparagraph (2) provides that the income account of the revolving fund may be used for the administrative and operating expenses of the President under this title, for financing technical services grants authorized by section 208(b), and for paying interest charges on the borrowings made under section 208(c).

Subparagraph (3) provides that income and revenue which are excess to the current needs of the President under this title may be transferred from the income account of the revolving fund into the capital account.

(e) This subsection permits the President to invest borrowed funds which are not immediately needed in either Government securities or other obligations as the Secretary of the Treasury deems appropriate. The last sentence of this subsection, however, requires the President to repay money owed under this title to the U.S. Treasury before making investments of funds other than funds borrowed from the U.S. Treasury.

#### TITLE III—HOUSING GUARANTIES

##### *Section 211. Guaranty authority*

(a) This subsection combines the worldwide housing guaranty authority of FAA section 221 and the Latin American housing guaranty authority of FAA section 222. It is expected that a U.S. International Development Corporation which the President may establish will administer this housing guaranty program. Like the FAA authority, this section continues to emphasize the participation of private enterprise in furthering housing programs in "friendly developing countries and areas." This latter term is defined in section 410(a). The term "eligible investor," as used in this section, is defined in section

410(c). It will be the policy of the President in exercising the authority of this title to guarantee loan investments at the lowest feasible rate of interest.

(a)(1) This subpart is intended to continue in effect the authority to guarantee all types of housing projects which could have been guaranteed under FAA sections 221 and 222, such as single and multiple family units, improvement of sites and provision of services without actual construction of housing units, cooperatives, condominiums, urban renewal of existing dwellings, and improvements such as sewers and water supply. In addition, this subpart eliminates the requirements presently in the FAA that guaranteed housing projects be private and self-liquidating.

(a)(2) This subpart continues in effect the policy and authorities of FAA sections 221 and 222 as they affect investments in credit institutions concerned with home mortgage financing in developing countries. It continues the prior authority to guarantee investments such as seed money for incipient or operating savings and loan or mortgage banking institutions and by use of the term "engaged directly or indirectly in the financing of home mortgages" clarifies the authority to guarantee investments which will assist the creation of a secondary mortgage market and other procedures to increase the availability of funds to overcome the typical housing shortage in developing countries.

(b) This subsection requires the President to charge a fee for guaranties issued pursuant to this section. It is a continuation of the identical requirement of FAA section 223(a).

(c) This subsection provides authority to amend, implement and administer all housing guaranties which have been entered into since the inception of the housing guaranty program. The reference to "the Foreign Assistance Act of 1961, as amended" means all amendments and all guaranties issued under any and all versions of the FAA which have been in effect since 1961.

(d) This subsection simply carries forward all existing housing guaranty authority (\$710 million) plus the additional \$100 million proposed for the fiscal year 1972 budget. As distinctions between housing authorities for different geographic areas have been eliminated, all of the unused authority is available for use wherever needed.

#### *Section 212. Authorization*

This section authorizes the appropriation of amounts which may be necessary to carry out the purposes of this title, such amounts as appropriated to be available without fiscal year limitation. At the present time, no appropriation request is contemplated since the fee income earned by the program is sufficient to pay the administrative and operating expenses, and amounts in the fund appear sufficient to cover any presently pending claims.

#### *Section 213. Revolving fund*

This section is substantially the same as FAA section 223(b) relating to creation of a fund from fees charged for guaranty coverage.

(a) The fund is to be made up of all fees generated by housing guaranties issued under the bill, all fees generated by housing guaranties in existence at the time this bill is enacted, all unexpended fees

accumulated pursuant to FAA section 223(b), all funds realized from the sale of assets acquired in connection with payments made by the U.S. Government in discharging guaranty liabilities arising from this bill or preexisting housing guaranties, and all funds appropriated pursuant to section 212.

(b) The amounts in this revolving fund are to be available, without fiscal year limitation, for housing guaranty administrative and operating expenses and are to be the only source of funds available under this bill to pay housing guaranty claims.

*Section 214. Full faith and credit*

This section continues in effect the provisions of FAA section 223(d). It provides that all housing guaranties to be issued under this bill, and all housing guaranties issued prior to the enactment of this bill pursuant to the worldwide housing guaranty authority and Latin American housing guaranty authority, are backed by the full faith and credit of the U.S. Government. As in the case of section 211(c), the term "Foreign Assistance Act of 1961, as amended," means all amendments and all guaranties issued under any and all revisions of the FAA which have been in effect since 1961.

*Section 215. Arbitration*

This section is a continuation of FAA section 635(i). It provides for arbitration of disputes arising from housing guaranties in situations where the parties to the dispute agree to arbitration. It further provides that payment made in discharge of a settlement or arbitration award pursuant to this section shall be final, notwithstanding any other provision of law. This section is identical to FAA section 635(i) except that the latter section also covered investment guaranties issued by OPIC and its predecessors. Since the OPIC authority is now treated separately, this provision is restricted to housing guaranty claims and disputes.

TITLE IV—INTERNATIONAL ORGANIZATIONS AND PROGRAMS

*Section 216. Statement of purpose*

This section sets forth the purpose for which voluntary contributions are made to international organizations under this title. It emphasizes U.S. support for the leadership role of international organizations in the organization and conduct of development assistance programs.

*Section 217. General authority*

(a) This subsection provides the general authority to make voluntary grant contributions to international organizations and to programs administered by such organizations. This authority is similar to that in FAA section 301(a). The authority of this subsection is limited to voluntary contributions, as opposed to the assessed contributions funded under the Department of State appropriation. This subsection also provides authority to make grants and loans in support of the Indus Basin Development Fund administered by the International Bank for Reconstruction and Development, a continuation of similar authority contained in FAA section 301(a). While it is intended that general support grants for international organizations will be funded under this authority, the President will be able to use the authority of section 203 to furnish technical assistance through or in conjunction with such organizations in furtherance of the purposes of that section.

(b) This provision continues the limitation of FAA section 301(b) requiring that contributions to the United Nations Development Program not exceed 40 percent of the total amount contributed each year to that organization. It also directs the President to seek assurance that no U.S. contribution to the U.N.D.P. shall be used for assistance projects to the Castro government of Cuba.

(c) This subsection continues FAA section 310(d) authority which provides that the Comptroller General must have the right to audit funds contributed solely by the United States but administered by an international organization. For this purpose, when there are other contributors to a particular fund, U.S. Government funds are not considered subject to the GAO audit requirement of this subsection, even though they may be held by the international organization separately from other contributors to permit compliance with such specific conditions as tied procurement.

*Section 218. Authorization*

(a) This subsection provides authorization for \$141 million for appropriations for voluntary contributions under section 217(a).

(b)(1) This subsection authorizes appropriation of the balance of funds (\$33 million) necessary to fulfill the U.S. loan commitment for the Indus Basin Development Project. This loan commitment is being appropriated in increments over a period of years as the needs of the project require.

(b)(2) This subsection authorizes the appropriation of funds (\$72 million) for grants for the Indus Basin development project. However, unlike the similar authorization of FAA section 302(b)(2), which authorized only the annual appropriation of the amount intended to be granted for a particular fiscal year, this authorization is for the total amount needed to fulfill the U.S. grant commitment to the Indus Basin development project. Appropriations, however, will still only be sought on a year-to-year basis.

*Section 219. Indus Basin development*

This section continues the authority provided by FAA section 303 with regard to the Indus Basin development project administered by the International Bank for Reconstruction and Development. It permits the Bank to use its own procedures rather than U.S. Government procedures with respect to plans, cost estimates, feasibility studies and contracts and contractor approvals. The section also continues the President's authority to waive compliance with the 50-50 shipping requirements of the Merchant Marine Act of 1936 for this program whenever the President determines that such shipping requirements would impede accomplishment of the project's purpose, without, however, retaining the provision for compensating adjustments in other programs. So far, it has never been necessary for this authority to be used.

CHAPTER 3—HUMANITARIAN ASSISTANCE

*Section 301. Statement of purpose*

This section sets forth the purposes of U.S. Government humanitarian assistance programs. It establishes a new system for coordination of disaster relief, famine relief, and humanitarian assistance to

refugees and migrants and those programs fostered by voluntary agencies and international organizations related to humanitarian assistance. It is contemplated that the humanitarian assistance authorized here will be coordinated by a new bureau in the Department of State under the direction of an Assistant Secretary of State provided for in section 502(c).

*Section 302. Disaster and refugee relief*

This provision gives express authorization to the President to furnish famine and disaster relief, reconstruction and rehabilitation assistance, and assistance for refugees and migrants. This provision also expressly authorizes assistance in the preparation for, and prevention of, the effects of imminent threatened famines and disasters. This latter authority, for example, will permit preventive measures to forestall such threats as the spread of desert locusts or disease epidemics. The section does provide a 1-year limit, beginning at the termination of the disaster or famine, during which relief, reconstruction or rehabilitation assistance may be furnished for the victims of famine or disaster. This means that funds for such relief, reconstruction or rehabilitation assistance must be obligated within 1 year after the end of the famine or disaster. It is contemplated that disaster relief, as authorized in this section, will be funded from the President's Foreign Assistance Contingency Fund, although appropriations authorized in section 304 could also be used.

*Section 303. Support of voluntary assistance*

This section continues the basic authority to finance voluntary agency shipments to foreign countries for relief and rehabilitation purposes. It is similar to authority contained in FAA section 216, except that the authority to finance such shipments to points other than ports of entry, as may be necessary in cases such as the recent Nigerian disorders, has been clarified by eliminating references to the points to which such shipments may be financed. Nevertheless the U.S. Government would normally finance such shipments only to ports of entry abroad or points of entry in the case of landlocked countries and, in such cases, would not finance costs of inland transportation. This section also continues existing authority for the President to make arrangements with the receiving country for free entry of such shipments and local government assumption of the inland transportation costs.

*Section 304. Authorization*

This section authorizes the appropriation of such amounts as may be necessary to fund the humanitarian activities authorized by this chapter. The funds authorized in this section would also include those for the administrative expenses necessary to provide such humanitarian assistance.

## PART II

### CHAPTER 1—GENERAL AND ADMINISTRATIVE PROVISIONS

*Section 401. Personnel*

(a) This subsection contains general authority for the employment of such personnel as the President deems necessary to carry out the provisions and purposes of the bill.

(b) This subsection provides for executive-level administrators and policymaking officials for the new development assistance programs. There will be 15 such officers to be appointed by and with the advice and consent of the Senate, one of whom shall be compensated at level II of the executive schedule, three at level III, seven at level IV, and four at level V (5 U.S.C. 5313-16). The President may designate the titles of these officials and may also provide for the order of succession among those officials in the event of absence, death, resignation, or disability of any one or more of such officials.

(c) This provision provides that not more than 30 persons may be appointed, compensated or removed without regard to the provisions of any law. Of these, 15 may be paid more than the highest rate provided for grade 15, but not in excess of that for grade 18 of the general schedule established by section 5332 of title 5, United States Code. A proviso gives reemployment rights to persons appointed to these positions excepted from Civil Service or Foreign Service regulations.

(d) In accordance with such regulations as the President may prescribe, this subsection will provide personnel authority for the agencies carrying out the purposes of this bill to use, among other authorities, those of the Foreign Service Act.

(d)(1) This provision authorizes the use of the authorities of the Foreign Service Act relating to Foreign Service Reserve officers, Foreign Service Staff officers and employees and alien clerks and employees. Section 15 of Public Law 90-494 is made inapplicable to Foreign Service Reserve officers serving pursuant to this section. Normally section 15 of Public Law 90-494 would require the termination of the appointment of a Foreign Service Reserve officer after 5 years of service. The purpose of this exclusion is to permit Foreign Service Reserve officers to serve for a second 5-year period of time. After 10 years, such officers will either be converted to the category of Foreign Service Reserve officer with unlimited tenure or their appointment will be terminated.

(d)(2) This provision authorizes the appointment of persons to the category of Foreign Service Reserve officers with unlimited tenure as originally established in Public Law 90-494. In order to be eligible for such appointment, persons must have completed at least 3 years of continuous and satisfactory service under this bill, or in the Department of State, the U.S. Information Agency or the Agency for International Development. This paragraph also provides that Foreign Service Reserve officers with unlimited tenure shall be subject to the selection-out provisions of the Foreign Service Act. Severance benefits for persons separated under these provisions of law would be the same as those provided for Foreign Service officers.

(e) This subsection provides that Foreign Service Reserve officers with unlimited tenure, and those Foreign Service Staff officers and employees who have completed 10 years of continuous service as such officers or employees, shall become participants in the Foreign Service Retirement and Disability System. Contributions by these participants to other Federal retirement systems would be transferred to the Foreign Service Retirement and Disability Fund.

(f) This subsection authorizes the employment of experts, consultants and organizations of experts and consultants in the new development assistance program. It is based on FAA section 626. Individuals

so employed may be compensated at rates not to exceed the per diem equivalent of the rate for grade 18 of the general schedule established by section 5332 of title 5 of the United States Code. Employment of individuals under this subsection may be renewed without any time limitations. It is further provided that service as an expert or consultant is not to be considered as employment for the purposes of laws limiting reemployment of retired officers or employees or governing the simultaneous receipt of compensation and retirement pay or annuities.

(g) This subsection permits the President to appoint or assign a U.S. citizen to be the U.S. representative to the Inter-American Committee on the Alliance for Progress, usually known by its Spanish initials as "C.I.A.P." It also provides the compensation of the person appointed or assigned and the power of the President to terminate such assignment notwithstanding any other provision of law.

(h) This authorizes the appointment of any U.S. citizen to serve as chairman of the Development Assistance Committee, or any successor committee, of the Organization for Economic Cooperation and Development upon election to that position by members of the Committee. The Development Assistance Committee is an important forum in which the U.S. participates in coordinating the assistance which the developed countries provide to developing countries. Such person appointed as chairman serves at the discretion of the President and may be compensated (together with allowances) at rates not to exceed those authorized for a chief of mission, class 2 under the Foreign Service Act of 1946, as amended. In addition, such person may receive other perquisites as are available to a chief of a mission under the International Security Assistance Act of 1971.

*Section 402. Detail and assignment of personnel*

(a) This subsection is derived from FAA sections 627 and 628 and authorizes the detail of U.S. Government personnel to positions in foreign governments, foreign government agencies, and international or regional organizations, where such detail does not involve the taking of an oath of allegiance or accepting compensation or other benefits from such governments or organizations. This subsection makes it possible to place technical and other advisors in foreign governments, including those receiving assistance under the development assistance program, as well as in such international or regional organizations as the United Nations specialized agencies, the African Development Bank and others.

(b) This provision is derived from FAA section 630 and it outlines the terms under which personnel may be detailed or assigned to foreign governments or agencies thereof, or international or regional organizations. This may be done with or without reimbursement, in whole or in part. Reimbursements to the U.S. Government are made available for the purposes of the bill. Such reimbursements may also be credited to the accounts of other agencies from which personnel are detailed.

*Section 403. Status of personnel detailed*

(a) This subsection provides that persons detailed to foreign governments or agencies thereof, or to international or regional organizations continue to be employees of the U.S. Government agency from which they are assigned, and are to be paid by the assigning agency.

(b) This subsection authorizes the payment, under Presidential regulations, of representation allowances to such detailed personnel, similar to those allowances made available under the Foreign Service Act of 1946, as amended. The reference to section 5536 of title 5, United States Code, is to assure that the authorization to pay allowances in this subsection satisfies the requirements of section 5536 that such allowances be specifically authorized by law and that there be an appropriation therefor.

*Section 404. Exercise of functions*

(a) This subsection authorizes the President to establish by Executive order the appropriate agencies, departments, officers, corporations or other instrumentalities to carry out the purposes of this bill. Particularly, the President is given authority to create a corporation or corporations to carry out the purposes of this bill. The third sentence of this subsection derives from FAA section 621(a). It enables him to exercise authorized powers and perform development assistance functions through any agency or officer who in turn is authorized to promulgate such rules and regulations as may be necessary to carry out those powers. This subsection also provides that officers, agencies, or other organizations performing functions under the bill may redelegate successively the authority to perform such functions.

(b) This subsection authorizes the President to appoint members to a board of directors of a corporation or a board of trustees of an institute or agency created under subsection (a). It is expected that the U.S. International Development Institute will be governed by a board of trustees and the U.S. International Development Corporation by a board of directors. Membership on the boards may be drawn from Government officials, private citizens (with the advice and consent of the Senate), or a combination thereof at the President's discretion. The second sentence of this subsection provides that private citizens serving on the board may be compensated at a rate equivalent to that established by level IV of the Executive Schedule for the actual time they are engaged in performing their duties as board members.

(c) This subsection provides that the President will have the authority to administer those loans and housing guaranties made under the FAA and predecessor foreign assistance legislation.

*Section 405. General powers and provisions on use of funds*

(a) This provision authorizes the President to establish offices in the District of Columbia, elsewhere in the United States, or abroad, as he may deem necessary to carry out functions under the bill.

(b) This subsection provides that any corporation which the President may establish to carry out the functions of this bill shall be subject to the applicable provisions of the Government Corporation Control Act (31 U.S.C. 841 et seq.). Any such corporation is also authorized to adopt and use a corporate seal and to sue or be sued in its corporate name.

(c) This subsection authorizes any agency, corporation, department, officer, or other instrumentality carrying out functions under the bill to exercise certain powers:

(1) This permits the acquisition and disposal of any moneys or property, real, personal or mixed, tangible or intangible, in the performance of functions under the bill. Such property may be acquired by purchase, lease, gift, devise, bequest or otherwise.

The property may be located within the United States or abroad including the District of Columbia, notwithstanding 40 U.S.C. 34. This also provides the basic leasing authority, whether short or long term, and permits repairs, alterations and improvements of leased properties, notwithstanding 40 U.S.C. 278. It also permits the acceptance of voluntary services which is otherwise prohibited by 31 U.S.C. 665.

(2) This provision authorizes the issuance of letters of credit and letters of commitment—a normal authority under which business-type operations are conducted.

(3) This provision permits the making of advance payments in pursuance of the purposes of the bill. It authorizes agencies performing functions under the bill to make and perform contracts, grants, and other agreements with persons, corporations, organizations, governments or agencies thereof, whether within or without the United States, and with any international or regional organization. Such grants and agreements (except for loans and housing guarantees) may extend, at any time, for a period of 5 years.

(4) This provision assures that the priority of the U.S. Government may be exercised in collecting debts from bankrupts, insolvents, or decedents' estates.

(5) This permits agencies performing functions under the bill to determine the character of and the necessity for their obligations and expenditures, and the manner in which these will be incurred, allowed and paid. A corporation performing functions under the bill is subject to any provision of law specifically applicable to government corporations with respect to those matters.

(6) This provision authorizes the exercise of residual powers in performing functions under the bill, particularly by any government corporation established under this bill.

(d) This subsection authorizes the President to collect, compromise, amend or alter any obligations assigned to or held by any agency performing functions under the bill. He may also refer any such obligations or rights to the Attorney General for suit or collection. This subsection also provides that no loan recipient may be relieved of liability for the repayment of the principal of a loan made or administered under the bill.

(e) This subsection specifies, in considerable detail, some of the uses to which funds made available under the bill may be put. While, as a general matter, funds may be used for any necessary expense of carrying out programs under the bill, most of the provisions are included because of specific requirements of other laws or Comptroller General rulings, which require, or could be interpreted to require, express statutory authorizations to use funds for these particular types of expenses. Most such provisions are also found in FAA section 636 and in predecessor legislation.

(e)(1) This authorizes the payment of expenses of attendance at meetings concerned with the development assistance program, which the provisions of 31 U.S.C. 551 and 31 U.S.C. 673 would otherwise prohibit.

(e)(2) This permits contracting with individuals for personal services abroad. This subsection also provides that such individuals shall not be considered as Federal employees for the purpose of laws

administered by the Civil Service Commission. This latter proviso is directed to laws governing retirement, health, and life insurance.

(e)(3) This authorizes the purchase and hire of motor vehicles for use abroad, and also for the official use of the heads of the agencies or offices designated to carry out functions under this bill. In the latter case, special provision is made for automobiles, which may be purchased above the statutory price limitation, and may be used for travel between residence and office.

(e)(4) This provision is included because of Comptroller General rulings to the effect that express statutory authorization is needed to pay expenses that may be classified as entertainment. (26 Comp. Gen. 281; 46 Comp. Gen. 379). These expenses are in addition to representation allowances authorized by other provisions of this bill and the Foreign Service Act of 1946, as amended.

(e)(5) This provision makes clear that funds made available for the purposes of this bill may be used in accordance with authorities of the Foreign Service Act of 1946, as amended, not otherwise provided in this bill. This would include, for example, the authorities in title IX of the Foreign Service Act, relating to allowances, benefits, travel and related expenses, or the provisions relating to training contained in section 573 of that act.

(e)(6) This authorizes the use of funds for the insurance of motor vehicles and aircraft abroad. It is expected that appropriate insurance will be obtained in countries where required by local law or where the best interests of the United States make it important to procure such insurance.

(e)(7) This authorizes the use of funds for the purchase, maintenance, operation and hire of aircraft in carrying out functions under the bill.

(e)(8) This authorizes expenses incident to the death of persons and dependents who die away from their homes while participating in development or humanitarian assistance programs. This authority includes the costs of caring for and disposing of the remains of such persons, including preparing and transporting the remains to the persons' former homes. In the case of foreign participants, transport to a place of burial other than the former home is also authorized.

(e)(9) This authorizes the payment of per diem living allowances to foreign participants away from their homes in countries other than the United States at rates not exceeding those provided by the Standardized Government Travel Regulations.

(e)(10) This permits the payment of the cost of health and accident insurance for foreign participants in any program under the bill while such participants are absent from their homes for such programs.

(e)(11) This permits the payment of the cost of health and accident insurance for foreign employees of agencies performing functions under the bill, while those employees are away from their place of employment for the purposes of training or other official duties.

(e)(12) This authorizes payment of foreign travel expenses, including the costs of transporting personal effects and household goods and the expenses of transporting and/or storing automobiles. This paragraph is designed especially to make fiscal accounting easier when travel or transportation begins in one fiscal year and is completed in another.

(e)(13) This authorizes payment of costs of printing and binding without regard to any other law. This refers primarily to the law requiring all printing and binding to be done by the Government Printing Office. This part also provides that such laws as may be necessary may be waived in connection with expenditures for the procurement of supplies and services, and for administrative and operating purposes, other than compensation of personnel. It also permits the waiver of such laws and regulations governing the performance, amendment or modification of contracts, and laws relating to the obligation and expenditure of funds of the U.S. Government as the President may determine to be appropriate to accomplish the purposes of this bill. This authority will be used in those instances in which (1) it is deemed to further the more economical, efficient, or expeditious carrying out of functions under the bill, or (2) it is deemed to obviate or mitigate hardship occurring with respect to personnel administering functions under the bill in connection with the administration of those functions or with respect to their families. This authority will also be used to pay tort claims arising abroad, utilizing the principles of the Federal Tort Claims Act. It is similar to that provided under FAA sections 633(a) and 636(b).

(f) This authorizes the use of pre-determined fixed-percentage overhead rates to be used in cost-type contracts or agreements (including grants) entered into with a university, college or other educational institution for the purpose of performing functions under the bill. This authority is necessary in light of Comptroller General rulings that such pre-determined fixed-percentage overhead rates are inconsistent with the law prohibiting cost-plus-percentage-of-cost type contracts.

(g) This exempts private businessmen participating in operations or transactions under the bill from the legal prohibition (18 U.S.C. 955) on private loans to a foreign government or government agency which is in default in the payment of its obligations to the U.S. Government. Without this exemption, private businessmen would be prohibited from participating in development assistance programs in some countries despite the emphasis which the bill places on private participation.

(h) This subsection authorizes the President to utilize U.S.-owned foreign currencies determined by the Secretary of Treasury to be excess, except those currencies generated under the Agricultural Trade Development and Assistance Act of 1954, as amended, to carry out purposes for which new funds authorized by the bill would be available. Such funds may be used for those purposes notwithstanding section 1415 of the Supplemental Appropriation Act of 1953, which would otherwise require their express appropriation for such purposes. This authority is considered useful in insuring that excess U.S.-owned foreign currencies not lie idle but be put to a productive use. These currencies will be allocated by the Office of Management and Budget.

#### *Section 406. Special authorities*

The first four subsections of this section contain provisions similar to those of FAA section 632. These provisions govern what are essentially bookkeeping transactions among government agencies.

(a) This permits the President to allocate or transfer to any Government agency funds appropriated for functions authorized under this bill. The funds transferred may be used by the receiving agency

for the purpose for which originally authorized but under the authorities provided in the bill or under the authorities governing the activities of the receiving agency under its own act. This is essentially identical to FAA section 632(a) except that the references to defense articles and defense services have been eliminated.

(b) This permits any U.S. Government officer in carrying out the functions of this bill to utilize the services and facilities of, or to procure commodities from, any other Government agency with the consent of the head of that agency. This authority is the same as that of FAA section 632(b) except that again references to defense articles and defense services have been eliminated.

(c) This is a basic financial housekeeping provision authorizing the usual procedures for financing of services and commodities through commercial channels. It is substantially the same as FAA section 632(e).

(d) This authority, which is similar to that of FAA section 625(f), continues the authority to obligate funds for the duration of a project agreement with a foreign government (rather than only on a month-to-month basis) for personal services of U.S. Government employees as well as nongovernment employees such as contract personnel. It also applies to other supplies and services to complete the project.

(e) This subsection is identical to FAA section 635(f) which provides specific authority for the admission of foreign participants to the United States as nonimmigrants under the Immigration and Nationality Act under conditions to be prescribed by the Secretary of State and the Attorney General. Similar authority, which is, however, subject to certain specific restrictions, now exists under the Mutual Educational and Cultural Exchange Act.

#### *Section 407. Small business*

This section requires the President to assist American small business to participate equitably in the furnishing of services and commodities under this bill.

#### *Section 408. Coordination*

(a) It is planned that program and operational coordination will be accomplished through a coordinator of development assistance appointed by the President and confirmed by the Senate. He will be responsible to the President and will serve as a focal point for accountability to the Congress for the plans and performance of the overall U.S. development assistance effort. It is planned that the coordinator will be chairman of the board of the United States International Development Corporation, the United States International Development Institute, and the Overseas Private Investment Corporation, and a member of the board of the Inter-American Social Development Institute, proposed to be renamed the Inter-American Foundation. Coordination with foreign economic policy will be achieved through the Council on International Economic Policy. The coordinator will speak for U.S. development assistance activities on the Council when development assistance policy is discussed. Coordination with national security policy will be through the National Security Council.

(b) This subsection provides that the President will prescribe appropriate procedures to insure the coordination of activities of representatives of the various assistance agencies abroad, under the direction of the American ambassador in each country.

(c) This subsection provides that all assistance under this bill shall be undertaken with the foreign policy guidance of the Secretary of State.

*Section 409. Audit and reports*

(a) This subsection requires the provision of adequate financial controls, including auditing, for the new agencies or corporations carrying out functions under this bill. This is expected to include an appropriate accounting and financial control system, or systems, effective financial reporting, and modern systems and approaches in the areas of programing, budgeting, procurement, contracting, disbursing, supply management, and related internal controls.

(b) This subsection requires annual reports to the Congress from each agency carrying out functions under this bill.

*Section 410. Definitions*

(a) This subsection defines the term "friendly developing countries and areas". The basic authorities which permit the President to furnish technical cooperation and assistance and to make development loans limit him to carrying out these functions in "friendly developing countries and areas". Subpart (1) excludes from the definition countries or areas dominated or controlled by the Union of Soviet Socialist Republics or the Peoples' Republic of China. This is similar to the prohibition of FAA section 620(b). Subpart (2) excludes countries which furnish assistance to Cuba or which fail to take appropriate steps to permit ships or aircraft under their registry from transporting equipment, materials or commodities to Cuba as long as it is governed by the Castro regime. This is essentially the same prohibition on assistance which is presently contained in FAA section 620(a)(3). Subpart (3) excludes from the definition those countries which sell or furnish equipment, materials or commodities to North Vietnam or permit ships or aircraft under their registry to transport such items to North Vietnam while it is giving support to the hostilities in South Vietnam. The substance of this latter provision is presently in FAA section 620(n). Subpart (4) omits from the definition any country with which diplomatic relations with the United States have been severed and not restored. A similar provision appears in FAA section 620(t). This subsection, however, contains a proviso which permits the President to furnish assistance to countries or areas which fail to meet the above criteria, whenever he determines the furnishing of such assistance to be important to the national interest.

(b) This subsection defines the term "predecessor legislation to the Foreign Assistance Act of 1961" which appears several times within the bill. Its principal relevance is that it specifically lists those earlier foreign assistance acts under which loans were made which result in dollar reflows to the U.S. Government. Under the FAA only reflows from loans made under that act and the Mutual Security Act are available to AID. As section 209(b) makes clear, dollar reflows of all loans made under earlier foreign aid legislation will be available for development lending. Section 404(c) provides that all such loans will be administered by the President.

(c) This subsection defines the term "eligible investor". This term appears in this bill in section 211(a) which provides the housing guaranty authority. The present housing guaranty authority in FAA section 221 refers to the definition of eligible investor appearing in

FAA section 238(c) which is in title IV of the FAA establishing the Overseas Private Investment Corporation. This definition formerly appeared as FAA section 233(a). Those eligible for housing guarantees include (1) U.S. citizens; (2) corporations, partnerships, and other associations, including nonprofit associations which are substantially beneficially owned by U.S. citizens and (3) foreign corporations, partnerships, or other associations wholly owned by U.S. citizens, corporations, partnerships, or other associations. The proviso is to make it clear that a foreign corporation is not to be considered ineligible as an investor if 5 percent or less of its shares are required by the law of the country in which the corporation is organized to be held by other than U.S. citizens. Previous legislative history confirms that "substantially beneficially owned" is essentially "identical" to majority beneficially owned (p. 53 House Conference Committee Report, 1961).

*Section 411. Unexpended balances*

This section is similar to FAA section 645 and continues the availability for authorized purposes of unexpended balances of all funds including fiscal year funds. It also permits consolidation of such unexpended balances with appropriations made to carry out purposes of the new bill.

*Section 412. Saving provisions*

(a) This subsection provides that all determinations, authorizations, regulations, orders, contracts, agreements, and other actions taken or made under the FAA are preserved in effect despite the repeal of the laws under which they were made, except as otherwise expressly provided in this bill. In short, it provides that actions previously taken under acts now repealed remain valid until expressly altered.

(b) This provides that funds made available under the FAA shall, unless otherwise provided by law, remain available for the purposes of this bill or of the FAA in accordance with the provisions of the FAA or of this bill. This means, for example, that supporting assistance funds under the FAA used for population programs pursuant to title X of that act may now continue to be available for such purposes or for purposes under this bill. It also means that funds already authorized and appropriated for a large-scale prototype desalting plant in Israel will remain available for that purpose.

(c) This subsection provides that the invalidity of any provision of this bill will not affect the validity of any other provision and that the invalidity of its application to any circumstance or person will not affect its application to any other circumstance or person.

*Section 413. Effective date*

This section makes this bill effective as of the date of its enactment.

*Section 414. Statutes repealed*

(a) This subsection repeals all of part I of the FAA except title IV of chapter 2 thereof, which relates to the Overseas Private Investment Corporation and which is retained in law and renamed the "Overseas Private Investment Corporation Act" by section 502(a)(1). Also retained in FAA part I are chapters 4 and 5, relating to supporting assistance and the contingency fund, respectively. These two chapters, together with part II (military assistance) and part III (general provisions), are retained until enactment of the International

Security Assistance Act of 1971 which will repeal most of the remainder of the FAA.

(b) This subsection provides that references in law to the FAA shall, as appropriate, be deemed to be references to equivalent sections of this bill.

## CHAPTER 2—TRANSITION PROVISIONS AND AMENDMENTS TO OTHER ACTS

### *Section 501. Transfer of functions*

This section is designed to provide for the orderly transfer of functions and personnel from the Agency for International Development to the new agencies that will be created to carry out the purposes of the bill. A series of authorities relating to personnel who will be transferred to the new agencies are included in this section since these provisions will eventually become obsolete and will then be repealed.

(a) This subsection provides for the transfer by the President of the obligations, assets, property, records, personnel, functions, rights, and responsibilities of the Agency for International Development to the new agencies. The President is authorized to determine the time of such transfer. In the meantime, since those portions of the FAA which provide the basic development assistance authority for the Agency are repealed by this bill, it is necessary to provide for the continued existence of that Agency during the transition period. Under this subsection, therefore, the Agency for International Development will continue to exist, with all its original authorities and personnel (including executive-level officials), and will continue to administer programs and activities under the FAA, or under this bill, as may be appropriate.

(b) This subsection provides that personnel transferred may be continued in their current appointments, or converted to a personnel status authorized by this bill or other law. This would permit, for example, continuing a person in employment under the general schedule with a conversion to Foreign Service status at a later date. As personnel are converted to a personnel status authorized under this bill or other law, this provision will cease to apply.

(c) This will continue the selection-out authority for those Foreign Service reserve officers serving in the administratively created status with unlimited tenure in much the same fashion as this authority has been administered under the FAA. As these officers are converted to the statutory category of Foreign Service reserve officer with unlimited tenure, this provision will cease to apply and the selection-out authority contained in the Foreign Service Act of 1946 will become applicable. Severance benefits will be paid to persons being separated unless such persons are eligible for an immediate annuity under retirement laws or under the Federal Employees Compensation Act.

(d) This provision is included to provide for an orderly transition in the method under which Foreign Service Reserve officers receive within-grade raises in pay. Under the FAA, such officers receive within-grade raises on the anniversary date of their original appointments. Under the Foreign Service Act, within-grade raises are provided on a fiscal year basis, *i.e.*, as of the beginning of each fiscal year. This subsection, therefore, provides that transferring Foreign Service

officers will all receive a within-grade increase on the first day of the first fiscal year following enactment of this bill. Thereafter, within-grade raises will be provided for on a fiscal year basis. For newly employed officers of the new agencies, within-grade raises will be provided for on a fiscal year basis.

(e) This subsection provides for the participation in the Foreign Service Retirement and Disability System of transferring Foreign Service Staff officers and employees who have completed 10 years of continuous service as such officers in the Agency for International Development, or in the Department of State or a combination of the two.

(f) This subsection provides that persons who become participants in the Foreign Service Retirement and Disability System shall make a special contribution to the Foreign Service Retirement and Disability Fund in accordance with section 852 of the Foreign Service Act of 1946. This means that such persons' prior contributions to another Federal retirement system, generally the Civil Service Retirement System, will be transferred to the Foreign Service Retirement and Disability Fund. This subsection also contains a transitional provision similar to that provided when Foreign Service Staff personnel were brought under the Foreign Service Retirement and Disability System in 1960, and is identical to the provision for USIA Foreign Service Information officers, Foreign Service Reserve officers and Staff officers and employees contained in Public Law 90-494. It provides that these new participants who are age 57 or over 1 year after the effective date of the bill will have an option to retire voluntarily at any time before the date of their mandatory retirement. Under the Foreign Service system, employees may retire at age 50 or over with 20 years of service with the consent of the Secretary of State. When this legislative provision becomes effective, new participants, if they have less than 20 years' service credit, would have no choice on their date of retirement if this provision were not included, and would have to wait until they reach mandatory retirement age. This is a one-time provision which will assist the new agencies and their older new participants to accomplish the changeover to the Foreign Service Retirement and Disability System in an orderly and equitable way. This provision will help minimize the impact and possible difficulties the changeover might otherwise cause by giving these older employees more flexibility in timing their retirement from the Foreign Service.

(g) This is another transitional provision. It provides for the gradual retirement over a 7-year period of persons who become participants in the Foreign Service Retirement and Disability System under this section who are above the mandatory retirement age at the time they become participants in the system. If these persons remained under the civil service retirement system, they would not be mandatorily retired until age 70. In the Foreign Service, mandatory retirement is at age 60, as a general rule. Thus, a change in the retirement plans of these individuals would not be required to be made without reasonable time for them to adjust to the new law. The interim schedule for the gradual transition to the Foreign Service retirement and Disability System provided in this subsection is similar to the transition formula authorized when the staff personnel of the State Department were transferred to the Foreign Service Retirement and Disability System

pursuant to the Foreign Service Act Amendments of 1960. The transition schedule gives the new participants a minimum of 3 years after the effective date of the legislation before mandatory retirement.

After expiration of the 3-year period, those participants who are age 64 or over will be mandatorily retired. Each year thereafter the mandatory retirement age will be reduced by 1 year until mandatory retirement at age 60 becomes effective. Thus, under the schedule contained in this subsection, it will be 7 years before participants will be mandatorily retired at age 60. This is regarded as a reasonable period to accomplish the shift from mandatory retirement at age 70 under the Civil Service System to age 60 under the Foreign Service System. This schedule is also similar to the transition schedule provided for U.S. Information Agency Foreign Service Reserve, unlimited, and staff officers and employees in Public Law 90-494, enacted in 1968.

(h) This subsection provides for participation in the Foreign Service Retirement and Disability System of certain AID Executive Level officials and AID Mission Directors. These persons have served in the foreign assistance program for long periods of time. Only those executives who were in the AID Foreign Service as Reserve officers or as Mission Directors prior to their executive appointments would be affected thereby. Presidential appointees serving in the Agency for International Development are presently covered by the Civil Service Retirement System. Under the Foreign Service Act of 1946, as amended, a Foreign Service officer, by virtue of section 571 of that act, upon being appointed to a position by the President in any Government agency is considered to be detailed from the Foreign Service. The effect of this provision of law is to provide reinstatement rights in the Foreign Service. Under this same section, the person continues to be covered by the Foreign Service Retirement and Disability System. During such period of service, the person is relieved from the mandatory retirement age of 60 by section 632 of the Foreign Service Act.

Ambassadors are treated under the Foreign Service Act in much the same fashion. An Ambassador appointed from the private sector participates in the Civil Service Retirement System. An Ambassador may become a participant in the Foreign Service Retirement and Disability System if he has completed at least 20 years of service as a chief of mission. A person appointed as a chief of mission from the Foreign Service would be covered by the provisions of section 571 of the Foreign Service Act, meaning that such person would return to duty in the Foreign Service. However, section 519 of the Foreign Service Act provides that, if the person has not within 3 months again been appointed or assigned as a chief of mission, or otherwise assigned to duty in the Foreign Service, he is required to be retired and receive retirement benefits under the Foreign Service retirement and disability system.

Subparagraph (2) of this subsection provides that sections 519, 571, and 632 of the Foreign Service Act shall apply to persons who become participants in the Foreign Service Retirement and Disability System under part (1) of this subsection. The application of section 519 would mean that if these persons are not given assignments in the Foreign Service of the new agencies or AID, within 3 months of termination of their appointments, they would be retired and receive retirement bene-

fits under the Foreign Service Retirement and Disability System. The application of section 632 of the Foreign Service Act would permit these persons to continue to serve beyond age 60.

Paragraph (3) of this subsection is to insure that those AID Foreign Service personnel, who, following their initial Presidential appointments, are or were given other Presidential appointments in AID are included in the Foreign Service Retirement and Disability System.

*Section 502. Amendments to other acts*

This section contains the amendments to other laws which are required by the adoption of this bill.

(a) This subsection contains amendments to title IV of chapter 2 of part I of the FAA which established the Overseas Private Investment Corporation (OPIC). Since this bill and the International Security Assistance Act of 1971 repeal most of the FAA except title IV, this subsection designates title IV of the FAA as the Overseas Private Investment Corporation Act, and makes those amendments to the title necessary to permit OPIC to operate as a separate entity without relying on the administrative provisions presently contained in the FAA.

(1) This amendment renames title IV of the FAA as the Overseas Private Investment Corporation Act.

(2) This amendment changes the word "title" to "act" wherever it appears since this legislation would no longer be a part of the FAA but would become a separate law.

(3) The term "less developed friendly countries and areas" and similar terms used throughout OPIC's charter are changed to "friendly developing countries and areas." These changes are designed to make OPIC's charter consistent with this bill, which uses the latter term and defines it to prohibit, subject to Presidential waiver, the operation in certain countries of assistance programs authorized by this bill. The same definition will be contained in OPIC's charter (see change 10 below) and thus similarly limit the operation of OPIC's programs.

(4) This amendment deletes a reference in OPIC's charter (sec. 231(j)) to "the agency primarily responsible for administering part I" of the FAA. The Agency referred to is the Agency for International Development which under this bill will transfer its functions to such new agencies as the President may establish to carry out the purposes of this bill.

(5) This amendment changes the designation of the Chairman of OPIC's Board of Directors in section 233(b) from "the Administrator of the Agency for International Development" to "an official of the Government of the United States designated by the President of the United States." It is anticipated that the President will designate the coordinator of development assistance to serve in this capacity.

(6) This amendment adds a new subsection to OPIC's charter (sec. 233(e)) which authorizes OPIC to hire experts, consultants, and retired officers. OPIC now derives its authority to hire such persons from FAA section 626. Identical authority is available under section 401(f) to organizations carrying out functions under this bill.

(7) This amendment deletes a reference in OPIC's charter to FAA section 632(a).

(8) This amendment corrects a typographical error in section 235(c) which appeared when the section was enacted in 1969.

(9) This amendment enacts in OPIC's charter (section 236) authority to incur certain expenses which other laws or rulings of the Comptroller General of the United States require to be specifically authorized by legislation. The Corporation now derives its authority to incur such expenses from FAA section 636. Identical authority is available under section 405(e) to organizations carrying out functions under this bill.

(10) This amendment adds a new subsection to OPIC's charter (sec. 238(e)) which defines the term "friendly developing countries and areas." This term is used throughout OPIC's charter (see change 4 above) and the operation of OPIC's programs is restricted to such countries and areas. Subparagraph (1) excludes from the definition countries or areas dominated or controlled by the USSR or the Peoples' Republic of China. Subparagraph (2) excludes countries which furnish assistance to Cuba or which fail to take appropriate steps to permit ships or aircraft under their registry from transporting equipment, materials or commodities to Cuba as long as it is governed by the Castro regime. This is essentially the same prohibition on assistance which is presently contained in FAA section 620(a)(3). Subpart (3) excludes from the definition those countries which sell or furnish equipment, materials or commodities to North Vietnam or permit ships or aircraft under their registry to transport such items to North Vietnam while it is giving support to the hostilities in South Vietnam. The substance of this latter provision is presently in FAA section 620(n). Subparagraph (4) omits from the definition any country with which diplomatic relations with the U.S. have been severed and have not been restored. A similar provision appears in FAA section 620(t). This subsection, however, contains a proviso which permits the President to provide investment incentives in countries or areas which fail to meet the above criteria, whenever he determines the provision of such incentives to be important to the national interest. This definition is added to OPIC's charter to make the limitations on the programs carried out under this bill equally applicable to OPIC's programs.

(11) This amendment modifies OPIC's charter (sec. 239(d)) to authorize the Corporation to (a) acquire property "by gift, devise, bequest, grant or otherwise," (b) lease real property in the District of Columbia without regard to the prohibitions contained in 40 U.S.C. 34, and (c) collect or compromise any obligations assigned to or held by OPIC including any legal or equitable rights accruing to it. These authorities are now available to OPIC under FAA sections 635 and 636. Identical authorities are available under section 405(c) and (d) to organizations carrying out functions under this bill.

(12) This amendment modifies OPIC's charter (sec. 239(e)) to provide that OPIC's Board of Directors "shall provide for adequate internal financial control, including internal auditing." The present section 239(e) provides that the auditing of OPIC's operations and activities shall be conducted by the Auditor-General of the Agency for International Development, a position that will be abolished after this bill is fully implemented. The new section

is consistent with section 409(a) which provides for auditing of organizations carrying out functions under this bill.

(13) This amendment adds two new subsections to OPIC's charter (secs. 239 (g) and (h)) which authorize OPIC to (a) utilize the services and facilities of, or procure commodities from any agency of the U.S. Government, and (b) establish on the books of U.S. agencies or banking institutions accounts against which letters of commitment may be issued or from which disbursements may be made. These authorities are now available to OPIC pursuant to FAA section 632. Identical authorities are available under sections 406 (b) and (c) to organizations carrying out functions under this bill.

(14) Under the present title IV of the FAA, the sections governing OPIC are numbered 231 through 240A. This amendment permits the sections of OPIC Act to be renumbered beginning with section 1 and extending through section 11. Since the OPIC Act would become a separate law, it would be inappropriate for it to retain the old system of section numbers. The second sentence of this amendment provides for the corresponding change in all references to OPIC section numbers in this bill and other acts.

(b) This subsection amends FAA part IV which provides for the Inter-American Social Development Institute. Subparagraph 1 changes the title of part IV to the Inter-American Foundation. Subparagraph 2 changes the title of section 401 to conform to the new name, i.e., Inter-American Foundation. Subpart 3 substitutes the term "Foundation" for "Institute" throughout this section. Subpart 4 also provides for a conforming change of name. Subpart 5 authorizes the Foundation to determine the manner in which its obligations and expenses shall be incurred and paid, including up to \$10,000 for entertainment expenses. Subpart 6 revises the personnel authority of the Foundation. It provides for a President as the Chief Executive Officer to be compensated at level IV of the executive schedule. It authorizes the employment of 12 persons without regard to the Civil Service laws and regulations with rates of compensation not to exceed grade 14 of the general schedule and provides for reemployment rights for such persons. It also authorizes the hiring of experts and consultants at per diem rates equivalent to the rate of grade 18 of the general schedule. Services of experts and consultants are not to be considered U.S. Government employment as far as the dual compensation laws are concerned.

(c) This subsection authorizes an additional Assistant Secretary of State who will coordinate humanitarian assistance.

(d)(1) This subsection amends the Migration and Refugee Assistance Act of 1962 to provide in section 2(c) of that act that the President may use up to \$10 million of the funds made available for use under the President's Foreign Assistance Contingency Fund for unexpected urgent refugee and migration needs. This replaces that law's previously existing references to the FAA.

(d)(2) This amendment deletes section 7 of the Migration and Refugee Assistance Act of 1962 which authorized the use of the FAA Contingency Fund until appropriations had been made for activities conducted under the former act.

(e)(1) This amendment to title 5 of the United States Code permits the creation of eight additional supergrade positions for the Inter-American Foundation. These positions will be subject to Civil Service regulations.

(e)(2) This subpart complements the amendment provided in subsection (a) of this section by authorizing a twelfth Assistant Secretary of State at level IV of the Executive Schedule.

(f) This subsection deletes the reference in Public Law 480 to FAA section 210, which establishes the interest rate allowable on development loans as the minimum interest rate applicable to foreign currency credit sales of Public Law 480 commodities. The reference is changed to section 208 of this bill which establishes 1 percent as the minimum interest rate which may be charged on loans made under this bill. In making this change, however, it is not intended that sales under Public Law 480 will be made on interest terms of less than 3 percent which is the amount presently allowable under FAA section 201.

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