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BRIEFING BOOK

FY 1979

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ADMINISTRATOR'S BRIEFING BOOK

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AGENCY FOR INTERNATIONAL DEVELOPMENT
FY 1979 BUDGET REQUEST AND PROPOSED PROGRAM
(in thousands of dollars)

	Foreign Assistance Act Authorization Request	Budget Authority Request	Estimated Reimbursements	Proposed Program
FUNCTIONAL DEVELOPMENT ASSISTANCE				
Food and Nutrition	673,181	673,181	-	673,181
Population Planning	205,445	205,445	-	205,445
Health	148,494	148,494	-	148,494
Education and Human Resources Development	109,036	109,036	-	109,036
Selected Development Activities	126,244	126,244	2,000	128,244
Subtotal, Functional Accounts	1,262,400	1,262,400	2,000	1,264,400
(Grants included above)				(793,605)
(Loans included above)				(470,795)
SAHEL DEVELOPMENT PROGRAM	- 1/	90,000	-	90,000
INTERNATIONAL ORGANIZATIONS AND PROGRAMS	282,150	282,150	-	282,150
AMERICAN SCHOOLS & HOSPITALS ABROAD	8,000	8,000	-	8,000
INTERNATIONAL DISASTER ASSISTANCE	25,000	25,000	-	25,000
PRESIDENT'S FOREIGN ASSISTANCE CONTINGENCY FUND	5,000	5,000	-	5,000
OPERATING EXPENSES	261,000	261,000	2,000	263,000
FOREIGN SERVICE RETIREMENT AND DISABILITY FUND	- 2/	24,820	-	24,820
SECURITY SUPPORTING ASSISTANCE	1,854,400	1,854,400	-	1,854,400
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT	3,697,950	3,812,770	4,000	3,816,770

NOTE: In addition, a special foreign currency appropriation of $400 thousand equivalent in Indian rupees is requested.

1. Section 121 of the Foreign Assistance Act of 1961 as amended authorizes $200 million for the Sahel Development Program to remain available until expended.

2. Section 865 of the Foreign Service Act of 1946 authorizes necessary appropriations to the Foreign Service Retirement and Disability Fund. The Foreign Assistance Act of 1973 authorized the participation of A.I.D. career Foreign Service personnel in the Fund.

PROGRAM SUMMARY (In millions of dollars)				
FY 1977 Actual	FY 1978 Estimated	FY 1979 Authorization Request	FY 1979 Appropriation Request	FY 1979 Program Request
3,160.9	4,133.7	3,698.0	3,812.8	3,816.8

1. Budget Summary

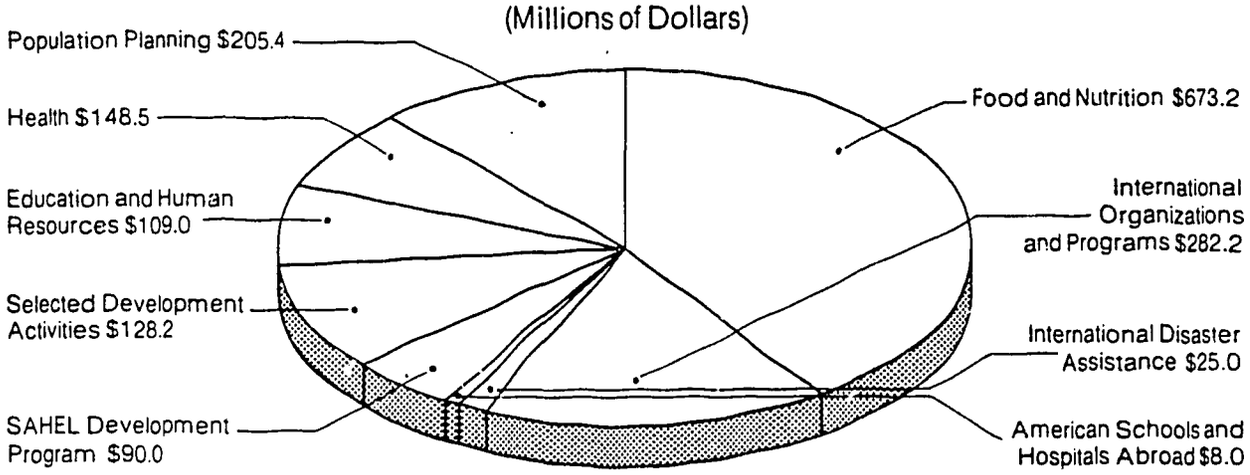
"...[T]he search for peace also means the search for justice. One of the greatest challenges before us as a nation, and therefore one of our greatest opportunities, is to participate in moulding a global economic system which will bring greater prosperity to all the people of all countries."

President Jimmy Carter
Address at the United Nations
March 17, 1977

For FY 1979, A.I.D. requests $3,816,770,000 for its bilateral economic assistance program--both development and security supporting assistance. The development assistance functional accounts--Food and Nutrition, Population Planning, Health, Education and Human Resources and Selected Development Activities--as well as the Sahel Development Program, are increased in FY 1979. The security supporting assistance account is reduced, mainly because the special $300 million loan for Portugal is not repeated. Thus the overall program is less than the FY 1978 program by $317 million.

A.I.D. Development Assistance Programs Proposed for FY 1979 by Function

(Millions of Dollars)



Total Proposed $1,669.6 Million*

* Excluding Operating Expenses, Foreign Service Retirement Fund and Contingency Fund. Including these three the total is $1,962.4 Million.

The Development Assistance program is $1,962,370,000, 51% of the total request (compared to a $1,892.3 million program in FY 1978). It consists of:

-- $673,181,000 for Food and Nutrition (compared to a $548.7 million program in FY 1978). The productive potential of millions of small farms in the developing world offers the best hope for closing the food gap. For this reason, A.I.D. emphasizes rural development projects which support developing country efforts to increase small farm productivity and income opportunities for the rural poor. Under Title XII of the Foreign Assistance Act, U.S. land-grant universities and other eligible institutions collaborate with A.I.D. and recipient governments in solving food problems through research, training and extension programs.

-- $205,445,000 for Population Planning (compared to a $161.8 million program in FY 1978). Rapid population growth undercuts world efforts to expand food production, reduce malnutrition and chronic disease, conserve non-renewable resources and protect the environment. A.I.D. emphasizes programs which provide family planning services and commodities through paramedicals and the private sector. A.I.D. also plans to increase its support of voluntary sterilization programs. In response to Section 104(d) of the Foreign Assistance Act, A.I.D. is stressing the importance of "population impact" in the design of other functional programs.

-- $148,494,000 for Health (compared to a $126 million program in FY 1978). A.I.D. will continue to support integrated health delivery, health planning, potable water projects and disease control--including $32 million for malaria control in India.

-- $109,036,000 for Education and Human Resource Development (compared to a $98.3 million program in FY 1978). The expansion in this functional account results from increased emphasis on training which provides the basic skills necessary for participation of the poor in development. A major share of the requested funds will be allocated to primary education, adult and community education and vocational and technical training. In addition, $400,000 equivalent in U.S.-owned Indian rupees for the Overseas Training (Foreign Currency) Program, the same amount as appropriated in FY 1978, will provide specialized training in India for Nepalese participants.

-- $128,244,000 for Technical Assistance, Energy, Research, Reconstruction and Selected Development Problems (compared to a $11[illegible].3 million program in FY 1978). The increase in this account results primarily from $16.8 million for new initiatives in the Caribbean region. It also reflects increased Agency attention to renewable energy sources, appropriate technology, environmental preservation and private voluntary organizations.

-- $90,000,000 for the Sahel Development Program (compared to a $50 million program in FY 1978). FY 1979 will be the second year of funding for this multilateral effort to help drought-ravaged

West African countries achieve self-sufficiency. Other donors and the recipients themselves contribute 90% of the total program costs.

-- $282,150,000 for International Organizations and Programs (compared to a $231.7 million program in FY 1978). This amount includes $133 million for the United Nations Development Program (UNDP), $35 million for the United Nations Children's Fund (UNICEF), $17.5 million for the Organization of American States (OAS) and $12 million for the International Atomic Energy Agency (IAEA). It also includes $52 million for the United Nations Relief and Works Agency (UNRWA) to provide welfare support and training for Palestinian refugees in the Middle East and $10 million for the UN Environmental Program (UNEP).

-- $8,000,000 for American Schools and Hospitals Abroad (compared to a $23.8 million program in FY 1978).

-- $25,000,000 for International Disaster Assistance (compared to $35.8 million available for FY 1978).

-- $5,000,000 (the same amount made available for FY 1978) for the President's Foreign Assistance Contingency Fund.

-- $263,000,000 for Operating Expenses (compared to $227.1 million in FY 1978) to finance the costs of operating both the development assistance and security supporting assistance programs.

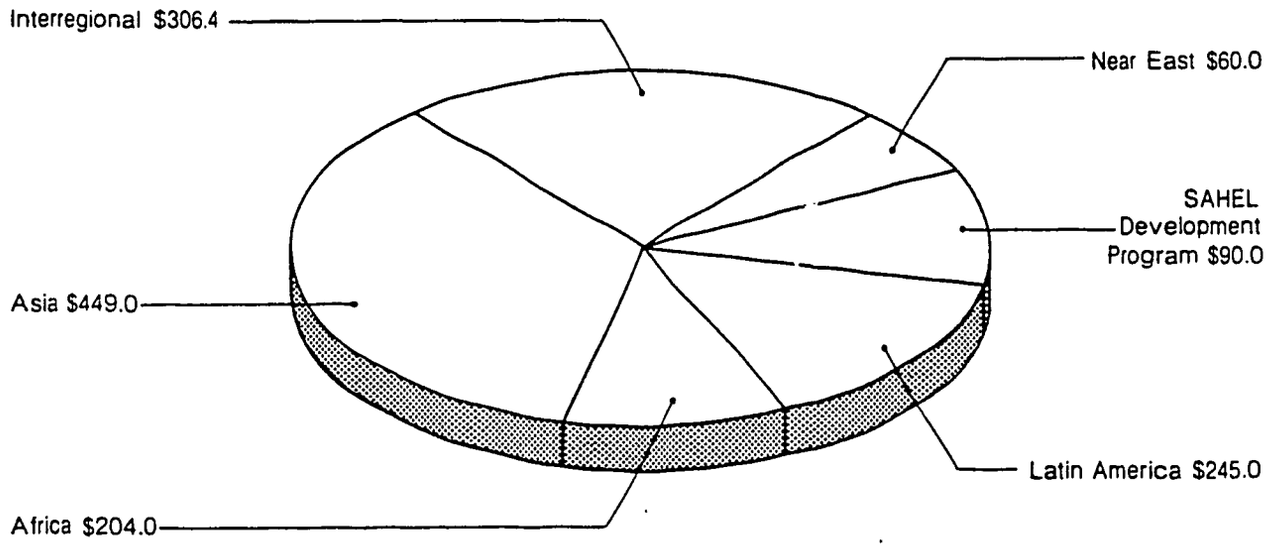
-- $24,820,000 to cover the FY 1979 installment for unfunded liability for A.I.D. Foreign Service employees under the Foreign Service Retirement and Disability System (compared to $24.2 million appropriated in FY 1978).

Although A.I.D. does not require FY 1979 appropriations specifically for the Reimbursable Development Program and the Housing Guaranty Program, it requests increased funding authority for both programs.

The Security Supporting Assistance (SSA) Program is $1,854,400,000, 49% of the total request (compared to a $2,241.4 million program in FY 1978). Largely because no funds are requested for Portugal in FY 1979, the total level for SSA decreases by almost $400 million from FY 1978. Ninety-five percent of SSA funds will be allocated to four countries in the Middle East--Egypt, Israel, Jordan and Syria--as a part of continuing U.S. efforts to promote a stable peace. Proposed levels for these countries are the same as FY 1978, except for an additional $50 million for the Maqarin Dam and Jordan Valley irrigation system. Forty-five million dollars will be available to relieve economic dislocations resulting from the struggle for majority rule in Southern Africa.

A.I.D. Functional Development Assistance and SAHEL Programs Proposed for FY 1979 by Region*

(Millions of Dollars)



Total Proposed $1,354.4 Million

*Includes Food & Nutrition, Population, Health, Education and Human Resources, and Selected Development Activities.

Development Lending

More than half of development assistance funds proposed for allocation directly to countries will be provided as development loans. In recent appropriation acts, Congress has required an increasing proportion of development loan funds to be furnished on harder terms. Yet A.I.D. requires flexibility to permit continued concentration of assistance in poorer countries and to encourage host countries to undertake projects which benefit the poor. The hardening of loan terms limits our ability to promote a basic human needs strategy. Therefore, the Administration is proposing greater discretion in the negotiation of loan terms appropriate to the economic circumstances of recipient countries.

In past years, loan funds were made available on a no-year basis. Appropriately so, since loan agreement negotiations are complex and recipient countries often require legislative approval of

agreements. The FY 1978 Appropriations Act however limited the availability of loan funds to one year. This limitation constrains both the use of loan funds and the process of negotiations. Thus the Administration is proposing that FY 1979 loan funds remain available until expended.

In summary, the proposed FY 1979 economic assistance program administered by A.I.D. will be smaller than FY 1978. However, the development assistance portion of that program will expand. Furthermore, an increasing share of development assistance will be allocated to those developing countries with the lowest per capita income. The Security Supporting Assistance program decreases overall, but that part of the program which promotes peace in the Middle East will continue at FY 1978 levels.

A more detailed description of the proposed FY 1979 program by functional and related line item account follows.

PROPORTION OF ASSISTANCE TO POOR COUNTRIES

Issue - Congress is interested in the extent to which the A.I.D. program will shift from the Less Poor to the Poor countries in FY 1979.

Development Assistance

- In FY 1979, 85% of country assistance funds will be programmed for the low income LDCs (countries with a per capita GNP of less than $550). The comparative figure for FY 1978 is 82%.

- In Asia which has the largest concentration of the world's poor, 100% of country assistance will go to the poorest of the poor countries. In Africa which also has a high concentration of the world's poor, 93% of the funds will go to the poorest African nations.

- In the Near East, 77% of the program is for the poor countries. The comparable figure for FY 1978 is 69%.

- In Latin America, of the thirteen countries for which assistance is requested, the four poorest, Bolivia, El Salvador, Haiti and Honduras will receive 39% of the total funding.

- FY 1978 and FY 1979 levels of assistance to poor countries which are, respectively, $130 million and $291 million higher than the FY 1977 level, will permit the Administration to exceed its CIEC pledge by $46 million.

Security Supporting Assistance

- In FY 1979, 44% of country assistance funds will be programmed for the poorest countries. The comparable figure for FY 1978 is 38%.

- In Africa, 100% of planned funding will go to the poor countries.

- In Near East/Europe, of the five countries which will receive supporting assistance funds the poorest country will receive 43% of the total.

Combined DA and SSA

- On a combined worldwide basis, the poor countries will receive 58% of all country assistance funds in FY 1979 compared to 50% in FY 1978.

Development Assistance to Poor and Less Poor Countries 1/
($ millions)

Country Assistance	FY 1978	(%)	FY 1979	(%)
Worldwide	706	(100)	872	(100)
Poor	578	(82)	740	(85)
Less Poor	128	(18)	132	(15)
Africa	138	(100)	204	(100)
Poor	129	(93)	189	(93)
Less Poor	9	(7)	14	(7)
Asia	348	(100)	429	(100)
Poor	348	(100)	429	(100)
Less Poor	-		-	(-)
Latin America	179	(100)	186	(100)
Poor	73	(41)	81	(44)
Less Poor	106	(59)	105	(56)
Near East	41	(100)	54	(100)
Poor	28	(68)	41	(76)
Less Poor	13	(32)	13	(24)

Allocation of Regional Programs (not included above) to the poor.

Worldwide	117		139
Africa 99% of 76	= 75	of 91 =	90
Asia 100% of 18	= 18	of 20 =	20
Latin America 38% of 25	= 10	of 35 =	13
Caribbean 50% of 17	= 9	of 22 =	11
ROCAP 40% of 1	= 0.4	of 0.9 =	0.4
Near East 76% of 7	= 5	of 6 =	5

Of total aid to all regions in FY 1979, 84% will go to the poorest countries compared to 82% in FY 1978.

1/ Using benchmark of $550 per capita GNP in 1976 prices.

Security Supporting Assistance to Poor and Less Poor Countries 1/
($ Million)

Country Assistance	FY 1978	(%)	FY 1979	(%)
Worldwide	2143	(100)	1760	(100)
Poor	824	(38)	775	(44)
Less Poor	1319	(62)	985	(56)
Africa	73	(100)	25	(100)
Poor	73	(100)	25	(100)
Less Poor	-	-	-	-
Near East/Europe	2070	(100)	1735	(100)
Poor	750	(36)	750	(43)
Less Poor	1320	(64)	985	(57)

1/ Using benchmark of $550 per capita GNP in 1976 prices.

Middle Income Countries Receiving
Assistance in FY 1979

Development Assistance

Africa

Djibouti
Ghana

Latin America

Costa Rica
Dominican Republic
Guatemala
Jamaica
Nicaragua
Panama
Paraguay
Peru

Near East

Tunisia

Security Supporting Assistance

Near East/Europe

Israel
Jordan
Syria
Bahrain
Malta
Spain
Lebanon
Cyprus
Portugal

PPC/PB 1/31/78

AGENCY FOR INTERNATIONAL DEVELOPMENT
TOTAL PROGRAM AVAILABILITY AND ACTUAL PROGRAM
FY 1977
(in millions of dollars)

	Unobligated Balance Brought Forward	New Budget Authority	Transfers	Reimbursements	Recoveries	Total Available For Obligations	FY 1977 Program	Unobligated Balance Carried Forward
FUNCTIONAL DEVELOPMENT ASSISTANCE								
Food and Nutrition	4.7	505.0	-12.9	-*	15.2	512.0	474.3	37.7
Population Planning and Health	.9	214.0	8.5		4.7	228.1	224.0	4.1
(Population Planning)	(-)	(143.4)	-		(.4)	(143.8)	(140.3)	(3.5)
(Health)	(.9)	(70.6)	(8.5)		(4.3)	(84.2)	(83.6)	(.6)
Education and Human Resources Development	1.1	70.0	9.4	-*	25.8	106.3	94.4	11.8
Section 106 Development Activities	1.7	67.0	-5.0	-.1	1.9	65.5	55.4	10.1
Subtotal, Functional Accounts	8.4	856.0	-	-.2	47.6	911.8	848.1	63.7
(Grants Included Above)	(4.7)	(556.0)		(-.2)	(12.5)	(573.0)	(556.8)	(16.2)
(Loans Included Above)	(3.7)	(300.0)		-	(35.1)	(338.8)	(291.3)	(47.5)
INTERNATIONAL ORGANIZATIONS AND PROGRAMS								
N Technical Assistance and Other Programs	.3	228.0	-	-	.1	228.4	227.9	.5
Indus Basin Development Fund, Grants	-	15.8				15.8	15.8	-
Subtotal, International Organizations & Programs	.3	243.8	-	-	.1	244.1	243.6	.5
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT	200.0	-	-	-	-	200.0	-	200.0
AMERICAN SCHOOLS AND HOSPITALS ABROAD	.1	19.8	-	-	*	19.9	19.8	.1
OTHER ASSISTANCE PROGRAMS								
International Disaster Assistance	16.3	25.0	-	*	3.3	44.6	29.7	14.9
Romanian Relief and Rehabilitation 1/	-	13.0	-	-	-	13.0	-	13.0
Lebanon Relief and Rehabilitation	-	20.0	-	-	-	20.0	19.1	.9
Miscellaneous Prior Year Accounts	10.7 2/	-	-	-	2.6	13.3	10.8	2.5
PRESIDENT'S FOREIGN ASSISTANCE CONTINGENCY FUND	-	5.0	-	-	.3	5.3	-	3/
OPERATING EXPENSES	3.8	195.1	-	2.3	3.9	205.0	202.1	2.9
FOREIGN SERVICE RETIREMENT AND DISABILITY FUND	-	21.3	-	-	-	21.3	21.3	-
SECURITY SUPPORTING ASSISTANCE	12.4	1,734.7	-	-.1	5.0	1,752.0	1,750.2	1.8
MIDDLE EAST SPECIAL REQUIREMENTS FUND	7.4	23.0	-	-	.9	31.3	16.1	15.2
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT	259.4	3,156.6	-	2.0	63.7	3,481.7	3,160.9	315.4

1/ Funding for Romanian Relief and Rehabilitation for fiscal year 1977 was provided in the Foreign Assistance and Related Programs Appropriation Act of 1978.

2/ Includes Disaster Relief Assistance, Refugee Relief Assistance (Bangladesh), African Famine Relief (Sahel), African Development Program, and Assistance to Portugal and Portuguese Colonies.

3/ Unobligated balance returned to Treasury.

AGENCY FOR INTERNATIONAL DEVELOPMENT
TOTAL PROGRAM AVAILABILITY
FY 1978 Estimated
(in millions of dollars)

	Unobligated Balance Brought Forward	New Budget Authority	Estimated Transfers	Reimbursements	Recoveries	Total Estimated Program
FUNCTIONAL DEVELOPMENT ASSISTANCE						
Food and Nutrition	37.7	515.0	- 23.2	-	19.2	548.7
Population	3.5	155.0	-	-	3.3	161.8
Health	.6	95.0	+ 13.9	-	16.5	126.0
Education and Human Resources Development	11.8	76.0	+ 7.0	-	3.5	98.3
Section 106 Development Activities	10.1	90.0	+ 2.3	1.0	16.0	119.3
Subtotal, Functional Accounts	63.7	931.0	-	1.0	58.5	1,054.2
(Grants included above)	(16.2)	(605.9)		(1.0)	(13.5)	(636.5)
(Loans included above)	(47.5)	(325.1)			(45.0)	(417.7)
INTERNATIONAL ORGANIZATIONS AND PROGRAMS	.5	231.3	-	-	-	231.7
SAHEL DEVELOPMENT PROGRAM	-	50.0	-	-	--	50.0
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT	200.0	-	-	-	-	200.0
AMERICAN SCHOOLS AND HOSPITALS ABROAD	.1	23.8	-	-	-	23.8
OTHER ASSISTANCE PROGRAMS						
International Disaster Assistance	15.8	18.5	-	-	1.5	35.8
Romanian Relief and Rehabilitation 1/	13.0	-	-	-	-	13.0
Italy Relief and Rehabilitation	-	25.0	-	-	-	25.0
Miscellaneous Prior Year Accounts 2/	2.5	-	-	-	-	2.5
PRESIDENT'S FOREIGN ASSISTANCE CONTINGENCY FUND	-	5.0	-	-	-	5.0
OPERATING EXPENSES	2.9	219.4	-	2.8	2.0	227.1 3/
FOREIGN SERVICE RETIREMENT AND DISABILITY FUND	-	24.2	-	-	-	24.2 4/
SECURITY SUPPORTING ASSISTANCE	1.8	2,202.2	-	-	5.1	2,209.1
MIDDLE EAST SPECIAL REQUIREMENTS FUND	15.2	8.0	-	-	-	23.2
U.N. FORCES IN CYPRUS	-	9.1	-	-	-	9.1
TOTAL, AGENCY FOR INTERNATIONAL DEVELOPMENT	315.4	3,747.4	-	3.8	67.1	4,133.7

1/ Funding for Romanian Relief and Rehabilitation for Fiscal Year 1977 was provided in the Foreign Assistance and Related Programs Appropriations Act of 1978.
2/ Includes Disaster Relief Assistance, Refugee Relief Assistance (Bangladesh) and African Famine Relief (Sahel).
3/ Includes proposed supplemental appropriation of $6,352,000 required to finance the October 9, 1977 salary increase authorized by E.O. 12010.
4/ Includes proposed supplemental appropriation of $2,770,000 required to finance the increase in unfunded liabilities created by the executive salary increase of February 27, 1977 authorized by E.O. 11941 and the salary increase of October 9, 1977 authorized by E.O. 12010.

NOTE: Detail may not add to totals due to rounding.

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
FY 1977 Actual Programs
(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
AFRICA - TOTAL	395,834	326,624	219,116	89,944	27,564	-	59,210	2,483	3,227	53,500	-
Angola	196	196	-	196	-	-	-	-	-	-	-
Benin	1,065	1,065	-	581	484	-	-	-	-	-	-
Botswana	13,712	13,712	10,250	2,268	1,194	-	-	-	-	-	-
Burundi	1,061	1,061	-	1,061	-	-	-	-	-	-	-
Cameroon	4,915	4,915	3,011	702	1,202	-	-	-	-	-	-
Cape Verde	4,691	4,691	2,300	2,391	-	-	-	-	-	-	-
Central African Empire	1,907	1,907	918	60	929	-	-	-	-	-	-
Chad	11,758	11,758	6,588	4,223	947	-	-	-	-	-	-
Congo	859	859	-	859	-	-	-	-	-	-	-
Ethiopia	8,476	5,734	923	4,686	125	-	2,742	2,479	263	-	-
Gabon	2,661	661	-	-	661	-	2,000	-	-	2,000	-
Gambia	1,080	1,080	-	672	408	-	-	-	-	-	-
Ghana	13,048	12,967	5,125	5,995	1,847	-	81	-	81	-	-
Guinea	3,943	3,943	800	3,143	-	-	-	-	-	-	-
Guinea-Bissau	2,676	2,676	1,506	1,170	-	-	-	-	-	-	-
Ivory Coast	1,200	1,200	-	61	1,139	-	-	-	-	-	-
Kenya	49,331	34,139	29,851	1,540	2,748	-	15,192	-	192	15,000	-
Lesotho	9,627	9,627	4,217	4,273	1,137	-	-	-	-	-	-
Liberia	21,922	21,327	18,879	34	2,414	-	595	4	91	500	-
Madagascar	978	978	-	978	-	-	-	-	-	-	-
Malawi	2,278	2,278	1,850	400	28	-	-	-	-	-	-
Mali	10,580	10,580	9,923	38	619	-	-	-	-	-	-
Mauritania	3,308	3,308	1,486	1,664	158	-	-	-	-	-	-
Mauritius	126	126	-	126	-	-	-	-	-	-	-
Mozambique	3,723	3,723	-	3,723	-	-	-	-	-	-	-
Niger	6,499	6,499	5,003	225	1,271	-	-	-	-	-	-
Rwanda	1,417	1,417	100	1,250	67	-	-	-	-	-	-
Sahel Regional	17,801	17,801	17,801	-	-	-	-	-	-	-	-
SAO Tome & Printipe	361	361	300	61	-	-	-	-	-	-	-
Senegal	20,911	12,863	8,394	2,948	1,521	-	8,048	-	48	8,000	-
Seychelles	178	178	-	129	49	-	-	-	-	-	-
Sierra Leone	3,898	3,898	506	1,892	1,500	-	-	-	-	-	-
Somali Republic	575	575	-	575	-	-	-	-	-	-	-
Southern African Regional	4,323	4,323	4,323	-	-	-	-	-	-	-	-
Sudan	6,739	6,636	-	6,636	-	-	103	-	103	-	-
Swaziland	3,521	3,521	2,303	107	1,111	-	-	-	-	-	-
Tanzania	22,621	22,621	6,667	15,954	-	-	-	-	-	-	-
Togo	3,823	3,803	400	2,349	1,054	-	20	-	20	-	-
Upper Volta	11,858	11,858	2,892	7,940	1,026	-	-	-	-	-	-
Zaire	57,610	27,181	20,000	4,300	2,881	-	30,429	-	2,429	28,000	-
Zambia	24,734	24,734	20,000	4,734	-	-	-	-	-	-	-
Africa Regional	33,844	33,844	32,800	-	1,044	-	-	-	-	-	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
FY 1977 Actual Programs
(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
ASIA - TOTAL	1,172,443	818,883	246,166	550,316	16,597	5,804	353,560	49,259	7,242	296,525	534
Bangladesh	122,953	122,904	60,767	62,137	-	-	49	-	49	-	-
Burma	4,144	4,144	-	-	-	144	-	-	-	-	-
China, Republic of	35,494	-	-	-	-	-	35,494	39	455	35,000	-
Fiji	1,519	1,519	-	-	1,519	-	-	-	-	-	-
India	145,943	145,730	-	145,730	-	-	213	35	178	-	-
Indonesia	215,550	174,776	42,377	132,344	-	55	40,774	15,000	2,674	23,100	-
Korea	225,139	70,134	-	67,800	2,334	-	155,005	1,185	1,395	152,425	-
Malaysia	38,620	2,326	-	-	2,326	-	36,294		294	36,000	-
Micronesia	1,623	1,623	-	-	1,623	-	-	-	-	-	-
Nepal	8,887	8,856	6,759	894	1,203	-	31	-	31	-	-
Pakistan	104,654	104,342	52,715	51,627	-	-	312	-	312	-	-
Philippines	125,686	87,555	34,877	49,712	2,976	-10	38,131	17,000	622	20,000	509
Singapore	43	43	-	43	-	-	-	-	-	-	-
Solomon Islands	388	388	-	-	388	-	-	-	-	-	-
Sri Lanka	60,935	60,929	20,900	40,029	-	-	6	-	6	-	-
Thailand	62,777	15,526	12,563	-	1,348	1,615	47,251	16,000	1,226	30,000	25
Tonga	724	724	-	-	724	-	-	-	-	-	-
Asia Regional	16,358	16,358	15,208	-	1,150	-	-	-	-	-	-
Western Samoa	1,006	1,006	-	-	1,006	-	-	-	-	-	-
LATIN AMERICA - TOTAL	348,527	299,091	175,373	86,693	19,749	17,276	49,436	3,151	7,267	39,000	18
Argentina	725	-	-	-	-	-	725	-	725	-	-
Barbados	152	152	-	152	-	-	-	-	-	-	-
Belize	505	505	-	-	505	-	-	-	-	-	-
Bolivia	48,114	45,010	35,190	6,885	-	2,935	3,104	2,502	602	-	-
Brazil	3,905	3,846	424	1,046	2,080	296	59	-	59	-	-
Caribbean Regional	8,461	8,461	6,946	-	1,515	-	-	-	-	-	-
Chile	19,187	19,187	100	17,952	1,135	-	-	-	-	-	-
Colombia	8,686	7,991	717	5,156	2,062	56	695	-	695	-	-
Costa Rica	15,904	10,904	5,764	3,902	1,200	38	5,000	-	-	5,000	-
Dominican Republic	13,075	11,530	565	9,850	1,115	-	1,545	9	536	1,000	-
Central America Reg.	2,749	2,749	2,749	-	-	-	-	-	-	-	-
Ecuador	18,944	3,540	-	1,095	1,989	456	15,404	-	404	15,000	-
El Salvador	6,720	6,164	2,334	2,479	1,351	-	556	10	546	-	-
Guatemala	20,501	19,992	13,845	4,655	1,492	-	509	9	500	-	-
Guyana	6,304	6,304	6,297	7	-	-	-	-	-	-	-
Haiti	41,445	40,821	20,723	20,098	-	-	624	-	124	500	-
Honduras	14,648	11,529	7,143	2,866	1,520	-	3,119	19	600	2,500	-
Jamaica	20,797	20,797	17,157	2,604	1,036	-	-	-	-	-	-
Mexico	13,475	13,350	-	-	-	13,350	125	-	125	-	-
Nicaragua	5,510	2,410	1,012	296	1,102	-	3,100	3	597	2,500	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
FY 1977 Actual Programs
(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
LATIN AMERICA (CONT'D)											
Panama	18,513	15,389	13,034	2,355	-	-	3,124	225	399	2,500	-
Paraguay	2,848	2,090	1,041	196	844	9	758	340	400		18
Peru	32,966	22,088	16,961	5,099	-	28	10,878	-	878	10,000	-
Uruguay	155	121	121	-	-	-	34	34		-	-
Venezuela	77	-	-	-	-	-	77	-	77	-	-
Latin America Reg.	24,161	24,161	23,250	-	803	108	-	-	-	-	-
NEAR EAST - TOTAL	3,164,632	1,951,331	1,637,286	309,397	4,648		1,213,301	55,047	2,777	1,155,000	477
Afghanistan	21,619	21,426	20,011	669	746	-	193	-	193	-	-
Algeria	6,129	6,129	-	6,129	-	-	-	-	-	-	-
Bahrain	741	741	400	-	341	-	-	-	-	-	-
Bhutan	155	155	-	155	-	-	-	-	-	-	-
Egypt	908,208	908,208	699,250	208,958	-	-	-	-	-	-	-
Gaza	1,654	1,654	-	1,654	-	-	-	-	-	-	-
Israel	1,746,200	746,200	735,000	11,200	-	-	1,000,000	-	-	1,000,000	-
Jordan	211,871	80,385	70,000	10,385	-	-	131,486	55,000	1,009	75,000	477
Jordan-West Bank	1,511	1,511	-	1,511	-	-	-		-	-	-
Lebanon	33,852	8,816	-	8,816	-	-	25,036	-	36	25,000	-
Morocco	60,045	29,262	2,067	25,555	1,640	-	30,783	-	783	30,000	-
Oman	368	368	-	-	368	-	-	-	-	-	-
Syria	99,846	99,846	80,000	19,846	-	-	-	-	-	-	-
Tunisia	51,292	25,846	10,900	13,938	1,008	-	25,446	47	399	25,000	-
Yemen	16,996	16,639	15,513	581	545	-	357	-	357	-	-
Near East Regional	4,145	4,145	4,145	-	-	-	-	-	-	-	-
EUROPE - TOTAL	615,731	164,230	102,000	62,230	-	-	451,501	80,250	4,225	367,000	26
Austria	24	-	-	-	-	-	24	-	24	-	-
Cyprus	17,500	17,500	17,500	-	-	-	-	-	-	-	-
Finland	14	-	-	-	-	-	14	-	14	-	-
Greece	155,976	-	-	-	-	-	155,976	33,000	976	122,000	-
Iceland	11	-	-	-	-	-	11	-	11	-	-
Malta	9,500	9,500	9,500	-	-	-	-	-	-	-	-
Portugal	160,068	126,600	65,000	61,600	-	-	33,468	32,250	1,200	-	18
Romania	434	434	-	434	-	-	-	-	-	-	-
Spain	147,008	10,000	10,000	-	-	-	137,008	15,000	2,000	120,000	8
Turkey	125,196	196	-	196	-	-	125,000	-	-	125,000	-
OTHER PROGRAMS	967,777	903,104	780,977 1/	97,515	15,617	8,995	64,673	64,272	401	-	-
WORLDWIDE - TOTAL	6,664,942	4,473,263	3,160,918	1,196,095	84,175	32,075	2,191,679	254,462	25,136	1,911,025	1,056

1/ Includes International Organizations and Programs - $243.6 million, American Schools and Hospitals Abroad - $19.8 million, A.I.D. Operating Expenses - $202.1 million, Foreign Service Retirement and Disability Fund - $16.1 million, Disaster Relief - $45.0 million, UN Forces in Cyprus - $9.6 million, Middle East Special Requirements Fund - $16.1 million, and A.I.D. Interregional Programs - $228.7 million.

U.S. ECONOMIC ASSISTANCE, MILI. ASSISTANCE, AND CREDIT SALES
FY 1978 Estimated Programs
(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
AFRICA - TOTAL	534,462	490,852	328,780	132,507	29,565	-	43,610	-	3,610	40,000	-
Angola	3,704	3,704	-	3,704	-	-	-	-	-	-	-
Benin	886	886	-	627	259	-	-	-	-	-	-
Botswana	20,543	20,543	16,596	2,814	1,133	-	-	-	-	-	-
Burundi	2,120	2,120	725	1,395	-	-	-	-	-	-	-
Cameroon	19,193	14,193	11,707	1,052	1,434	-	5,000	-	-	5,000	-
Cape Verde	6,107	6,107	4,600	1,507	-	-	-	-	-	-	-
Central African Empire	1,747	1,747	475	298	974	-	-	-	-	-	-
Chad	8,540	8,540	6,436	847	1,257	-	-	-	-	-	-
Congo	423	423	-	423	-	-	-	-	-	-	-
Djibouti	1,972	1,972	1,000	972	-	-	-	-	-	-	-
Ethiopia	19,089	19,089	15,206	3,883	-	-	-	-	-	-	-
Gabon	2,929	929	-	119	810	-	2,000	-	-	2,000	-
Gambia	2,032	2,032	952	598	482	-	-	-	-	-	-
Ghana	13,183	12,958	7,513	3,160	2,285	-	225	-	225	-	-
Guinea	7,699	7,699	2,060	5,639	-	-	-	-	-	-	-
Guinea-Bissau	2,219	2,219	1,050	1,169	-	-	-	-	-	-	-
Ivory Coast	1,391	1,391	-	219	1,172	-	-	-	-	-	-
Kenya	34,658	19,283	15,562	1,246	2,475	-	15,375	-	375	15,000	-
Lesotho	9,545	9,545	4,202	3,342	1,301	-	-	-	-	-	-
Liberia	11,500	10,800	8,704	129	1,967	-	700	-	200	500	-
Madagascar	1,107	1,107	-	1,107	-	-	-	-	-	-	-
Malawi	978	978	-	939	39	-	-	-	-	-	-
Mali	8,458	8,458	6,614	1,102	742	-	-	-	-	-	-
Mauritania	6,126	6,126	4,314	1,429	383	-	-	-	-	-	-
Mauritius	158	158	-	158	-	-	-	-	-	-	-
Mozambique	6,230	6,230	-	6,230	-	-	-	-	-	-	-
Niger	14,911	14,911	9,640	4,044	1,227	-	-	-	-	-	-
Nigeria	373	373	-	373	-	-	-	-	-	-	-
Rwanda	3,022	3,022	1,565	1,204	253	-	-	-	-	-	-
Sahel Regional	21,924	21,924	21,924	-	-	-	-	-	-	-	-
Sao Tome & Principe	54	54	-	54	-	-	-	-	-	-	-
Senegal	23,670	23,610	8,750	13,458	1,402	-	60	-	60	-	-
Seychelles	206	206	-	113	93	-	-	-	-	-	-
Sierra Leone	7,232	7,232	2,620	2,675	1,937	-	-	-	-	-	-
Somalia	17,233	17,233	4,000	13,233	-	-	-	-	-	-	-
Southern Africa Regional	43,262	43,262	43,262	-	-	-	-	-	-	-	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
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	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
AFRICA - continued											
Sudan	22,086	21,836	7,549	14,287	-	-	250	-	250	-	-
Swaziland	13,386	13,386	11,887	535	964	-	-	-		-	-
Tanzania	21,692	21,692	10,980	10,712	-	-	-	-	-	-	-
Togo	4,286	4,286	878	2,203	1,205	-	-	-	-	-	-
Upper Volta	8,598	8,598	4,770	2,850	978	-	-	-	-	-	-
Zaire	51,929	31,929	10,000	18,000	3,929	-	20,000	-	2,500	17,500	-
Zambia	34,658	34,658	30,000	4,658	-	-	-	-	-	-	-
Africa Regional	53,403	53,403	52,539	-	864	-	-	-	-	-	-
											-
ASIA - Total	1,356,585	897,740	365,673	506,629	18,969	6,469	458,845	41,100	8,645	408,000	1,100
Bangladesh	129,016	128,816	64,839	63,977	-	-	200	-	200	-	-
Br. Solomon Is.	152	152	-	152	-	-	-	-	-	-	-
Burma	4,870	4,870	-	-	-	4,870	-	-	-	-	-
China (Taiwan)	25,500	-	-	-	-	-	25,500	-	500	25,000	-
Fiji Islands	1,717	1,717	-	88	1,629	-	-	-	-	-	-
Gilbert Islands											-
and Tuvalu	53	53	-	-	53	-	-	-	-	-	-
India	182,271	181,871	60,000	121,871	-	-	400	-	400	-	-
Indonesia	255,376	196,776	73,470	123,306	-	-	58,600	15,000	3,100	40,000	500
Korea	338,210	61,710	-	58,800	2,910	-	276,500	-	1,500	275,000	-
Malaysia	23,284	2,684	-	-	2,684	-	20,600	-	600	20,000	-
Micronesia	1,802	1,802	-	-	1,802	-	-	-	-	-	-
Nepal	15,613	15,553	12,106	2,030	1,417	-	60	-	60	-	-
Pakistan	111,867	111,342	51,805	59,487	-	50	525	-	525	-	-
Philippines	136,796	99,096	54,046	41,574	3,476	-	37,700	18,100	700	18,500	400
Singapore	63	63	-	63	-	-	-	-	-	-	-
Solomon Islands	389	389	-	-	389	-	-	-	-	-	-
Sri Lanka	58,341	58,281	23,000	35,281	-	-	60	-	60	-	-
Thailand	50,661	11,961	8,700	-	1,712	1,549	38,700	8,000	1,000	29,500	200
Tonga	862	862	-	-	862	-	-	-	-	-	-
Western Samoa	1,223	1,223	-	-	1,223	-	-	-	-	-	-
Asia Regional	18,519	18,519	17,707	-	812	-	-	-	-	-	-
LATIN AMERICA-Total	455,174	375,359	233,470	98,258	20,875	22,756	79,815	-	6,815	73,000	-
Barbados	39	39	-	39	-	-	-	-	-	-	-
Belize	597	597	-	-	597	-	-	-	-	-	-
Bolivia	58,659	43,909	24,683	15,835	-	3,391	14,750	-	750	14,000	-
Brazil	4,011	4,011	-	1,847	2,164	-	-	-	-	-	-
Caribbean Reg.	18,611	18,611	16,900	-	1,711	-	-	-	-	-	-
Cen. American Reg.	1,087	1,087	1,087	-	-	-	-	-	-	-	-
Chile	6,747	6,747	-	5,513	1,234	-	-	-	-	-	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
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	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
LATIN AMERICA - Cont'd.											
Colombia	39,499	7,319	-	4,162	1,918	1,239	32,180	-	1,180	31,000	-
Costa Rica	8,740	8,740	7,095	278	1,367	-	-	-	-	-	-
Dominican Republic	17,344	15,594	10,590	3,943	1,061	-	1,750	-	750	1,000	-
Ecuador	14,400	3,900	-	1,169	2,196	535	10,500	-	500	10,000	-
El Salvador	9,716	9,716	6,633	1,694	1,389	-	-	-	-	-	-
Guatemala	23,671	23,671	17,406	4,708	1,557	-	-	-	-	-	-
Guyana	8,977	8,977	6,810	2,167	-	-	-	-	-	-	-
Haiti	31,434	30,684	15,340	15,344	-	-	750	-	250	500	-
Honduras	28,243	25,118	19,085	4,400	1,633	-	3,125	-	625	2,500	-
Jamaica	22,641	22,641	11,454	10,059	1,128	-	-	-	-	-	-
Mexico	15,502	15,292	-	-	-	15,292	210	-	210	-	-
Nicaragua	20,104	17,204	15,985	154	1,065	-	2,900	-	400	2,500	-
Panama	24,125	22,625	20,818	1,807	-	-	1,500	-	500	1,000	-
Paraguay	13,808	12,708	11,414	149	1,145	-	1,100	-	600	500	-
Peru	60,393	49,443	22,876	24,990	-	1,577	10,950	-	950	10,000	-
Uruguay	25	25	25	-	-	-	-	-	-	-	-
Venezuela	100	-	-	-	-	-	100	-	100	-	-
Latin America Regional	26,701	26,701	25,269	-	710	722	-	-	-	-	-
NEAR EAST - TOTAL	3,330,397	2,074,022	1,787,174	280,792	5,556	500	1,256,375	55,000	5,875	1,195,000	500
Afghanistan	26,662	26,137	18,621	6,139	877	500	525	-	525	-	-
Algeria	3,260	3,260	-	3,260	-	-	-	-	-	-	-
Bahrein	551	551	100	-	451	-	-	-	-	-	-
Bhutan	110	110	-	110	-	-	-	-	-	-	-
Egypt	935,785	935,585	750,750	184,835	-	-	200	-	200	-	-
Gaza	1,055	1,055	-	1,055	-	-	-	-	-	-	-
Israel	1,792,200	792,200	785,000	7,200	-	-	1,000,000	-	-	1,000,000	-
Jordan	232,623	100,523	93,000	7,523	-	-	132,100	55,000	1,600	75,000	500
Jordan-West Bank	1,735	1,735	-	1,735	-	-	-	-	-	-	-
Lebanon	79,183	28,583	20,000	8,583	-	-	50,600	-	600	50,000	-
Maldive Islands	22	22	-	22	-	-	-	-	-	-	-
Morocco	76,580	30,280	4,090	24,281	1,909	-	46,300	-	1,300	45,000	-
OMAN	492	492	-	-	492	-	-	-	-	-	-
Syria	107,224	107,224	90,000	17,224	-	-	-	-	-	-	-
Tunisia	57,188	31,063	12,724	17,211	1,128	-	26,125	-	1,125	25,000	-
Yemen Arab Republic	8,378	7,853	5,540	1,614	699	-	525	-	525	-	-
Near East Regional	7,349	7,349	7,349	-	-	-	-	-	-	-	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
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(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
EUROPE - Total	890,083	372,628	331,500	41,125	3	-	517,455	73,000	7,455	435,000	2,000
Austria	60	-	-	-	-	-	60	-	60	-	-
Cyprus	15,573	15,573	15,000	573	-	-	-	-	-	-	-
Finland	60	-	-	-	-	-	60	-	60	-	-
Greece	176,500	-	-	-	-	-	176,500	33,000	2,000	140,000	1,500
Malta	9,503	9,503	9,500	-	3	-	-	-	-	-	-
Portugal	368,835	340,000	300,000	40,000	-	-	28,835	25,000	3,335	-	500
Spain	144,000	7,000	7,000	-	-	-	137,000	15,000	2,000	120,000	-
Turkey	175,552	552	-	552	-	-	175,000	-	-	175,000	-
UNALLOCATED	100,689	100,689	-	100,689	-	-	-	-	-	-	-
OTHER PROGRAMS	1,447,967	1,299,167	1,087,146 1/	182,000	17,836	12,1851	148,800	146,600	2,200	-	-
WORLDWIDE TOTAL	8,115,357	5,610,457	4,133,743	1,342,000	92,804	41,910	2,504,900	315,700	34,600	2,151,000	3,600

1/ Includes International Organizations and Programs - $231.7 million, American Schools and Hospitals Abroad - $23.8 million, International Fund for Agricultural Development - $200.0 million, Disaster Relief - $37.3 million, Romanian Relief and Rehabilitation - $13.0 million, Italy Relief and Rehabilitation - $25.0 million, Contingency Fund - $5.0 million, A.I.D. Operating Expenses - $227.1 million, Foreign Service Retirement and Disability Fund - $24.2 million, Sinai Support - $12.2 million, UN Forces in Cyprus - $9.1 million, Middle East Special Requirements - $23.2 million, and A.I.D. Interregional Programs - $235.5 million.

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE, AND CREDIT SALES
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(in thousands of dollars)

	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
AFRICA - TOTAL	542,868	500,618	339,000	128,060	33,558	-	42,250	-	3,850	38,400	-
Benin	1,769	1,769	1,000	606	163	-	-	-	-	-	-
Botswana	21,248	21,248	17,194	2,575	1,479	-	-	-	-	-	-
Burundi	3,757	3,757	1,765	1,992	-	-	-	-	-	-	-
Cameroon	14,274	11,274	8,870	1,012	1,392	-	3,000	-	-	3,000	-
Cape Verde	5,611	5,611	2,900	2,711	-	-	-	-	-	-	-
Central African Empire	1,977	1,977	-	473	1,504	-	-	-	-	-	-
Chad	8,657	8,482	6,445	763	1,274	-	175	-	175	-	-
Congo	920	920	-	920	-	-	-	-	-	-	-
Djibouti	1,000	1,000	1,000	-	-	-	-	-	-	-	-
Ethiopia	15,828	15,828	10,800	5,028	-	-	-	-	-	-	-
Gabon	723	723	-	41	682	-	-	-	-	-	-
Gambia	3,090	3,090	1,849	656	585	-	-	-	-	-	-
Ghana	25,975	25,725	13,301	9,833	2,591	-	250	-	250	-	-
Guinea	7,985	7,985	2,500	5,485	-	-	-	-	-	-	-
Guinea-Bissau	1,825	1,825	1,825	-	-	-	-	-	-	-	-
Ivory Coast	1,505	1,505	-	155	1,350	-	-	-	-	-	-
Kenya	39,266	28,866	22,917	2,064	3,885	-	10,400	-	400	10,000	-
Lesotho	13,483	13,483	8,601	3,606	1,276	-	-	-	-	-	-
Liberia	12,421	11,796	9,415	93	2,288	-	625	-	225	400	-
Madagascar	654	654	-	654	-	-	-	-	-	-	-
Malawi	1,383	1,383	805	542	36	-	-	-	-	-	-
Mali	15,595	15,495	13,895	645	955	-	100	-	100	-	-
Mauritania	8,093	8,093	6,896	717	480	-	-	-	-	-	-
Mauritius	920	920	-	920	-	-	-	-	-	-	-
Mozambique	942	942	500	442	-	-	-	-	-	-	-
Niger	17,301	17,301	11,573	4,174	1,554	-	-	-	-	-	-
Rwanda	3,716	3,716	2,455	1,067	194	-	-	-	-	-	-
Sahel Regional	35,060	35,060	35,060	-	-	-	-	-	-	-	-
SAO Tome & Principe	145	145	-	145	-	-	-	-	-	-	-
Senegal	21,634	21,509	9,691	10,404	1,414	-	125	-	125	-	-
Seychelles	287	287	-	123	164	-	-	-	-	-	-
Sierra Leone	8,275	8,275	1,510	4,838	1,927	-	-	-	-	-	-
Somalia	10,434	10,434	4,000	6,434	-	-	-	-	-	-	-
Southern Africa Reg.	17,305	17,305	17,305	-	-	-	-	-	-	-	-
Sudan	32,128	24,178	9,666	14,512	-	-	7,950	-	450	7,500	-
Swaziland	6,448	6,448	4,991	226	1,231	-	-	-	-	-	-
Tanzinia	25,914	25,914	17,110	8,804	-	-	-	-	-	-	-
Togo	5,684	5,684	1,125	3,101	1,458	-	-	-	-	-	-
Upper Volta	13,811	13,686	8,751	3,751	1,184	-	125	-	125	-	-
Zaire	57,596	38,096	10,563	24,000	3,533	-	19,500	-	2,000	17,500	-
Zambia	25,048	25,048	20,500	4,548	-	-	-	-	-	-	-
Africa Regional	53,181	53,181	52,222	-	959	-	-	-	-	-	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE AND CREDIT SALES
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	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
ASIA - TOTAL	1,369,552	956,842	449,000	478,962	19,956	8,924	412,710	18,100	8,110	386,500	-
Bangladesh	145,001	144,751	87,000	57,751	-	-	250	-	250	-	-
Burma	6,050	6,050	-	-	-	6,050	-	-	-	-	-
China (Taiwan)	10,000	-	-	-	-	-	10,000	-	-	10,000	-
Cook Islands	166	166	-	-	166	-	-	-	-	-	-
Fiji	1,931	1,931	-	-	1,931	-	-	-	-	-	-
Gilbert Islands & Tuvalu	96	96	-	-	96	-	-	-	-	-	-
India	220,737	220,237	90,000	130,237	-	-	500	-	500	-	-
Indonesia	228,070	185,570	73,000	112,570	-	-	42,500	-	2,500	40,000	-
Korea	336,336	59,336	-	56,000	3,336	-	277,000	-	2,000	275,000	-
Malaysia	16,628	3,028	-	-	3,028	-	13,600	-	600	13,000	-
Micronesia	1,768	1,768	-	-	1,768	-	-	-	-	-	-
Nepal	18,884	18,824	17,000	483	1,341	-	60	-	60	-	-
Pakistan	124,033	123,433	69,000	53,433	-	1,000	600	-	600	-	-
Philippines	142,753	105,453	55,000	46,921	3,532	-	37,300	18,100	700	18,500	-
Singapore	107	107	-	107	-	-	-	-	-	-	-
Solomon Islands	464	464	-	-	464	-	-	-	-	-	-
Sri Lanka	46,460	46,460	25,000	21,460	-	-	-	-	-	-	-
Thailand	46,911	16,011	13,000	-	1,337	1,674	30,900	-	900	30,000	-
Tonga	722	722	-	-	722	-	-	-	-	-	-
Western Samoa	1,329	1,329	-	-	1,329	-	-	-	-	-	-
Asia Regional	21,106	21,106	20,000	-	906	200	-	-	-	-	-
LATIN AMERICA - TOTAL	432,198	378,348	245,000	89,214	23,013	21,121	53,850	-	8,250	45,600	-
Barbados	104	104	-	104	-	-	-	-	-	-	-
Belize	652	652	-	-	652	-	-	-	-	-	-
Bolivia	56,061	49,611	28,900	17,201	-	3,510	6,450	-	450	6,000	-
Brazil	3,966	3,966	-	1,234	2,732	-	-	-	-	-	-
Caribbean Regional	24,170	24,170	22,398	-	1,772	-	-	-	-	-	-
Central America Reg.	865	865	865	-	-	-	-	-	-	-	-
Chile	6,062	6,062	-	4,857	1,205	-	-	-	-	-	-
Colombia	24,490	5,040	-	1,138	2,456	1,446	19,450	-	450	19,000	-
Costa Rica	14,230	14,230	12,550	275	1,405	-	-	-	-	-	-
Dominican Republic	19,941	18,916	12,600	4,955	1,361	-	1,025	-	525	500	-
Ecuador	14,523	4,123	-	1,341	2,246	536	10,400	-	400	10,000	-
El Salvador	9,862	9,862	6,417	2,064	1,381	-	-	-	-	-	-
Guatemala	18,309	18,309	11,210	5,536	1,563	-	-	-	-	-	-
Guyana	10,115	10,115	8,090	2,025	-	-	-	-	-	-	-
Haiti	33,461	32,936	16,886	16,050	-	-	525	-	225	300	-
Honduras	29,726	27,476	20,992	4,729	1,755	-	2,250	-	250	2,000	-
Jamaica	33,096	33,096	21,817	10,023	1,256	-	-	-	-	-	-
Mexico	13,700	13,500	-	-	-	13,500	200	-	200	-	-
Nicaragua	6,751	6,601	5,460	22	1,119	-	150	-	150	-	-
Panama	19,120	17,620	16,055	1,565	-	-	1,500	-	500	1,000	-

U.S. ECONOMIC ASSISTANCE, MILITARY ASSISTANCE AND CREDIT SALES
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	Total Economic & Military Assistance	Economic Assistance Programs					Military Assistance Programs				
		Total Economic Assistance	A.I.D.	P.L. 480	Peace Corps	Int'l. Narcotics Control	Total Military Assistance	Military Assistance Grants (MAP)	Foreign Military Training	Military Credit Sales	Excess Defense Articles
LATIN AMERICA (CONT'D)											
Paraguay	9,973	9,523	8,137	75	1,311	-	450	-	150	300	-
Peru	41,997	34,947	17,338	16,020	-	1,589	7,050	-	550	6,500	-
Latin America Reg.	36,624	36,624	35,285	-	799	540	-	-	-	-	-
Canal Zone Schools	4,400	-	-	-	-	-	4,400	-	4,400	-	-
NEAR EAST - TOTAL	3,355,556	2,123,071	1,829,000	288,104	5,467	500	1,232,485	45,000	6,985	1,180,000	500
Afghanistan	24,696	24,096	21,350	1,166	1,080	500	600	-	600	-	-
Algeria	2,278	2,278	-	2,278	-	-	-	-	-	-	-
Bahrain	236	236	-	-	236	-	-	-	-	-	-
Bhutan	183	183	-	183	-	-	-	-	-	-	-
Egypt	957,067	956,667	750,000	206,667	-	-	400	-	400	-	-
Gaza	1,217	1,217	-	1,217	-	-	-	-	-	-	-
Israel	1,790,400	790,400	785,000	5,400	-	-	1,000,000	-	-	1,000,000	-
Jordan	234,297	101,797	93,000	8,797	-	-	132,500	45,000	2,000	85,000	500
Jordan-West Bank	1,397	1,397	-	1,397	-	-	-	-	-	-	-
Jordan Valley Irrig.	50,000	50,000	50,000	-	-	-	-	-	-	-	-
Lebanon	26,305	655	-	655	-	-	25,650	-	650	25,000	-
Morocco	77,088	30,553	8,698	20,299	1,556	-	46,535	-	1,535	45,000	-
Oman	579	579	-	-	579	-	-	-	-	-	-
Syria	113,924	113,924	90,000	23,924	-	-	-	-	-	-	-
Tunisia	53,243	27,043	12,034	13,628	1,381	-	26,200	-	1,200	25,000	-
Yemen Arab Republic	15,176	14,576	11,448	2,493	635	-	600	-	600	-	-
Near East Regional	7,470	7,470	7,470	-	-	-	-	-	-	-	-
EUROPE - TOTAL	544,493	52,683	12,000	40,663	20	-	491,810	68,900	5,410	417,000	500
Austria	60	-	-	-	-	-	60	-	60	-	-
Cyprus	5,531	5,531	5,000	531	-	-	-	-	-	-	-
Finland	50	-	-	-	-	-	50	-	50	-	-
Greece	122,000	-	-	-	-	-	122,000	-	-	122,000	-
Malta	20	20	-	-	20	-	-	-	-	-	-
Portugal	71,700	40,000	-	40,000	-	-	31,700	27,900	3,300	-	500
Spain	170,000	7,000	7,000	-	-	-	163,000	41,000	2,000	120,000	-
Turkey	175,132	132	-	132	-	-	175,000	-	-	175,000	-
UNALLOCATED	131,608	131,608	-	131,608	-	-	-	-	-	-	-
OTHER PROGRAMS	1,221,217	1,172,517	942,770 1/	201,389	18,903	9,455	48,700	48,500	200	-	-
WORLDWIDE - TOTAL	7,597,492	5,315,687	3,816,770	1,358,000	100,917	40,000	2,281,805	180,500	32,805	2,067,500	1,000

1/ Includes International Organizations and Programs - $282.2 million, American Schools and Hospitals Abroad - $8.0 million, Disaster Relief - $25.0 million, Contingency Fund - $5.0 million, Operating Expenses - $263.0 million, Foreign Service Retirement and Disability Fund - $24.8 million, Sinai Support Mission - $11.7 million, UN Forces in Cyprus - $8.7 million, Middle East Special Requirements Fund - $5.0 million, Private Voluntary Agency Development Projects funded from Security Supporting Assistance - $3.0 million, and A.I.D. Interregional Programs - $306.4 million.

OTHER U.S. OVERSEAS PROGRAMS
FY 1976 Actual
(in thousands of dollars)

	Total Activity	Export Import Bank: Total Ex.-Im.	Export Import Bank: Loans	Export Import Bank: Guaranties	Export Import Bank: Medium-Term Insurance	Export Import Bank: Short-Term Insurance	OPIC: Loans	OPIC: Guaranties	OPIC: Insurance	Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
AFRICA - TOTAL	618,306	478,278	64,201	142,283	57,923	213,871	3,401	12,994	96,273	6,360	21,000
Angola	2,303	2,303	-	-	1,092	1,211	---	-	-	-	-
Benin	300	300	-	-	-	300	--	-	-	-	-
Botswana	2,632	32	-	-	-	32	-	-	-	-	2,600
Burundi	525	525	-	-	-	525	--	-	-	-	-
Cameroon	8,782	8,782	3,521	3,600	-	1,661	-	-	-	-	-
Cape Verde	5	5	-	-	-	5	-	-	-	-	-
Central Afr. Repub.	1	1	-	-	-	1	-	-	-	-	-
Chad	1	1	-	-	-	1	-	-	-	-	-
Djibouti	37	37	-	-	-	37	-	-	-	-	-
Ethiopia	-149	-149	-	-	-	-149	-	-	-	-	-
Gabon	11,714	9,689	6,615	1,458	87	1,529	-	-	2,025	-	-
Gambia	45	45	-	-	-	45	-	-	-	-	-
Ghana	454	454	-	-	-	454	-	-	-	-	-
Guinea	4	4	-	-	-	4	-	-	-	-	-
Ivory Coast	27,453	8,754	2,492	2,033	1,620	2,609	-	-	10,299	-	8,400
Kenya	9,971	2,565	-	-	129	2,436	-	-	7,406	-	-
Lesotho	1	1	-	-	-	1	-	-	-	-	-
Liberia	9,574	8,988	2,580	1,802	800	3,806	-	-	586	-	-
Malagasy Republic	2,267	2,267	-	-	-	2,267	-	-	-	-	-
Malawi	1,570	1,570	-	-	970	600	-	-	-	-	-
Mali	7	7	-	-	-	7	-	-	-	-	-
Mauritania	8,089	8,089	-	5,764	1,760	565	-	-	-	-	-
Mauritius	223	223	-	-	-	223	-	-	-	-	-
Mozambique	4,994	4,994	-	88	137	4,769	-	-	-	-	-
Niger	30	30	-	-	-	30	-	-	-	-	-
Nigeria	56,167	49,459	40	268	3,804	45,347	706	494	5,508	-	-
Reunion Island	88	88	-	-	-	88	-	-	-	-	-
Rwanda	1,456	-	-	-	-	-	20	-	1,436	-	-
Senegal	2,362	2,362	219	1,134	-	1,009	-	-	-	-	-
Seychelles	1	1	-	-	-	1	-	-	-	-	-
Sierra Leone	70,805	3,145	1,000	-	1,775	370	-	-	67,660	-	-
South Africa	205,354	205,301	-	63,658	26,066	115,577	-	-	-	53	-
Sudan	31,550	16,375	-	9,537	7,785	-947	2,675	12,500	-	-	-
Swaziland	162	27	-	-	-	27	-	-	135	-	-
Tanzania	-412	-412	-	327	446	-1,185	-	-	-	-	-
Togo	810	810	-	-	-	810	-	-	-	-	-
Uganda	9	9	-	-	-	9	-	-	-	-	-
Upper Volta	1,799	1,799	1,000	488	-	311	-	-	-	-	-
Zaire	107,721	101,414	45,346	45,346	15	10,707	-	-	-	6,307	-
Zambia	49,601	38,383	1,388	6,780	11,437	18,778	-	-	1,218	-	10,000

OTHER U.S. OVERSEAS PROGRAMS
FY 1976 Actual
(in thousands of dollars)

	Total Activity	Total Ex. Im.	Export Import Bank				OPIC			Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
			Loans	Guaranties	Medium-Term Insurance	Short-Term Insurance	Loans	Guaranties	Insurance		
ASIA & THE PACIFIC	2,706,927	1,792,915	713,986	517,598	59,751	501,580	1,750	-	583,520	303,742	25,000
Australia	180,417	180,417	22,030	2,757	8,693	146,937	-	-	-	-	-
Brunei	20	20	-	-	-	20	-	-	-	-	-
Burma	370	370	-	-	-	370	-	-	-	-	-
China, Republic of	242,001	145,099	78,333	24,767	641	41,358	-	-	-	-	-
Fiji Islands	123	123	-	-	-	123	-	-	80,837	16,065	-
Hong Kong	30,315	30,315	1,068	590	2,828	25,829	-	-	-	-	-
India	16,554	3,315	1,260	2,391	-	-336	-	-	-	-	-
Indonesia	260,794	94,640	71,909	646	1,130	20,955	500	-	13,239	-	-
Japan	212,146	212,146	86,447	4,229	11,342	110,128	-	-	123,635	42,019	-
Khmer Republic	-80	-80	-	-	-	-80	-	-	-	-	-
Korea	693,983	215,214	87,412	95,038	14,452	18,312	-	-	-	-	-
Laos	10	10	-	-	-	10	-	-	264,125	189,644	25,000
Macao	1	1	-	-	-	1	-	-	-	-	-
Malaysia	43,149	22,550	-	1,282	10,826	10,442	-	-	-	-	-
Nepal	*	*	-	-	-	*	-	-	20,599	-	-
New Caledonia	93	93	-	-	-	93	-	-	-	-	-
New Hebrides	*	*	-	-	-	*	-	-	-	-	-
New Zealand	83,150	83,150	17,651	541	5,172	59,786	-	-	-	-	-
Pacific Islands-British	645	645	-	-	-	645	-	-	-	-	-
Pacific Islands-French	*	*	-	-	-	*	-	-	-	-	-
Pakistan	43,975	19,889	13,440	4,046	360	2,043	1,250	-	-	-	-
Philippines	786,123	703,581	295,883	378,289	648	28,761	-	-	49,364	22,836	-
Singapore	21,182	15,482	-	-	1,573	13,909	-	-	5,700	33,178	-
Sri Lanka	2,077	2,077	-	2,059	-	18	-	-	-	-	-
Tahiti	-272	-272	-	-	-	-772	-	-	-	-	-
Thailand	88,086	62,065	38,553	963	2,086	20,463	-	-	26,021	-	-
Timor	13	13	-	-	-	13	-	-	-	-	-
Trust Terr. Pac. Islands (U.S.)	1,178	1,178	-	-	-	1,178	-	-	-	-	-
Papua New Guinea	312	312	-	-	-	312	-	-	-	-	-
Vietnam, Republic of	538	538	-	-	-	538	-	-	-	-	-
Western Samoa	24	24	-	-	-	24	-	-	-	-	-

*Less than $500.

OTHER U.S. OVERSEAS PROGRAMS
FY 1976 Actual
(in thousands of dollars)

	Total Activity	Export Import Bank: Total Ex.-Im.	Export Import Bank: Loans	Export Import Bank: Guaranties	Export Import Bank: Medium-Term Insurance	Export Import Bank: Short-Term Insurance	OPIC: Loans	OPIC: Guaranties	OPIC: Insurance	Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
EUROPE & NORTH AMERICA - TOTAL	2,796,508	2,714,528	767,594	280,578	72,960	1,593,396	-	-	31,825	50,155	-
Austria	15,754	15,754	80	-	125	15,549	-	-	-	-	-
Azores	7,500	7,500	-	-	-	7,500	-	-	-	-	-
Belgium	90,553	90,553	2,250	-	2,695	85,608	-	-	-	-	-
Bermuda	6,589	6,589	-	-	-	6,589	-	-	-	-	-
Canada	261,944	261,944	3,668	4,979	1,482	251,815	-	-	-	-	-
Canary Islands	1,550	1,550	-	-	-	1,550	-	-	-	-	-
Cyprus	11,239	8,619	-	-	-	8,619	-	-	2,620	-	-
Denmark	39,685	39,685	12,937	-	685	26,063	-	-	-	-	-
Faroe Islands	9	9	-	-	-	9	-	-	-	-	-
Finland	53,335	53,335	6,840	611	745	45,139	-	-	-	-	-
France	206,064	206,064	15,644	14,525	2,377	173,518	-	-	-	-	-
Germany	226,087	226,087	27,570	97	430	197,990	-	-	-	-	-
Gibraltar	4	4	-	-	-	4	-	-	-	-	-
Greece	108,441	88,428	19,679	12,818	7,453	48,478	-	-	2,655	17,358	-
Greenland	*	*	-	-	-	*	-	-	-	-	-
Iceland	2,304	2,304	-	-	248	2,056	-	-	-	-	-
Ireland	8,031	8,031	2,500	-	15	5,516	-	-	-	-	-
Italy	210,556	210,556	23,829	1,167	15,042	170,518	-	-	-	-	-
Liechtenstein	1,360	1,360	-	-	-	1,360	-	-	-	-	-
Luxembourg	5,719	5,719	-	6,635	-	-916	-	-	-	-	-
Madeira Islands	*	*	-	-	-	*	-	-	-	-	-
Malta	3,154	3,154	-	-	-	3,154	-	-	-	-	-
Monaco	17	17	-	-	-	17	-	-	-	-	-
Netherlands	137,599	137,599	9,000	-	2,142	126,457	-	-	-	-	-
Norway	76,565	76,565	48,845	5,231	3,967	18,522	-	-	-	-	-
Poland	135,087	115,946	109,587	4,050	-	2,309	-	-	-	19,141	-
Portugal	20,392	15,989	-	952	4	15,033	-	-	-	4,403	-
Romania	32,279	23,247	14,873	8,373	-	1	-	-	-	9,032	-
Spain	686,463	686,242	371,960	177,916	13,770	122,596	-	-	-	221	-
St. Pierre & Miquewn	23	23	-	-	-	23	-	-	-	-	-
Sweden	48,817	48,817	4,996	727	581	42,513	-	-	-	-	-
Switzerland	46,175	46,175	-	-	2,549	43,626	-	-	-	-	-
Turkey	109,802	106,052	70,245	15,804	5,266	14,737	-	-	3,750	-	-
United Kingdom	159,368	159,368	1,200	514	4,795	152,859	-	-	-	-	-
Yugoslavia	84,043	61,243	21,891	26,179	8,589	4,584	-	-	22,800	-	-

*Less than $500.

OTHER U.S. OVERSEAS PROGRAMS
FY 1976 Actual
(in thousands of dollars)

	Total Activity	Export Import Bank: Total Ex.-Im.	Export Import Bank: Loans	Export Import Bank: Guaranties	Export Import Bank: Medium-Term Insurance	Export Import Bank: Short-Term Insurance	OPIC: Loans	OPIC: Guaranties	OPIC: Insurance	Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
LATIN AMERICA & THE CARIBBEAN - TOTAL	3,042,983	2,534,482	469,393	532,708	365,085	1,167,296	5,600	4,000	411,050	58,851	29,000
Antigua	131	131	-	-	-	131	-	-	-	-	-
Argentina	68,582	68,582	5,200	3,392	6,693	53,297	-	-	-	-	-
Bahamas	2,508	2,508	-	35	-536	3,009	-	-	-	-	-
Barbados	-1,138	-1,138	-	18	-	-1,156	-	-	-	-	-
Belize	3,601	1,981	-	49	-	1,932	-	-	1,620	-	-
Bolivia	26,720	25,720	4,902	6,779	10,171	3,868	1,000	-	-	-	-
Brazil	648,813	406,080	132,501	78,899	28,825	165,855	400	-	242,333	-	-
Cayman Islands	3,046	3,046	2,044	939	63	-	-	-	-	-	-
Chile	65,229	30,754	5,561	6,654	9,146	9,393	-	-	-	9,475	25,000
Colombia	116,050	116,050	6,230	19,345	13,992	76,483	-	-	-	-	-
Costa Rica	67,945	57,790	1,140	3,540	14,064	39,046	1,000	4,000	5,155	-	-
Dominican Rep.	115,027	72,044	23,750	17,085	5,249	25,960	-	-	23,481	19,502	-
Ecuador	98,825	98,325	1,240	18,297	27,274	51,514	500	-	-	-	-
El Salvador	46,565	41,965	6,615	6,017	2,696	26,637	-	-	4,600	-	-
Guatemala	40,691	39,691	304	5,218	8,276	25,893	1,000	-	-	-	-
Guiana-French	8	8	-	-	-	8	-	-	-	-	-
Guyana	8,392	8,392	-	3,818	81	4,493	-	-	-	-	-
Haiti	4,079	1,208	-	-	-	1,208	300	-	2,571	-	-
Honduras	43,013	38,796	4,475	12,291	4,096	17,934	-	-	4,217	-	-
Jamaica	22,889	22,889	216	2,371	841	19,461	-	-	-	-	-
Mexico	746,264	746,264	175,425	155,058	127,985	287,798	-	-	-	-	-
Nicaragua	48,563	40,357	12,377	5,488	5,901	16,591	-	-	8,206	-	-
Panama	80,130	78,730	4,035	28,898	12,471	33,326	1,400	-	-	-	-
Paraguay	7,780	3,780	-	1,779	1,198	803	-	-	-	-	4,000
Peru	180,912	151,038	34,176	45,432	28,581	42,849	-	-	-	29,874	-
Surinam	11,605	11,605	-	518	-	11,087	-	-	-	-	-
Trinidad & Tobago	170,009	51,142	29,925	10,317	1,430	9,470	-	-	118,867	-	-
Uruguay	9,076	9,076	-	1,645	1,795	5,636	-	-	-	-	-
Venezuela	393,612	393,612	19,277	97,852	54,929	221,554	-	-	-	-	-
Virgin Islands-British	1,032	1,032	-	873	-	159	-	-	-	-	-
West Indies-British	2,553	2,553	-	-	18	2,535	-	-	-	-	-
West Indies-French	7,543	7,543	-	11	220	7,312	-	-	-	-	-
West Indies-Netherlands	2,928	2,928	-	90	-374	3,212	-	-	-	-	-

OTHER U.S. OVERSEAS PROGRAMS
FY 1976 Actual
(in thousands of dollars)

	Total Activities	Export Import Bank: Total Ex.-Im.	Loans	Guaranties	Medium-Term Insurance	Short-Term Insurance	OPIC: Loans	Guaranties	Insurance	Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
NEAR EAST & NORTH AFRICA - TOTAL	989,767	893,306	270,024	148,531	151,644	323,107	-	-	40,539	30,922	25,000
Afghanistan	136	136	-	-	-	136	-	-	-	-	-
Algeria	166,388	166,388	87,554	43,840	23,220	11,774	-	-	-	-	-
Bahrein	3,157	3,157	-	-	50	3,107	-	-	-	-	-
Egypt	7,912	102	-	-	-	102	-	-	-	7,810	-
Iran	189,959	177,647	39,999	3,144	67,688	66,816	-	-	12,312	-	-
Iraq	3,314	3,314	-	-	-	3,314	-	-	-	-	-
Israel	285,879	245,012	109,046	93,191	1,019	41,756	-	-	15,867	-	25,000
Jordan	3,225	1,412	-	41	220	1,151	-	-	1,813	-	-
Kuwait	121,740	121,740	-	1,308	42,556	77,876	-	-	-	-	-
Lebanon	10,660	10,660	-	112	391	10,157	-	-	-	-	-
Libya	7,739	7,739	-	180	984	6,575	-	-	-	-	-
Morocco	54,750	25,068	22,208	-	528	2,332	-	-	6,570	23,112	-
Oman	3,262	3,262	-	-	1,031	2,231	-	-	-	-	-
Qatar	6,450	6,450	-	162	4,047	2,241	-	-	-	-	-
Saudi Arabia	73,123	69,146	-	4,564	9,653	54,929	-	-	3,977	-	-
Tunisia	10,970	10,970	8,374	1,989	-	607	-	-	-	-	-
United Abab Emirates	41,082	41,082	2,843	-	257	37,982	-	-	-	-	-
Yemen Arab Rep.	21	21	-	-	-	21	-	-	-	-	-
Unallocated	39,470	39,470	-	39,470	-	-	-	-	-	-	-
WORLDWIDE - TOTAL	10,193,961	8,452,980 1/	2,285,193	1,661,166	707,368	3,799,251 2/	10,751	16,994	1,163,206 3/	450,030	100,000

1/ Discount loans of $1,204 million were also extended in FY 1976.
2/ $1,036 million of short-term insurance was authorized but unshipped in FY 1976. Amounts are included above.
3/ Includes all forms of insurance.

NOTE - Details may not add to totals due to rounding.

OTHER U.S. OVERSEAS PROGRAMS
Transition Quarter Actual
(in thousands of dollars)

	Total Activity	Export Import Bank					OPIC			Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
		Total Ex.-Im.	Loans	Guaranties	Medium-Term Insurance	Short-Term Insurance	Loans	Guaranties	Insurance		
AFRICA - TOTAL	82,114	78,427	-	16,795	12,286	49,346	-	-	500	3,187	-
Angola	59	59	-	-	58	1	-	-	-	-	-
Benin	80	80	-	-	-	80	-	-	-	-	-
Botswana	648	648	-	648	-	-	-	-	-	-	-
Burundi	108	108	-	-	-	108	-	-	-	-	-
Cameroon	749	749	-	-	-	749	-	-	-	-	-
Cape Verde	6	6	-	-	-	6	-	-	-	-	-
Central Afr. Emp.	2	2	-	-	-	2	-	-	-	-	-
Ethiopia	1	1	-	-	-	1	-	-	-	-	-
Gabon	928	928	-	382	432	114	-	-	-	-	-
Ghana	100	100	-	-	-	100	-	-	-	-	-
Guinea	2	2	-	-	-	2	-	-	-	-	-
Ivory Coast	1,958	1,958	-	375	-	1,583	-	-	-	-	-
Kenya	1,186	1,186	-	-	3	1,183	-	-	-	-	-
Liberia	1,152	1,152	-	-	-	1,152	-	-	-	-	-
Malagasy Republic	248	248	-	-	-	248	-	-	-	-	-
Malawi	227	227	-	-	-	227	-	-	-	-	-
Mali	10	10	-	-	-	10	-	-	-	-	-
Mauritania	1,238	1,238	-	574	-	664	-	-	-	-	-
Mauritius	135	135	-	-	-	135	-	-	-	-	-
Mozambique	30	30	-	19	-	11	-	-	-	-	-
Niger	17	17	-	-	-	17	-	-	-	-	-
Nigeria	8,182	8,182	-	25	5,104	3,053	-	-	-	-	-
Reunion Island	1	1	-	-	-	1	-	-	-	-	-
Senegal	58	58	-	-	-	58	-	-	-	-	-
Seychlles	76	76	-	-	-	76	-	-	-	-	-
Sierra Leone	291	291	-	-	-	291	-	-	-	-	-
South Africa	41,170	41,170	-	12,603	5,385	23,182	-	-	-	-	-
Sudan	4,432	3,932	-	2,169	1,304	459	-	-	500	-	-
Swaziland	2	2	-	-	-	2	-	-	-	-	-
Tanzania	1,740	1,740	-	-		1,740	-	-	-	-	-
Upper Volta	287	287	-	-	-	287	-	-	-	-	-
Togo	306	306	-	-	-	306	-	-	-	-	-
Zaire	9,739	6,552	-	-	-	6,552	-	-	-	3,187	-
Zambia	6,946	6,946	-	-	-	6,946	-	-	-	-	-

OTHER U.S. OVERSEAS PROGRAMS
Transition Quarter Actual
(in thousands of dollars)

	Total Activity	Export-Import Bank					OPIC			Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
		Total Ex.-Im.	Loans	Guaranties	Medium-Term Insurance	Short-Term Insurance	Loans	Guaranties	Insurance		
ASIA & THE PACIFIC	366,714	224,107	71,381	32,092	10,714	109,880	297	-	58,538	83,772	-
Australia	36,509	36,509	4,057	1,052	1,969	29,431	-	-	-	-	-
Brunei	112	112	-	-	-	112	-	-	-	-	-
Burma	2	2	-	-	-	2	-	-	-	-	-
China, Republic of	,678	31,390	16,054	8,000	-	7,336	-	-	19,742	546	-
Fiji Islands	54	54	-	-	-	54	-	-	-	-	-
Hong Kong	15,106	15,106	5,715	3,128	66	6,197	-	-	-	-	-
India	5,460	5,258	-	-	-	5,258	-	-	202	-	-
Indonesia	16,363	3,666	-	-	128	3,538	-	-	-	12,697	-
Japan	29,286	29,286	10	-	7	29,269	-	-	-	-	-
Korea	74,616	15,485	1,054	1,054	6,409	6,968	-	-	-	59,131	-
Macao	*	*	-	-	-	*	-	-	-	-	-
Malaysia	41,439	2,845	-	61	259	2,525	-	-	38,594	-	-
New Caledonia	277	277	-	-	-	277	-	-	-	-	-
New Hebrides	*	*	-	-	-	*	-	-	-	-	-
New Zealand	7,356	7,356	-	83	683	6,590	-	-	-	-	-
Pakistan	2,014	242	-	-	-	242	-	-	-	1,772	-
Philippines	19,278	9,652	623	1,825	-	7,204	-	-	-	9,626	-
Singapore	62,829	62,829	43,450	16,400	693	2,286	-	-	-	-	-
Sri Lanka	12	12	-	-	-	12	-	-	-	-	-
Tahiti	388	388	-	-	-	388	-	-	-	-	-
Thailand	3,670	3,373	418	489	540	1,926	297	-	-	-	-
Timor	*	*	-	-	-	*	-	-	-	-	-
Trust Terr. Pacific Is. (U.S.)	260	260	-	-	-	260	-	-	-	-	-
Papua New Guinea	2	2	-	-	-	2	-	-	-	-	-
Western Samoa	3	3	-	-	-	3	-	-	-	-	-

*Less than $500.

OTHER U.S. OVERSEAS PROGRAMS
Transition Quarter Actual
(in thousands of dollars)

	Total Activity	Total Ex.-Im.	Export Import Bank: Loans	Export Import Bank: Guaranties	Export Import Bank: Medium-Term Insurance	Export Import Bank: Short-Term Insurance	OPIC: Loans	OPIC: Guaranties	OPIC: Insurance	Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
EUROPE AND NORTH AMERICA - TOTAL	765,606	585,417	128,003	105,056	15,524	336,834	-	-	-	160,189	20,000
Austria	2,865	2,865	-	-	-	2,865	-	-	-	-	-
Belgium	8,417	8,417	-	-	25	8,392	-	-	-	-	-
Bermuda	2,583	2,583	-	-	-	2,583	-	-	-	-	-
Canada	71,964	71,964	2,720	83	449	68,712	-	-	-	-	-
Canary Islands	36	36	-	-	-	36	-	-	-	-	-
Denmark	3,853	3,853	-	57	120	3,676	-	-	-	-	-
Finland	4,104	4,104	-	-	304	3,800	-	-	-	-	-
France	31,817	31,817	1,031	173	723	29,890	-	-	-	-	-
Germany	31,015	31,015	-	-	108	30,907	-	-	-	-	-
Gibraltar	*	*	-	-	-	*	-	-	-	-	-
Greece	37,360	14,913	-	1,336	1,652	11,925	-	-	-	22,447	-
Greenland	7	7	-	-	-	7	-	-	-	-	-
Iceland	1,230	1,230	-	680	133	417	-	-	-	-	-
Ireland	1,359	1,359	-	-	3	1,356	-	-	-	-	-
Italy	32,777	32,777	-	74	1,951	30,752	-	-	-	-	-
Liechtenstein	87	87	-	-	-	87	-	-	-	-	-
Luxembourg	375	375	-	-	-	375	-	-	-	-	-
Malta	911	911	-	-	-	911	-	-	-	-	-
Netherlands	34,261	34,261	-	-	300	33,961	-	-	-	-	-
Norway	11,822	11,822	-	1,941	2,023	7,858	-	-	-	-	-
Poland	62,053	979	26	-	-	953	-	-	-	61,074	-
Portugal	72,266	2,368	-	775	-	1,593	-	-	-	49,898	20,000
Romania	39,781	13,011	9,937	2,242	832	*	-	-	-	26,770	-
Spain	165,777	165,777	81,689	52,020	4,436	27,632	-	-	-	-	-
St. Pierre and Miquelon	16	16	-	-	-	16	-	-	-	-	-
Sweden	35,629	35,629	5,442	14,481	383	15,323	-	-	-	-	-
Switzerland	8,871	8,871	-	-	350	8,521	-	-	-	-	-
Turkey	8,077	8,077	2,825	2,235	1,020	1,997	-	-	-	-	-
United Kingdom	92,661	92,661	23,880	28,013	502	40,266	-	-	-	-	-
Yugoslavia	3,632	3,632	453	946	210	2,023	-	-	-	-	-

*Less than $500.

OTHER U.S. OVERSEAS PROGRAMS
Transition Quarter Actual
(in thousands of dollars)

	Total Activity	Export-Import Bank					OPIC			Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
		Total Ex.-Im.	Loans	Guaranties	Medium-Term Insurance	Short-Term Insurance	Loans	Guaranties	Insurance		
LATIN AMERICA AND THE CARIBBEAN - TOTAL	476,376	444,050	55,416	80,785	89,520	218,329	-	-	2,838	24,488	5,000
Antigua	514	514	-	-	-	514	-	-	-	-	-
Argentina	7,932	7,932	-	-	303	7,630	-	-	-	-	-
Bahamas	1,872	1,872	-	-	-	1,872	-	-	-	-	-
Barbados	467	467	-	-	-	467	-	-	-	-	-
Belize	346	346	-	-	-	346	-	-	-	-	-
Bolivia	6,724	6,724	55	563	4,610	1,496	-	-	-	-	-
Brazil	51,415	51,415	14,076	4,580	8,655	24,104	-	-	-	-	-
Cayman Islands	63	63	-	-	63	-	-	-	-	-	-
Chile	7,823	7,823	-	3,637	2,211	1,975	-	-	-	-	-
Colombia	15,214	15,214	-	4,268	4,560	6,386	-	-	-	-	-
Costa Rica	16,627	16,627	77	4,787	4,857	6,906	-	-	-	-	-
Dominican Rep.	7,582	4,744	283	74	825	3,562	-	-	2,838	-	-
Ecuador	24,939	24,939	2,000	986	6,697	15,256	-	-	-	-	-
El Salvador	7,079	7,079	198	2,852	245	3,784	-	-	-	-	-
Guatemala	9,293	9,293	-	745	2,962	5,585	-	-	-	-	-
Guiana-French	7	7	-	-	-	7	-	-	-	-	-
Guyana	981	981	-	-	28	953	-	-	-	-	-
Haiti	758	758	-	-	-	758	-	-	-	-	-
Honduras	2,711	2,711	101	1,207	1,362	41	-	-	-	-	-
Jamaica	6,946	6,946	-	2,837	5	4,104	-	-	-	-	-
Mexico	79,205	79,205	1,659	7,095	20,550	49,901	-	-	-	-	-
Nicaragua	7,817	7,817	-	3,033	1,564	3,220	-	-	-	-	-
Panama	14,297	14,297	-	3,585	1,132	9,580	-	-	-	-	-
Paraguay	2,147	2,147	-	319	1,603	225	-	-	-	-	-
Peru	91,756	62,268	4,380	36,181	10,980	10,727	-	-	-	24,488	5,000
Surinam	1,897	1,897	-	241	-	1,656	-	-	-	-	-
Trinidad and Tobago	4,043	4,043	-	-	659	3,384	-	-	-	-	-
Uruguay	1,273	1,273	-	24	45	1,204	-	-	-	-	-
Venezuela	97,980	97,980	32,587	3,771	15,315	46,307	-	-	-	-	-
Virgin Islands - British	113	113	-	-	-	113	-	-	-	-	-
West Indies - British	1,047	1,047	-	-	-	1,047	-	-	-	-	-
West Indies - French	27	27	-	-	27	-	-	-	-	-	-
West Indies - Netherlands	5,481	5,481	-	-	262	5,219	-	-	-	-	-

OTHER U.S. OVERSEAS PROGRAMS
Transition Quarter Actual
(in thousands of dollars)

	Total Activity	Export Import Bank					OPIC			Commodity Credit Corp. Exp. Sales	Housing Investment Guaranties
		Total Ex.-Im.	Loans	Guaranties	Medium-Term Insurance	Short-Term Insurance	Loans	Guaranties	Insurance		
NEAR EAST AND NORTH AFRICA - TOTAL	126,295	119,931	27,399	23,917	11,600	57,015	-	-	-	6,364	-
Afghanistan	19	19	-	-	-	19	-	-	-	-	-
Algeria	12,896	12,896	-	11,225	670	1,001	-	-	-	-	-
Bahrein	787	787	-	-	154	633	-	-	-	-	-
Egypt	68	68	-	-	-	68	-	-	-	-	-
Iran	15,989	15,989	-	1,026	3,930	11,033	-	-	-	-	-
Iraq	2,265	2,265	-	-	-	2,265	-	-	-	-	-
Israel	33,844	33,844	13,062	10,767	426	9,589	-	-	-	-	-
Jordan	1,446	1,446	-	-	137	1,309	-	-	-	-	-
Kuwait	8,353	8,353	-	615	1,933	5,805	-	-	-	-	-
Libya	2,812	2,812	-	-	[illegible]	2,798	-	-	-	-	-
Morocco	7,078	714	-	-	101	613	-	-	-	6,364	-
Oman	427	427	-	-	-	427	-	-	-	-	-
Qatar	1,313	1,313	-	-	961	352	-	-	-	-	-
Saudi Arabia	20,367	20,367	-	284	3,274	16,809	-	-	-	-	-
Syria	16	16	-	-	-	16	-	-	-	-	-
Tunisia	14,337	14,337	14,337	-	-	-	-	-	-	-	-
United Arab Emirates	4,273	4,273	-	-	-	4,273	-	-	-	-	-
Yemen Arab Republic	5	5	-	-	-	5	-	-	-	-	-
Unallocated	13,663	13,663	-	13,663	-	-	-	-	-	-	-
WORLDWIDE TOTAL	1,830,768	1,465,594 1/	282,200	272,310	139,687	771,397 2/	297	-	61,877 3/	278,000	25,000

1/ Discount loans of $166 million were also extended in the Transition Quarter
2/ $181 million of short-term insurance was authorized but unshipped in FY 1976. Amounts are included above.
3/ Includes all forms of insurance.

NOTE - Details may not add to totals due to rounding.

OTHER U.S. OVERSEAS PROGRAMS
FY 1977 Actual
(in thousands of dollars)

	Total Activity	Export - Import Bank: Total Ex.-Im.	Export - Import Bank: Loans	Export - Import Bank: Guaranties	Export - Import Bank: Medium-Term Insurance	Export - Import Bank: Short-Term Insurance	OPIC: Loans	OPIC: Guaranties	OPIC: Insurance	Commodity Credit Corp. Ex. Sales	Housing Guaranties
AFRICA - TOTAL	540,963	398,848	66,216	109,838	23,287	199,507	250	-	125,938	3,327	12,600
Angola	2,079	2,079	-	-	895	1,184	-	-	-	-	-
Benin	8,376	376	-	-	-	376	-	-	8,000	-	-
Burundi	23	23	-	-	-	23	-	-	-	-	-
Cameroon	971	971	-	-	167	804	-	-	-	-	-
Cent. African Empire	340	340	307	33	-	*	-	-	-	-	-
Djibouti	175	175	-	-	-	175	-	-	-	-	-
Ethiopia	32	32	-	-	-	32	-	-	-	-	-
Gabon	33,667	33,667	-	28,309	2,697	2,661	-	-	-	-	-
Gambia	10	10	-	-	-	10	-	-	-	-	-
Ghana	114,903	9,903	7,155	2,385	-	363	-	-	105,000	-	-
Guinea	6	6	-	-	-	6	-	-	-	-	-
Ivory Coast	34,704	22,104	6,650	4,786	457	10,211	-	-	-	-	12,600
Kenya	19,933	14,015	10,700	800	-	2,515	-	-	5,918	-	-
Lesotho	*	*	-	-	-	*	-	-	-	-	-
Liberia	32,181	31,911	5,568	2,829	960	22,554	-	-	270	-	-
Malagasy Republic	24,766	24,766	-	22,800	-	1,966	-	-	-	-	-
Malawi	1,605	1,605	-	-	-	1,605	-	-	-	-	-
Mali	110	110	-	-	-	110	-	-	-	-	-
Mauritania	1,333	1,333	-	77	-	1,256	-	-	-	-	-
Mauritius	296	296	-	-	-	296	-	-	-	-	-
Mozambique	4,235	4,235	-	4	70	4,161	-	-	-	-	-
Niger	3,265	3,265	-	3,200	-	65	-	-	-	-	-
Nigeria	30,007	27,037	-	118	2,447	24,472	-	-	2,970	-	-
Reunion Island	178	178	-	-	-	178	-	-	-	-	-
Senegal	10,778	10,778	4,420	4,599	1,618	141	-	-	-	-	-
Seychelles	21	21	-	-	-	21	-	-	-	-	-
Sierra Leone	5,330	5,330	5,139	-	-	191	-	-	-	-	-
South Africa	116,403	116,403	-	17,283	13,976	85,144	-	-	-	-	-
Sudan	12,089	8,762	-	8,254	-	508	-	-	-	3,327	-
Swaziland	848	848	-	-	-	848	-	-	-	-	-
Tanzania	14,953	14,703	-	2,800	-	11,903	250	-	-	-	-
Togo	11,740	11,740	-	10,173	-	1,567	-	-	-	-	-
Upper Volta	849	849	-	-	-	849	-	-	-	-	-
Zaire	33,345	33,345	26,277	-	-	7,068	-	-	-	-	-
Zambia	21,412	17,632	-	1,388	*	16,244	-	-	3,780	-	-

*Less than $500.

OTHER U.S. OVERS... PROGRAMS
FY 1977 Actual
(in thousands of dollars)

	Total Activity	Export - Import Bank: Total Ex.-Im.	Loans	Guarantees	Medium-Term Insurance	Short-Term Insurance	OPIC: Loans	Guarantees	Insurance	Commodity Credit Corp. Exp. Sales	Housing Guarantees
ASIA AND THE PACIFIC - TOTAL	1,140,478	812,832	275,877	102,811	36,233	397,911	-	-	128,066	184,580	15,000
Australia	93,984	93,984	623	3,621	4,173	85,567	-	-	-	-	-
Brunei	5	5	-	-	-	5	-	-	-	-	-
Burma	2,733	2,733	-	-	2,633	100	-	-	-	-	-
China, Republic of	246,885	191,819	120,991	19,275	976	50,577	-	-	55,058	8	-
Fiji Islands	150	150	-	-	-	150	-	-	-	-	-
Hong Kong	23,443	23,443	-	900	811	21,732	-	-	-	-	-
India	13,162	9,718	-	-	1,104	8,614	-	-	3,444	-	-
Indonesia	121,131	98,777	12,855	25,560	16,337	44,025	-	-	18,539	3,815	-
Japan	122,308	122,308	46,615	1,088	56	74,549	-	-	-	-	-
Korea	277,451	147,253	76,888	41,421	2,057	26,887	-	-	36,571	78,627	15,000
Malaysia	23,863	22,675	-	252	2,133	20,290	-	-	1,188	-	-
Nepal	*	*	-	-	-	*	-	-	-	-	-
New Hebrides	*	*	-	-	-	*	-	-	-	-	-
New Zealand	11,700	11,700	9,600	519	1,581	-	-	-	-	-	-
Pacific Islands-British	531	531	-	-	-	531	-	-	-	-	-
Pacific Islands-French	1	1	-	-	-	1	-	-	-	-	-
Pakistan	54,373	4,149	-	-	-	4,149	-	-	6,599	43,625	-
Papua New Guinea	123	123	-	-	89	34	-	-	-	-	-
Philippines	74,498	19,481	33	6,725	1,046	11,677	-	-	5,411	49,606	-
Ryuku Islands	880	880	-	-	-	880	-	-	-	-	-
Singapore	34,968	34,968	6,050	-	1,519	27,399	-	-	-	-	-
Sri Lanka	113	113	-	-	-	113	-	-	-	-	-
Tahiti	706	706	-	-	-	706	-	-	-	-	-
Thailand	32,684	22,529	2,222	3,450	1,718	15,139	-	-	1,256	8,899	-
Timor	3	3	-	-	-	3	-	-	-	-	-
Trust Terr. Pacific Island (U.S.)	4,783	4,783	-	-	-	4,783	-	-	-	-	-
Western Samoa	*	*	-	-	-	*	-	-	-	-	-

*Less than $500.

OTHER U.S. OVERSEAS PROGRAMS
FY 1977 Actual
(in thousands of dollars)

	Total Activity	Export - Import Bank: Total Ex.-Im.	Loans	Guaranties	Medium-Term Insurance	Short-Term Insurance	OPIC: Loans	Guaranties	Insurance	Commodity Credit Corp. Exp. Sales	Housing Guaranties
EUROPE & NORTH AMERICA - TOTAL	2,044,858	1,660,375	197,786	283,873	48,682	1,130,034	-	-	25,637	358,846	-
Austria	9,087	9,087	-	63	23	9,001	-	-	-	-	-
Azores	4	4	-	-	-	4	-	-	-	-	-
Belgium	72,079	72,079	-	813	-	71,266	-	-	-	-	-
Bermuda	3,146	3,146	-	-	-	3,146	-	-	-	-	-
Canada	221,191	221,191	-	610	646	219,935	-	-	-	-	-
Canary Islands	2,673	2,673	-	-	-	2,673	-	-	-	-	-
Cyprus	7,659	2,362	-	-	393	1,969	-	-	-	5,297	-
Denmark	27,264	27,264	9,465	90	1,225	16,484	-	-	-	-	-
Finland	25,925	25,925	9,090	-	-	16,835	-	-	-	-	-
France	115,158	115,158	638	66,097	706	47,717	-	-	-	-	-
Germany	70,757	70,757	-	-	728	70,029	-	-	-	-	-
Gibraltar	6	6	-	-	-	6	-	-	-	-	-
Greece	122,923	33,914	-	7,459	9,985	16,470	-	-	23,258	65,751	-
Greenland	12	12	-	-	-	12	-	-	-	-	-
Iceland	4,532	4,532	-	1,017	58	3,457	-	-	-	-	-
Ireland	7,430	7,430	-	-	3	7,427	-	-	-	-	-
Italy	89,100	89,100	-	-	7,363	81,737	-	-	-	-	-
Liechtenstein	553	553	-	-	-	553	-	-	-	-	-
Luxembourg	696	696	-	-	-	696	-	-	-	-	-
Malta	43	43	-	-	-	43	-	-	-	-	-
Netherlands	138,355	138,355	-	816	17	137,522	-	-	-	-	-
Norway	49,503	49,503	3,751	1,096	1,795	42,861	-	-	-	-	-
Poland	179,741	5,821	3,909	1,912	-	-	-	-	-	173,920	-
Portugal	127,934	16,407	689	3,918	423	11,377	-	-	-	111,527	-
Romania	12,133	11,127	5,282	2,134	-	3,711	-	-	-	1,006	-
Spain	224,379	223,772	100,459	61,956	5,838	55,519	-	-	-	607	-
St. Pierre and Miquelon	11	11	-	-	-	11	-	-	-	-	-
Sweden	89,976	89,976	14,000	18,388	1,253	56,335	-	-	-	-	-
Switzerland	25,968	25,968	-	-	1,113	24,855	-	-	-	-	-
Turkey	76,904	76,904	34,091	24,932	6,398	11,483	-	-	-	-	-
United Kingdom	264,594	264,594	3,960	56,544	1,417	202,673	-	-	-	-	-
Yugoslavia	75,122	72,005	12,452	36,028	9,298	14,227	-	-	2,379	738	-

OTHER U.S. OVE[illegible] PROGRAMS
FY 1977 Actual
(in thousands of dollars)

	Total Activity	Export - Import Bank: Total Ex.-Im.	Loans	Guarantees	Medium-Term Insurance	Short-Term Insurance	OPIC: Loans	Gurantees	Insurance	Commodity Credit Corp. Exp. Sales	Housing Guarantees
LATIN AMERICA AND THE CARIBBEAN - TOTAL	2,069,067	1,683,965	111,639	343,445	210,106	1,018,775	6,075	-	252,008	84,619	42,400
Antigua	7,718	7,718	-	-	-	7,718	-	-	-	-	-
Argentina	90,839	90,939	15,523	41,767	18,620	14,929	-	-	-	-	-
Bahamas	17,055	17,055	-	-	536	16,519	-	-	-	-	-
Barbados	8,142	7,642	-	7	-	7,635	-	-	500	-	-
Belize	2,550	2,267	-	-	20	2,247	-	-	283	-	-
Bolivia	63,067	54,089	15,740	12,347	13,305	12,697	-	-	-	8,978	-
Brazil	480,513	245,923	56,404	43,730	11,660	134,129	-	-	234,590	-	-
Cayman Islands	314	314	-	177	77	60	-	-	-	-	-
Chile	41,973	41,973	-	4,075	8,401	29,497	-	-	-	-	-
Colombia	69,508	69,508	33	12,270	12,797	44,408	-	-	-	-	-
Costa Rica	43,284	43,202	128	11,037	6,534	25,503	-	-	-	82	-
Dominican Republic	29,648	25,688	524	2,943	1,960	20,261	-	-	3,960	-	-
Ecuador	124,099	123,131	-	28,128	20,157	74,846	-	-	-	968	-
El Salvador	17,097	15,597	185	2,820	2,556	10,036	1,500	-	-	-	-
Guatemala	59,864	59,864	6,200	8,901	8,103	36,660	-	-	-	-	-
Guiana-French	23	23	-	-	-	23	-	-	-	-	-
Guyana	20,678	16,733	-	4,435	2,292	10,006	-	-	3,945	-	-
Haiti	652	652	-	-	-	652	-	-	-	-	-
Honduras	30,642	29,437	227	6,870	4,851	17,489	575	-	630	-	-
Jamaica	50,027	34,532	-	1,542	275	32,715	-	-	-	495	15,000
Mexico	214,867	214,867	10,113	38,557	41,940	124,257	-	-	-	-	-
Nicaragua	45,181	44,686	3,848	6,373	4,937	29,528	-	-	495	-	-
Panama	70,491	45,486	-	3,609	4,451	37,426	-	-	7,605	-	17,400
Paraguay	7,356	7,356	-	408	4,912	2,036	-	-	-	-	-
Peru	218,233	134,137	2,714	73,352	16,343	41,728	-	-	-	74,096	10,000
St. Lucia	4,000	-	-	-	-	-	4,000	-	-	-	-
Surinam	13,569	13,569	-	225	209	13,135	-	-	-	-	-
Trinidad and Tobago	40,168	40,168	-	-	326	39,842	-	-	-	-	-
Uruguay	21,685	21,685	-	691	3,078	17,916	-	-	-	-	-
Venezuela	254,913	254,913	-	39,181	21,503	194,229	-	-	-	-	-
Virgin Islands-British	66	66	-	-	-	66	-	-	-	-	-
West Indies-British	6,038	6,038	-	-	-	6,038	-	-	-	-	-
West Indies-French	2,086	2,086	-	-	171	1,915	-	-	-	-	-
West Indies-Netherlands	12,721	12,721	-	-	92	12,629	-	-	-	-	-

OTHER U.S. OVERSEAS PROGRAMS
FY 1977 Actual
(in thousands of dollars)

	Total Activity	Export - Import Bank: Total Ex.-Im.	Loans	Guarantees	Medium-Term Insurance	Short-Term Insurance	OPIC: Loans	Guarantees	Insurance	Commodity Credit Corp. Exp. Sales	Housing Guarantees
NEAR EAST AND NORTH AFRICA - TOTAL	1,061,564	835,814	95,749	175,592	107,197	457,276	-	-	162,776	12,974	50,000
Afghanistan	2,450	2,450	-	-	-	2,450	-	-	-	-	-
Algeria	149,409	149,409	82,343	39,386	11,830	15,850	-	-	-	-	-
Bahrein	9,152	9,152	-	-	1,118	8,034	-	-	-	-	-
Egypt	16,967	1,236	-	-	-	1,236	-	-	15,731	-	-
Iran	144,324	127,699	-	4,664	22,458	100,577	-	-	16,625	-	-
Iraq	14,131	14,131	-	-	-	14,131	-	-	-	-	-
Israel	141,511	108,576	2,356	74,577	-	31,643	-	-	7,935	-	25,000
Jordan	91,277	30,477	-	22,054	802	7,621	-	-	60,800	-	-
Kuwait	107,911	107,911	-	1,462	56,825	49,624	-	-	-	-	-
Lebanon	27,195	12,195	-	-	48	12,147	-	-	-	-	15,000
Libya	9,389	9,389	-	-	2,137	7,252	-	-	-	-	-
Morocco	59,407	46,433	11,050	25,785	-	9,598	-	-	-	12,974	-
Oman	20,441	5,441	-	-	280	5,161	-	-	15,000	-	-
Qatar	11,795	11,795	-	-	1,604	10,191	-	-	-	-	-
Saudi Arabia	187,470	144,340	-	6,057	7,212	131,071	-	-	43,130	-	-
Syria	1,476	1,476	-	-	-	1,476	-	-	-	-	-
Tunisia	19,903	6,348	-	1,607	760	3,981	-	-	3,555	-	10,000
United Arab Emirates	47,317	47,317	-	-	2,123	45,194	-	-	-	-	-
Yemen Arab Republic	39	39	-	-	-	39	-	-	-	-	-
Unallocated	5,189	5,189	-	5,189	-	-					
World wide Total	6,862,119	5,397,022 1/	747,267	1,020,745	425,508	3,203,503 2/	6,325	-	694,426 3/	644,346	120,000

1/ Discount loans of $473 million were also extended in FY 1976.
2/ $254 million of short-term insurance was authorized but unshipped in FY 1977. Amounts are included above.
3/ Includes all forms of insurance.

NOTE - Details may not add to totals due to rounding.

AGENCY FOR INTERNATIONAL DEVELOPMENT
Cash Outlays and Unliquidated Balances
Fiscal Year 1977 - Actual
(in millions of dollars)

	Prior Year Unliquidated Balance (Pipeline) 9/30/76	Current Year Obligations	Total Available	Outlays: Prior Year Funds	Outlays: Current Year Funds	Outlays: Total	Unliquidated Balance (Pipeline) 9/30/77
FUNCTIONAL DEVELOPMENT ASSISTANCE							
Food and Nutrition	861.7	474.3	1,336.0	196.0	28.3	224.3	1,111.7
Population Planning and Health	274.6	224.0	498.6	129.8	25.4	155.3	343.3
Education and Human Resources	114.9	94.4	209.3	37.7	12.6	50.4	158.9
Special Development Activities	196.5	55.4	251.9	67.5	14.8	82.3	169.6
Development Loans, pre-1974	282.0	-	282.0	148.0	-	148.0	134.0
Sub-total, Functional Accounts	1,729.7	848.1	2,577.8	579.0	81.2	660.3	1,917.5
INTERNATIONAL ORGANIZATIONS AND PROGRAMS	45.0	243.6	288.7	36.2	214.1	250.3	38.3
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT	-	-	-	-	-	-	-
AMERICAN SCHOOLS AND HOSPITALS ABROAD	19.2	19.8	39.0	6.3	7.5	13.8	25.2
INTERNATIONAL DISASTER ASSISTANCE	67.0	48.8	115.8	41.6	23.2	64.7	51.1
MISCELLANEOUS APPROPRIATIONS 1/	140.7	10.8	151.5	38.7	5.0	43.6	107.8
OPERATING EXPENSES	36.5	202.1	238.6	32.9	162.3	195.2	43.5
FOREIGN SERVICE RETIREMENT AND DISABILITY FUND	-	21.3	21.3	-	21.3	21.3	-
PRESIDENT'S FOREIGN ASSISTANCE CONTINGENCY FUND	5.8	-	5.8	.5	-	.5	5.4
SECURITY SUPPORTING ASSISTANCE	1,519.3	1,750.2	3,269.5	496.1	516.6	1,012.6	2,256.9
MIDDLE EAST SPECIAL REQUIREMENTS FUND	108.3	16.1	124.4	43.5	5.8	49.2	75.2
TOTAL	3,671.5	3,160.9	6,832.4	1,274.8	1,036.8	2,311.4	4,521.0
LESS LOAN RECEIPTS						-479.7	
NET OUTLAYS, AGENCY FOR INTERNATIONAL DEVELOPMENT						1,831.7	

1/ Includes Indochina Postwar Reconstruction, Disaster Relief Assistance, Refugee Relief (Bangladesh), Assistance to Portugal and Portuguese Colonies, African Development Program, Albert Schweitzer Hospital, the Social Progress Trust Fund, Prototype Desalting Plant, Worldwide Technical Assistance and Alliance for Progress Technical Assistance.

NOTE: Detail may not add to totals due to rounding.

AGENCY FOR INTERNATIONAL DEVELOPMENT
Cash Outlays and Unliquidated Balances
FY 1978 - Estimated
(in millions of dollars)

	Prior Year[1/] Unliquidated Balance (Pipeline) 9/30/77	Current Year Obligations	Total Available	Outlays: Prior Year Funds	Outlays: Current Year Funds	Outlays: Total	Unliquidated Balance (Pipeline) 9/30/78
FUNCTIONAL DEVELOPMENT ASSISTANCE							
Food and Nutrition	1,092.5	548.7	1,641.2	321.7	67.6	389.3	1,251.9
Population Planning[2/]	159.2	161.8	321.0	98.9	38.3	137.2	183.8
Health	174.3	126.0	300.3	51.0	13.2	64.2	236.1
Education and Human Resources	155.4	98.3	253.7	58.9	21.6	80.5	173.2
Selected Development Activities	162.6	119.3	281.9	53.9	17.3	71.2	210.7
Development Loans, pre-1974	114.0	-	114.0	32.0	-	32.0	82.0
Sub-total, Functional Accounts	1,858.0	1,054.2	2,912.2	616.3	156.0	774.3	2,137.9
SAHEL DEVELOPMENT PROGRAM	-	50.0	50.0	-	5.0	5.0	45.0
INTERNATIONAL ORGANIZATIONS AND PROGRAMS	38.3	231.7	270.0	38.3	194.3	232.6	37.4
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT	-	200.0	200.0	-	10.0	10.0	190.0
AMERICAN SCHOOLS AND HOSPITALS ABROAD	25.2	23.8	49.0	12.6	8.4	21.0	28.0
INTERNATIONAL DISASTER ASSISTANCE[3/]	51.1	73.8	124.9	51.1	15.6	66.7	58.2
MISCELLANEOUS APPROPRIATIONS[4/]	107.8	2.5	110.4	61.1	1.0	62.1	48.3
OPERATING EXPENSES	41.5	227.1	268.6	43.1	175.1	218.2	50.4
FOREIGN SERVICE RETIREMENT AND DISABILITY FUND	-	24.2	24.2	-	24.2	24.2	-
PRESIDENT'S FOREIGN ASSISTANCE CONTINGENCY FUND	5.4	5.0	10.4	2.7	2.0	4.7	5.7
SECURITY SUPPORTING ASSISTANCE[5/]	2,327.0	2,241.4	4,568.4	1,143.8	669.2	1,813.0	2,755.4
TOTAL	4,454.4	4,133.7	8,588.1	1,969.0	1,262.8	3,231.7	5,356.3
Less Loan Receipts						-562.1	
NET OUTLAYS, AGENCY FOR INTERNATIONAL DEVELOPMENT						2,669.6	

1/ Adjusted to reflect recoveries from prior year obligations.
2/ Prior year unliquidated balance based on division of the Population Planning and Health account pipeline.
3/ Includes Romanian Relief and Rehabilitation and Italy Relief and Rehabilitation.
4/ Includes Indochina Postwar Reconstruction, Disaster Relief Assistance, Refugee Relief (Bangladesh), Assistance to Portugal and Portuguese Colonies, African Development Program, the Social Progress Trust Fund, and the Prototype Desalting Plant.
5/ Includes UN Forces in Cyprus and the Middle East Special Requirements Fund.

NOTE: Detail may not add to totals due to rounding.

AGENCY FOR INTERNATIONAL DEVELOPMENT
Cash Outlays and Unliquidated Balances
FY 1979 - Proposed
(in millions of dollars)

	Prior Year Unliquidated Balance (Pipeline) 9/30/78	Current Year Obligations	Total Available	Outlays: Prior Year Funds	Outlays: Current Year Funds	Outlays: Total	Unliquidated Balance (Pipeline) 1/ 9/30/79
FUNCTIONAL DEVELOPMENT ASSISTANCE							
Food and Nutrition	1,251.9	673.2	1,925.1	374.5	80.8	455.3	1,469.8
Population Planning	183.8	205.4	389.3	109.9	49.3	159.2	230.1
Health	236.1	148.5	384.6	60.8	17.8	78.6	306.0
Education and Human Resources	173.2	109.0	282.2	84.0	13.1	97.1	185.1
Selected Development Activities	210.7	128.2	339.0	83.5	15.4	98.9	240.1
Development Loans, pre-1974	82.0	-	82.0	32.0	-	32.0	50.0
Sub-total, Functional Accounts	2,137.9	1,264.4	3,402.3	744.8	176.4	921.2	2,481.1
SAHEL DEVELOPMENT PROGRAM	45.0	90.0	135.0	13.0	5.0	18.0	117.0
INTERNATIONAL ORGANIZATIONS AND PROGRAMS	37.4	282.2	319.6	37.4	232.8	270.2	49.4
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT	190.0	-	190.0	20.0	-	20.0	170.0
AMERICAN SCHOOLS AND HOSPITALS ABROAD	28.0	8.0	36.0	14.0	2.9	16.9	19.1
INTERNATIONAL DISASTER ASSISTANCE	58.2	25.0	83.2	35.5	8.5	44.0	39.2
MISCELLANEOUS APPROPRIATIONS 2/	48.3	-	48.3	30.2	-	30.2	18.1
OPERATING EXPENSES	50.4	263.0	313.4	52.0	203.0	255.0	58.4
FOREIGN SERVICE RETIREMENT AND DISABILITY FUND	-	24.8	24.8	-	24.8	24.8	-
PRESIDENT'S FOREIGN ASSISTANCE CONTINGENCY FUND	5.7	5.0	10.7	2.5	2.3	4.8	5.9
SECURITY SUPPORTING ASSISTANCE 3/	2,755.4	1,854.4	4,609.8	1,017.0	649.0	1,666.0	2,943.8
TOTAL	5,356.3	3,816.8	9,173.1	1,966.4	1,304.7	3,271.2	5,901.9
Less Loan Receipts						-617.6	
NET OUTLAYS, AGENCY FOR INTERNATIONAL DEVELOPMENT						2,653.6	

1/ Pipeline data have not been adjusted for recoveries from prior year obligations.
2/ Includes Disaster Relief Assistance, Assistance to Portugal and Portuguese Colonies, the Social Progress Trust Fund and the Prototype Desalting Plant.
3/ Includes UN Forces in Cyprus and the Middle East Special Requirements Fund.

NOTE: Detail may not add to totals due to rounding.

AUTHORIZATION AND APPROPRIATION HISTORY FOR ECONOMIC ASSISTANCE
Under the Foreign Assistance Act of 1961 and Predecessor Legislation
(Including supplementals, excluding International Narcotics Control)
FY 1948-1978
(in millions of dollars)

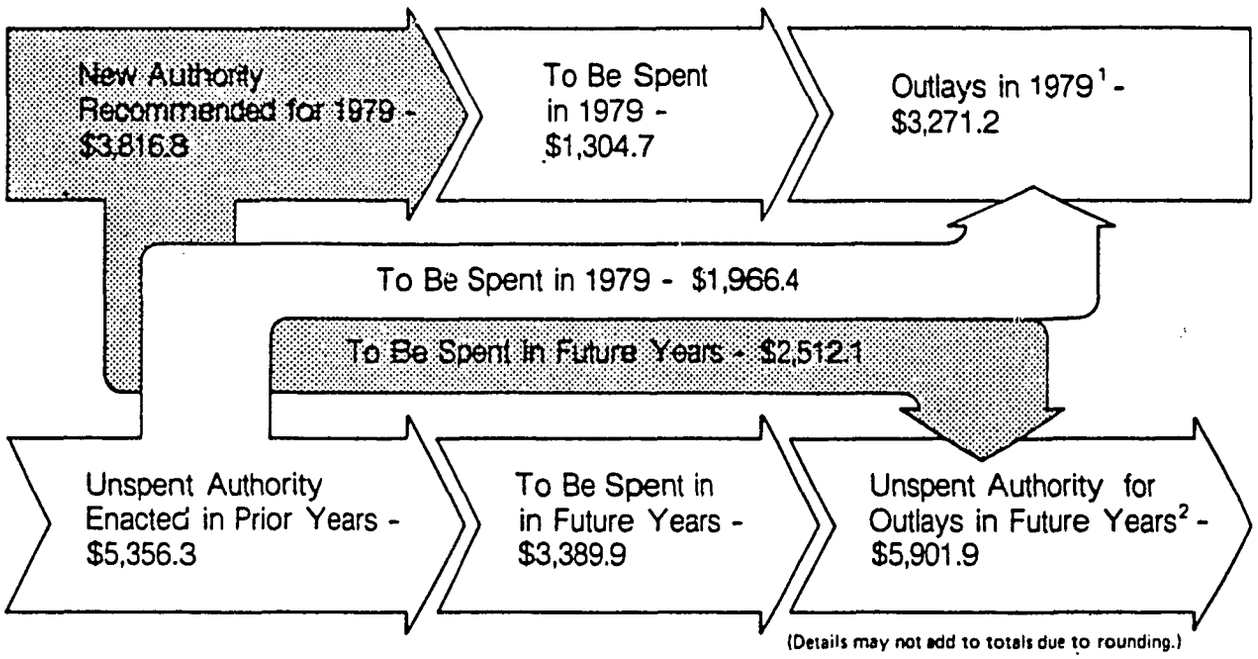
Fiscal Year	Authorization Request[a]	Authorized by Congress[b]	Appropriation Request[a]	Appropriated by Congress[c]
1948-49	7,370.0	6,913.0	7,370.0	6,446.3
1950	4,280.0	4,280.0	4,280.0	3,728.4
1951	2,950.0	2,762.5	2,950.0	2,262.5
1952	2,197.0	1,585.7	2,197.0	1,540.4
1953	2,475.0	1,894.3	2,499.0	1,782.1
1954	1,543.2	1,475.7	1,543.2	1,301.5
1955	1,798.1	1,571.9	1,788.5	1,528.8
1956	1,812.8	1,851.8	1,812.8	1,681.1
1957	1,860.0	1,815.1	1,860.0	1,749.1
1958	1,964.4	1,786.9	1,964.4	1,428.9
1959	2,142.1	2,070.6	2,142.1	1,933.1
1960	2,330.0	2,176.8	2,330.0	1,925.8
1961	2,875.0	2,786.3	2,875.0	2,631.4
1962	2,883.5	2,559.5	2,883.5	2,314.6
1963	3,281.3	3,074.8	3,281.3	2,573.9
1964	3,124.6	2,602.1	3,124.6	2,000.0
1965	2,461.7	2,452.0	2,461.7	2,195.0
1966	2,704.5	2,605.0	2,704.5	2,463.0
1967	3,443.4	2,628.0	2,469.0	2,143.5
1968	2,783.6	2,165.0	2,630.4	1,895.6
1969	2,554.2	1,609.8	2,498.5	1,380.6
1970	2,210.0	1,624.2	2,210.0	1,424.9
1971	2,093.7	2,093.7	2,008.0	1,733.9
1972	2,355.2	1,868.6	2,355.2	1,718.2
1973	1,970.5	1,026.5	2,256.6	1,664.2
1974	1,760.6	1,726.9	1,884.2	1,632.6
1975	2,603.5	2,584.9	2,948.7	2,049.8[d]
1976	3,192.3	3,388.3	3,216.5	3,168.9
1977	3,490.8	3,642.6	3,328.1	3,156.6
1978	3,500.2	3,566.8	3,531.6	3,738.3

NOTE: Excludes Investment Guaranty Program (Borrowing Authority and Appropriations) and OPIC.

a/ Adjusted to fiscal year basis and includes Executive Branch adjustments.
b/ Adjusted to fiscal year basis and includes multiyear authorizations.
c/ Includes Borrowing Authority (other than for Investment Guaranties) during Marshall Plan period April 1948-52.
d/ Excludes $15,600 thousand for payment to the Foreign Service Retirement and Disability Fund. The FY 1975 payment of $16,080 thousand is funded by transfer of $480 thousand from Development Assi funds and $15,600 thousand from funds appropriated for the same purpose in the Department of St Appropriation Act, 1975.

Relation of Proposed FY 1979 Program to Outlays

(Millions of Dollars)



(Details may not add to totals due to rounding.)

[1] Excludes offsetting loan receipts $617.6 Million.
[2] Pipeline data not adjusted for recoveries from prior year obligations.

COOPERATIVES AND CREDIT UNION DEVELOPMENT

(A) A.I.D. Policy

It is A.I.D. policy to support, where it promises to work, a cooperative approach to management of economic activities in fields of agriculture, credit, rural electrification, low-income shelter and housing, and others.

A.I.D. funds the activities of the international offices of six U. S. PVO cooperative organizations which promote the cooperative approach and help LDC coops to grow organizationally. These PVO's collaborate in design and conduct of projects in the LDC's.

These organizations are:

- Credit Union National Association, Inc. (CUNA)
- Cooperative League of the U.S.A. (CLUSA)
- Agricultural Cooperative Development International (ACDI)
- National Rural Electric Cooperative Association (NRECA)
- Volunteer Development Corps (VDC)
- Foundation for Cooperative Housing International (FCH).

Through the Regional Bureaus, A.I.D. funds field projects designed by these six organizations or by other U. S. contractors, usually in collaboration with LDC coops. Project examples are below.

Total planned A.I.D. funding for cooperatives in 1979 worldwide, as reported in our FY 79 CP, is approximately $35 million.

(thousands)

Bureau	FY 78 (planned)	FY 79 (planned)
Africa	6,721	7,259
Asia	13,101	17,850
LA	4,075	4,676
Near East	---	2,000
Centrally funded	3,895	3,500

As a step toward further involvement overseas of the American cooperative movement, A.I.D. is sponsoring a review of the movement's potential resources for alleviating rural poverty in developing countries. Representatives of American cooperatives are participating in this review, along with senior staff of the Agricultural Development Council. Findings of the review will be available Spring '978.

AFRICA

— Country: Cameroon Cross Ref: FY 1979 Africa Region, p.

Title: Cooperative Development
Funds: Food and Nutrition - $600,000 proposed in FY 79

Purpose: To upgrade the managerial capacity of agricultural cooperatives in Cameroon in order that they will more effectively meet the marketing, production and credit needs of small farmers.

— Country: Sudan Cross Ref: FY 1979 Africa Region, p.

Title: Small Farmer Cooperatives
Funds: Food and Nutrition - $500,000 proposed in FY 79

Purpose: To integrate traditional farmers into the modern agriculture sector by establishing cooperative systems for traditional farmers in the Blue Nile Province of Sudan.

ASIA

— Country: Bangladesh Cross Ref:

Title: Private and Voluntary Agencies Co-Financing
Funds: Selected Development Activities - $500,000 proposed in FY

Purpose: To engage the expertise of U.S. private voluntary organizations (PVO's) and Bangladeshi PVO's in small scale, mutually funded projects designed to benefit the rural poor.

— Country: Philippines Cross Ref:

Title: Cooperative Marketing
Funds: Food and Nutrition - $4,000,000 proposed in FY 79

Purpose: To establish viable, vertically integrated small farmer cooperative systems encompassing marketing, finance, and production.

— Country: Thailand Cross Ref:

Title: Rainfed Agriculture (Edible Oils)
Funds: Food and Nutrition - $500,000 proposed in FY 79

Purpose: To demonstrate to poor farmer target groups the income increasing potential of a modern integrated agricultural production, processing and marketing enterprise.

Latin America

Country: BOLIVIA Cross Ref.: FY 1979 Latin American Programs, p.

Title: Small Farmer Organizations II
Funds: Food and Nutrition — $850,000

Purpose: To develop 15 integral cooperatives, assist in the development of at least one national cooperative organization, and assist in the construction of infrastructure projects through community action to complement the economic activities of the integral cooperatives.

Country: HAITI Cross Ref.: FY 1979 Latin American Programs, p.

Title: Small Farmer Marketing
Funds: Food and Nutrition - $400,000

Purpose: To establish a network of producer-owned coffee marketing cooperatives, bringing the small producer a higher return for his investments in land, labor, and capital.

Country: GUATEMALA Cross Ref.: FY 1979 Latin American Programs, p.

Title: Rural Enterprise Development
Funds: Food and Nutrition - $235,000

Purpose: To establish an integrated capital and technical assistance program for the creation and expansion of small rural enterprises, with primary emphasis on artisan and small industry projects, utilizing local agricultural projects and raw materials.

Centrally funded

Country: DS Interregional Programs - Cross Ref: FY 1978 Interregional Programs, Page 262

Title: Cooperative Financial Management Training Program

Funds: Education and Human Resources Development - $800,000 proposed in FY-78 and for FY-79

Purpose: This pilot project is to augment the self-help efforts of the rural and urban poor by strengthening the financial management capabilities of cooperatives and cooperatives associations in LDCs. The project is designed to provide an indigenous institutional training capability within the existing cooperatives in the LDCs to ensure the continuing transfer of financial management knowledge without further recourse to AID assistance.

NORTH/SOUTH DIALOGUE: Major Issues

The primary focus of the dialogue during 1978 will continue to be on commodity trade issues—particularly the UNCTAD Integrated Commodity Program (ICP), which calls for the creation of a Common Fund (CF) and negotiation of individual commodity agreements (ICA's) and debt relief.

The proposed New International Economic Order (NIEO) also includes LDC demands for changes in other areas, e.g., technology transfer, industrialization, treatment/regulation of multinational corporations, and larger and more automatic resource transfers. To some extent, these issues may be raised during negotiation of a new International Development Strategy for the 1980's. However, it does not appear that ~~for the 1980's~~ these subjects will become major North/South issues during 1978.

Common Fund

An UNCTAD sponsored negotiating conference on a Common Fund was held in November. Little progress was made, and in fact, the Conference came to an end earlier than scheduled when the Group of 77 (G-77) asked for a suspension of negotiations. The UNCTAD Secretary General will probably call for the resumption of the Conference this year.

Two central issues divide the G-77 and the industrialized countries (Group B):

1. Sources of financing for the Common Fund. The G-77 supports direct contributions by governments which could be used to finance buffer stocks for individual commodities (thus promoting new ICA's), while Group B countries favor the concept of a Common Fund as a pool of the resources of the individual ICA's.

2. The desirability of having a second window in the Common Fund to finance commodity related development projects ("other measures"). The LDC's, especially the African countries, support the idea, while most developed countries oppose it on the grounds that there are already development institutions capable of financing projects of this sort.

ICA's

Three individual commodity agreements have been in place for some time: tin, cocoa and coffee. The U. S. has not joined the cocoa agreement to date because it considers its price provisions to be unrealistic.

A sugar agreement—which came into effect ~~on~~ in January 1, 1978—is the only commodity agreement which has been negotiated since discussion of the ICP began.

Discussions on other commodities have not gone beyond the prenegotiation stage. It is likely that a negotiating conference for a rubber agreement will be called, although there has not been very much progress in resolving some of the difficult political and technical issues. Discussions on copper tend to indicate that a buffer stock might be too costly to defend a price ceiling while perhaps being effective in defending a price floor. For this reason, consuming countries have been skeptical about using buffer stocks to stabilize prices of this commodity.

Debt

At the Conference on International Economic Cooperation (CIEC), the U. S. and the European Economic Community tabled a proposal that:

1. Defined measures to be taken by debtors and creditors to prevent debt crises from arising;

2. Laid out procedures for creditor club operations that would assure equitable and efficient treatment for countries experiencing a debt crisis and

3. Set forth procedures for developing countries which face a structural balance of payments problem of which debt is a component.

Although the LDC's at CIEC showed some interest in the U. S./EC proposal, they indicated that it could not be seriously considered until their demands for immediate, generalized debt relief were met.

In more recent discussions, the G-77 has again pressed for immediate relief for the Least Developed and "Most-Seriously Affected" countries, particularly with respect to official bilateral debt.

Western creditor countries continue to feel that LDC debt problems are neither general nor unmanageable. Individual countries may face debt crises, but these should be dealt with on a case-by-case basis in a multilateral framework.

While the U. S. continues to oppose generalized debt relief as unnecessary and distruptive, AID is examining existing law to determine its authority to respond to specific country situations.

Debt will be the major agenda item on the UNCTAD Trade and Development Board (TDB) meeting at Ministerial level scheduled for March.

Clearance: 1/17/78
IIA:IA:KMKauffman draft
IIA/EA:KJay draft

IIA:IA:DDFC:RMisheloffx21471

50a.

NORTH/SOUTH DIALOGUE:
Overview Mechanism and International Development Strategy

When the Conference on International Economic Cooperation (CIEC) ended in June 1977, negotiation of unresolved issues became the responsibility of various international forums. Since the issues are interrelated to some degree, many, of the LDC's in particular, felt a need for some institution to oversee the negotiations.

After long and difficult negotiations in the 32nd UNGA, a compromise resolution was adopted which: (1) establishes a Committee of the Whole under the UNGA, meeting inter-sessionally, to serve as the overview body until 1980; (2) indicates that the mandate of the Committee covers facilitating and overseeing negotiations in other fora, but not interferring with negotiations or assuming responsibility for negotiating outstanding issues (as the G-77 had originally proposed); and (3) convokes a special session of the UNGA in 1980 to review the state of play and to adopt a new International Development Strategy (IDS) for the 1980's.

The U. S. had hoped that the resolution would provide for a limited membership working group under the overview body, but this was opposed both by elements of the G-77 as well as some of the Western, industrialized countries, which feared that they would not be directly represented. Nevertheless, we are still hopeful that the unwieldy Committee of the Whole will itself create more manageable working bodies.

International Development Strategy (IDS)

The 32nd Session of the UNGA considered mechanisms and procedures for drafting an IDS for the Third Development Decade. A G-77 resolution was introduced which was not satisfactory to us since it outlined substantive elements to be included in the strategy, slanting them toward G-77 targets and positions. The issues were not widely debated, in large part because attention was riveted on resolving the overview issue, and eventually the G-77 decided not to press its resolution to a conclusion. As a result no resolution was adopted.

The U. S. is lukewarm to the idea of a new IDS, although we are prepared to give it a good try in an effort to get away from global quantitative targets in the present IDS and move towards a qualitative, evolving development strategy, including basic human needs--a view that corresponds fairly closely to that of other Western countries. On the other hand, at the UNGA the G-77 seemed to be aiming at quantitative targets again, in addition to calling for the IDS to embody the NIEO. Hence, negotiations of a new IDS will be difficult.

Clearance: 1/16/78 draft
IIA:IA:KMKauffman

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IIA/EA: K Jay draft

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BILATERAL VS. MULTILATERAL AID

Current State

(See Table)

Current Policy

Balance. Determined by no automatic formula. Both total and precise balance of bilateral/multilateral the resultant of appropriate levels for each.

Philosophy. Mutually reinforcing. Not an either/or situation. Foreign policy objectives need both types of assistance. Both effective development tools.

North-South Dialogue Management. South's interest is in larger flow of resources. Their major concerns are with volume, terms and control, rather than with bilateral vs. multilateral per se.

Bilateral Assistance

-- Permits concentration on geographic and functional areas, e.g. food and nutrition, important to U.S. national interests.

-- Involves direct utilization of U.S. universities, private voluntary organizations, U.S. firms, and tapping of U.S. scientific and technology skills, etc.

-- Provides for cooperative bilateral effort.

Multilateral Assistance

-- World Bank Group and regional banks, utilizing capital subscriptions, serve as very effective financial intermediaries tapping capital markets for middle income LDCs (hard windows) as well as providing substantial amounts of concessional assistance for poorer countries via soft windows.

-- IFIs are also effective burden sharing mechanisms, particularly from U.S. viewpoint; for example, every dollar of U.S. assistance to IDA in the current replenishment will be matched by two dollars of other donors' assistance.

-- World Bank led Consortia and Consultative Groups can be more effective than individual bilateral donors acting independently in examining and reaching agreement on development policies and related fiscal and monetary actions of aid recipients.

-- IFIs -- U.S. has traditionally provided leadership and helped set World Bank and Regional Bank policies. However, if we continue to be delinquent and fail to participate in future replenishments, we run the risk of undermining a very considerable multilateral assistance system valuable to us.

-- UNDP -- Since its inception, the U.S. has exerted a major influence on improving its programming and management. UNDP is the world's largest technical assistance operation providing funds for field operations of UN specialized agencies -- e.g., FAO, WHO.

-- U.S. leadership role in contributing to and participating in IFIs is expected and respected by developing countries.

TRENDS IN ECONOMIC AID-NOA
(in millions of dollars)

	FY 1977	FY 1978	FY 1979
TOTAL ECONOMIC	5,647.5	6,824.5	8358.6
BILATERAL AID			
Agency for International Development (excluding Int. Orgs.)	2,900	3,529	3,531
PL 480	1,169	923	806
Other1/	193	216	237
MULTILATERAL AID			
International Financial Institutions	1,141.5	1,925.5	3,504.6
International Organizations & Programs	244	231	280
INTERNATIONAL FINANCIAL INSTITUTIONS: BREAKDOWN			
IDA			
IDA IV	430	-	750
IDA V	-	800	800
Inter-American Development Bank	586	480	914
Ordinary Capital			
(callable)	(320)	(182.7)	(97.4)
Interregional Capital			
(paid-in)	(56)	(36.7)	(27.3)
(callable)	-	(145.9)	(464.0)
Fund for Special Operations	(210)	(114.7)	(325.3)
Asian Development Bank	115.5	217.5	309.6
Ordinary Capital			
(paid-in)	(24.1)	(16.8)	(23.9)
(callable)	(66.4)	(151.2)	(215.2)
Asian Development Fund	(25)	(49.5)	(70.5)
African Development Bank: Development Fund	10	10	25
International Finance Corporation	-	38	40
IBRD	-	380	665.9
(paid-in)	-	(38)	(66.6)
(callable)	-	(342)	(599.3)
TOTAL	1,141.5	1,925.5	3,504.6

1/ Peace Corps, International Narcotics Control, Migration & Refugee Assistance, Interamerican Foundation, etc.

U. S. FUNDING IFI's

IDA IV

--$1550 million requested for FY 1979; this includes $750 million for IDA IV and $800 million for IDA V.

--IDA funds were to finance IDA credits made during FY 1975-77, but the U. S. opted to begin its contribution a year late and to provide four tranches rather than three. Because the third tranche of IDA IV was not appropriated in FY 1978, the third and fourth tranche are being requested in FY 1979, along with the second tranche of IDA V.

--$55 million was appropriated in the FY 1977 supplemental request to make up for the amount which was not appropriated in FY 1976.

IDA V

--$800 million requested for FY 1979.
--Replenishment to cover IDA commitment for FY 1978-80.
--Total $2.4 billion authorized 1978 to be made available in three tranches FY 1978-FY 1980.

--IDA V consists of a $7.2 billion contribution by traditional donors and an additional $400 million by OPEC.

IBRD Selective Capital Increase

--Appropriations of U. S. share of capital requested in three tranches FY 1978-1980; $523 million requested for FY 1978 appropriations ($52.3 million paid-in and $470.7 million callable), of this amount $380 million was appropriated ($38 million paid-in; $342 million callable).

--U. S. share of $8.3 billion Selective Capital increase for FY 1978-1980 is $1,569 million, of which $156.9 million is paid-in and $1412.1 million is callable.

--Total U. S. share of $1569 million was authorized in FY 1978.

International Finance Corporation (IFC)

--$40 million requested for appropriation in FY 1979.

--$44.6 million requested for appropriation in FY 1978; of this amount $38 million was appropriated, the remaining $6.6 million is being requested in FY 1979.

--Initially, authorizations and appropriations proposed for FY 1977-79, but presentation of bill delayed; appropriations now proposed for FY 1978-80. ($44.6 million in FY 1978 and $33.5 million in two remaining years.)

--Authorization of $111.6 million was approved in FY 1978.

Inter-American Development Bank; Ordinary Capital and Interregional Capital

--$588.7 million requested for FY 1979 appropriation. Of this amount $138.7 million being requested for shortfalls in FY 1977 and FY 1978. ($27.3 million interregional paid-in $14.1 million interregional callable; $97.4 million callable ordinary.) The remaining $450 million for interregional callable.

--$400 million requested for FY 1978 appropriation ($40 paid-in and $160 million callable for interregional capital; $200 million for callable ordinary capital); of this amount $365.3 million was appropriated ($36.7 million paid-in interregional capital; $145.9 million interregional callable; $182.6 million ordinary callable capital.)

--Total U. S. share of the present $5.3 billion capital replenishment is $1.65 billion of which $120 million is for paid-in interregional capital in three tranches of $40 million and $1530 million is callable capital which includes $600 million for ordinary capital and $930 million for interregional capital.

--U. S. share of the capital replenishment was authorized FY 1976 for FY 1976-1978 appropriations in three tranches of $240 million ($40 million paid-in interregional and $200 million callable ordinary). However, proposed appropriations for FY 1976 were delayed because of the timing of the authorization bill.

--$240 million was requested for appropriation in FY 1977; of this amount $220 million was appropriated ($20 million for interregional paid-in and $200 million for ordinary callable capital).

--To make up for delayed appropriations in FY 1976, and the $20 million not appropriated in FY 1977, $260 million was requested in the FY 1977 supplemental; of this amount $156

million was appropriated ($120 million callable and $36 million paid-in).

Fund for Special Operations (FSO)

--$325.3 million requested for FY 1979 appropriation; this includes shortfalls totalling $125.3 million ($85.3 million for FY 1978 and $40 million for FY 1977.)

--$200 million approved for FY 1978 appropriation.

--U. S. share of the present FSO replenishment for FY 1977-79 is $600 million in three tranches of $200 million each.

--FY 1977 supplemental included $200 million not appropriated for the new FSO replenishment in FY 1976; of this amount $160 million was appropriated.

--$225 million appropriated in FY 1976 for previous replenishment; $275 million was requested. Remaining $50 million was appropriated in FY 1977.

Asian Development Bank (ADB) - Ordinary Capital

--$239.1 million ($23.9 million paid-in and $215.2 million callable) requested for appropriation in FY 1979; this includes $35.5 million ($32 million callable and $3.5 million paid-in) to make up for FY 1978 shortfalls.

--$20.4 million paid-in and $183.2 million callable capital appropriation requested in FY 1978; of this amount $16.8 million paid-in and $151.2 million callable was appropriated.

--Authorization for U. S. contribution of $814.4 million approved in FY 1978.

--Proposed FY 1978-81 replenishment is $4.1 billion, of which U. S. share is $814.4 million in four equal tranches of $20.4 million paid-in and $183.2 million callable.

--$90.4 million appropriated in FY 1977 for ADB ordinary capital, ($24 million paid in and $66.4 million callable). The appropriated callable capital was $30 million short of the requested amount.

Asian Development Fund (ADF)

--$70.5 million requested for FY 1979 appropriations; this includes the initial proposed request of $60 million and the $10.5 million which was not appropriated in FY 1978.

--$60 million requested for appropriation in FY 1978, of this amount $49.5 million was appropriated.

--Authorization approved for U. S. contribution of $180 million in FY 1978.

--U. S. proposed to contribute $180 million in three equal tranches during FY 1978-80 for the ADF replenishment.

--In FY 1976 $25 million (of the $50 million requested) was appropriated. The remaining $25 million was appropriated in the FY 1977 supplemental.

--$50 million was requested in FY 1977 but it was not appropriated.

African Development Fund (AFDF)

--$25 million requested for FY 1979 appropriation.

--$10 million appropriated for FY 1978.

--$25 million authorized in FY 1976.

--$5 million appropriated FY 1976 for initial U. S. contribution.

--$10 million appropriated in FY 1977.

OPEC AID FLOWS

Level

-- $5.2 billion in disbursements of concessional assistance (ODA) in 1976

-- Commitment level was approximately $6 billion

Sources

-- 89 percent of total disbursements from four countries:

Saudi Arabia ($2.3 billion)
United Arab Emirates ($1 billion)
Iran ($0.7 billion)
Kuwait ($0.5 billion)

Major Recipients of Bilateral OPEC Disbursements

-- $2.8 billion or 63 percent to Arab countries in 1976. Egypt, Jordan and Syria were the major recipients.

-- $0.6 billion or 14 percent of LLDC's. Major recipients were the Sudan, Yemen Arab Republic and Yemen People's Democratic Republic, which are also Arab countries.

-- Major non-Arab recipients include Pakistan ($0.8 billion), India ($0.4 billion) and Thailand ($75 million).

Performance Analysis

-- Five of the 10 OPEC donors performed well above the ODA to GNP target ratio of 0.7 percent in 1976, i.e., United Arab Emirates (10.23 percent), Qatar (7.40 percent), Saudi Arabia (5.77 percent), Kuwait (3.23 percent), Iran (1.12 percent). By contrast the highest ratio achieved by a DAC member in 1976 was 0.82 percent (Sweden). OPEC countries as a group achieved a ratio of 2.14 percent, compared to 0.33 percent for DAC countries and 0.25 for the United States.

-- Net disbursements of OPEC concessional assistance rose rapidly in 1974 and 1975, but declined by approximately $300 million in 1976. Data for 1977 are not yet available. However, in view of the substantial pipeline of undisbursed commitments, it is quite possible that disbursements increased to a level equal to or higher than that achieved in 1975.

-- Financial terms of OPEC concessional assistance commitments in 1976 were somewhat harder than those of DAC countries.

-- While the share of OPEC concessional assistance disbursements going to a few Arab countries was high in 1976 (63.5 percent), it has been declining.

-- A high, though declining, share of OPEC aid is for balance of payments support. Concessional credits for the sale of oil is another specific feature of OPEC aid. Project assistance is becoming more important, but it does not appear that special attention is given to the problems of the poor in recipient countries.

Attachment:
Level and Terms of DAC and OPEC ODA.

LEVEL AND TERMS OF DAC AND OPEC ODA

	1974			1975			1976		
	ODA ($ Mill.)1/	ODA/GNP2/	Average Grant Element 3/	ODA ($ Mill.)1/	ODA/GNP2/	Average Grant Element3/	ODA ($ Mill.)	ODA/GNP2/	Average Grant Element3/
DAC	11,304	0.33%	86.6%	13,585	0.35%	89.4%	13,656	0.33%	89.3%
OPEC	3,446	2.01%	79.0%	5,512	2.70%	72.3%	5,182	2.14%	79.3%

Source: DAC

1/ Net disbursements.
2/ The numerator in the ratio is net disbursements of ODA.
3/ Of ODA commitments.

INTERNATIONAL TRAINING PROGRAM: GENERAL

Significant new initiatives have been taken to update and improve the training program.

Some of the important changes which have been made during the past year are:

--the strengthening of links with the private sector by a diligent search for new training facilities, the success of which is exemplified by the item immediately following;

--development of a contractual arrangement with the South-East Consortium for International Development (SECID) for placement and programming of A.I.D.-sponsored foreign students in 30 colleges and universities in a 17-state region;

--reorganization of the Office of International Training to provide programming flexibility which will help maintain a manageable workload for a limited staff;

--a strengthening of support to training activities in the LDCs through A.I.D. Missions overseas.

Since 1941, approximately 187,000 foreign nationals have received training under the foreign assistance program.

6,822 participants were in training in FY 1977. Of the 1,963 participant arrivals in the U.S., who were directly programmed by A.I.D.'s Office of International Training, 13% were women: Near East 70, Asia 66, Africa 65, Latin America 48, Other 5.

420 participant arrivals were trained in third countries exclusively. The training base has been broadened by use of training facilities in adjacent countries which were in many cases developed previously with U.S. assistance. Regional ties are strengthened; cultural shock is abated; and developing countries share more actively in worldwide development.

Training was given in critical development fields, such as:

--food production and nutrition;
--population planning and health;
--education and human resource development;
--selected development problems, such as business and industry, transportation and communications; engineering; housing and labor.

Four basic types of training are provided under the program:

--academic training in degree and non-degree programs;
--observation training of short duration;
--on-the-job training;
--specialized programs which may require a mixture of these types of training.

Participants are selected on the basis of their commitment and potential for contributing to specific development objectives which:

--improve the lives of the poor majority in their countries;
--promote greater equity in sharing the benefits of development;
--provide needed skills and technology.

In-country or local training can be particularly fashioned to meet the training needs of the poorest segment of the population. Elementary levels of technology can be transferred. More sophisticated levels would be inappropriate and lacking in utility. Bringing the training to rural areas ensures the utilization of the training at the site and also reduces urban migration and the desire to work only in the national capital area or other major center.

U.S. and third country participants must agree to return to their home countries. Positions of authority and responsibility which are occupied by former participants include top level government leaders, university presidents and professors, and industrial, banking and commercial leaders.

Costs of the foreign assistance training program are shared by the developing countries:

--Almost all international travel expenses for participants are paid by the participants' own countries.
--Many developing countries also continue salary payments to the participants' families during their training period.

American technology, managerial expertise, and community activities contribute to the solution of development problems through participant training.

--Some 250 colleges and universities and many private business, industrial, and other institutions provide the training for A.I.D. participants
--Special programs are arranged to provide participants with opportunities to observe citizen participation in many United States communities where they receive training.

OFFICE OF INTERNATIONAL TRAINING: CHANGE OF OPERATIONAL METHODS

DS/IT is in the initial stages of a change in its approach from individual attention and programming of each participant to a policy and operational management role with participants directly handled by other Federal Agencies and/or contractors. The utilization of Federal Agencies for programming in their field of expertise has been in effect for a number of years but their responsibility will be expanded not only in the field of programming but in the exercise of administrative processing. Private contractors, including universities with whom we have had a contractual arrangement or who have designed special programs to meet the needs of the nationals of the developing countries will be utilized on a broader basis with concommitant administrative responsibility.

Starting October 1, 1977 all responsibility for programming and administrative activities for agriculture participants, both academic and technical, was referred to the U.S. Department of Agriculture. Inasmuch as most of the responsibility for agricultural participants has been vested with this participating Federal Agency for some years, the change here is a modest one.

Other participating agencies will be phased into the system in the forthcoming months including the Department of Labor.

When the changeover is completed, DS/IT's role in dealing with individual participants and/or training requests (PIO/Ps) will be dramatically curtailed. Specifically, these responsibilities, insofar as individual requests are concerned, will be confined to the following:

a. Review of each training request (PIO/P) by a senior DS/IT committee to assure channeling to the appropriate programming agent.

b. Assessment of the Training Implementation Plan (TIP) required of the implementation agency to assure conformity to the Mission/Host government objectives defined in the PIO/P; and transmittal of the final TIP to the Mission for review and acceptance.

c. Monitoring and evaluation of overall participating Federal Agency/Contractor performance.

In October, 1977, A.I.D. signed a contract with the newly formed South-East Consortium for International Development (SECID), covering a 17-state region, and consisting of 30 colleges and universities which will program the training of AID-sponsored foreign students from A.I.D. Missions.

The Consortium represents the first attempt by the Agency to carry out education and training utilizing this particular mode, although the

idea has been popular in both the government and private sectors for some time, mainly because the colleges and universities themselves have moved so rapidly and impressively into international areas of education and training. The South-East Consortium will pool its technical, administrative and related resource capabilities for the purpose of planning, implementing, monitoring and evaluating education for foreign students and other training programs sponsored by A.I.D.

During FY-1978, up to 200 foreign students will be programmed by the Consortium in the 17-state region which includes: Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, Missouri, North Carolina, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas and Virginia. All universities and colleges in the region will be considered by the Consortium for placement of foreign students.

"THE BRAIN DRAIN"

ISSUE

The "Brain Drain" as reported to Congress each year on participants who fail to return to their home country after completion of their AID-sponsored training abroad is reported by the Missions as part of the Annual Follow-Up Activities Report (U-418). The last available figure for FY-1976 was .0049 or one-half of 1% of participants programmed by AID's Office of International Training (DS/IT) for all years. This compares to the same percentage for FY-1975, 3/4% for FY-1974 and less than 3/4 of 1% for FY-1973. The highest rates of non-returnees have been among Vietnamese, Bengalis, Pakistanis, and Ethiopians during times of trouble in those countries. Our records indicate that practically all in this category subsequently return when conditions in their home countries have stabilized.

The data gap which has existed over the years is in the areas of contract, grant, and loan participants contracted through the AID Geographic Bureaus, the former Technical Assistance Bureau (TAB), the former Bureau of Population and Humanitarian Assistance (PHA), (both are now part of the Bureau for Development Support), and possibly other AID offices which are not fully known to the Missions, and therefore, not reported in the Mission's annual non-returnee figure.

NEW PROCEDURES

Governor Gilligan, in his August 22, 1977 circular airgram to AID Missions on Statistics on AID-Financed Participants, expressed his concern for a full and accurate account on those participants who return or do not return to their home countries. DS/IT has moved to correct this problem by establishing more stringent reporting requirements for the Missions beginning with fiscal year 1978 (AIDTO Circular A-353, dated September 29, 1977).

Revision of the DS/IT Participant Management Information System is currently underway to provide reliable statistics on non-returnees for all categories of training. To accomplish this, a reporting system will be put into effect in March 1978 whereby AID/W will submit for verification to the Missions quarterly computer listings of participant departures. Missions are to indicate the participant's returnee status and return the report to DS/IT no later than one month after receipt from AID/W. If a participant is identified as a

non-returnee but subsequently returns home, that information will be reported to AID/W and used to update the computer record. As a result of this new requirement placed on the Missions, AID will be in a better position to provide a more accurate account of non-returnees for all categories of participants trained under the auspices of AID in the future.

INFORMATIONAL

All categories of A.I.D. participants enter the United States on an exchange visitor visa (J-1). Holders of such visas are obliged to return to their home countries upon completion of training and may not reenter the U.S. for a period of two years.

The DSP-66A (request for "J" visa) is used exclusively in all A.I.D. funded programs. This facilitates the control of A.I.D. participants and provides recognition by interested authorities such as the Immigration and Naturalization Service (INS), Canadian Immigration, and Consular Officers. This new form was announced to all posts in February 1977 and its actual use began about May 1977.

FY ' 77 and '78 - ILLUSTRATIVE PARTICIPANT TRAINING COSTS - NON-CONTRACT PROGRAMS - WORLDWIDE

I. Academic Year (For 1 year)	FY ' 77	FY ' 78
Expense Item		
Tuition and Fees	$2,030	$3,066
Maintenance Allowance	4,740	4,884
Books	240	240
Typing Allowance	75	125
Domestic Travel	385	424
Thesis Allowance	200	200
Special Equipment	80	80
Reception, Orientation, English training, Complementary Programs	625	625
Professional Society	40	40
Book Shipment	60	60
Sub-total (Programmed by DSB/IT)	$8,475	$9,744
U.S. Government Agency Fee	2,820	3,384
TOTAL	$11,295	$13,128

Non-Academic Training		
A. On-the-job Training - 6 months		
Maintenance		
1/ 4 months @ $35 a day	$4,200	$4,200
2 months @ $600 a month	1,200	1,200
Domestic Travel	440	484
Books	90	90
Book Shipment	30	30
Professional Society	60	60
Special Equipment	150	150
Reception, Orientation, English training, Complementary Programs	625	625
Sub-total (Programmed by DSB/IT)	$6,795	$6,839
U.S. Government Agency Fee	1,410	1,692
TOTAL	$8,205	$8,531

1/ For the first 15 days in the U.S. or during periods of less than 30 days in the same city, participants receive $35 per day.

	FY'77	FY'78
II. Non-Academic Training		
B. Specialized Training - 1 year		
Expense Item		
Maintenance Allowance		
10 months @ $600 a month	$6,000	$6,000
1/ 2 months @ $35 a day	2,100	2,100
Special Equipment	150	150
Domestic Travel	660	726
Books	180	180
Book Shipment	30	30
Professional Society	60	60
Reception, Orientation, Complementary Programs	625	625
Sub-total (Programmed by DSB/IT)	$9,805	$9,871
U.S. Government Agency Fee	2,820	3,384
TOTAL	$12,625	$13,255
C. Observation Training - 2 months		
Maintenance Allowance		
1/ 2 months @ $35 per day	$2,100	$2,100
Domestic Travel	1,650	1,815
Books	50	50
Book Shipment	30	30
Professional Society	100	100
Reception, Orientation, Complementary Programs	625	625
Sub-total (Programmed by DSB/IT)	$4,555	$4,720
U.S. Government Agency Fee	470	564
TOTAL	$5,025	$5,284

1/ For the first 15 days in the U.S. or during periods of less than 30 days in the same city, participants receive $35 per day.

EXCESS PROPERTY PROGRAM

Sec. 608 of the Foreign Assistance Act requires that AID in its economic development program use excess property acquired from other Federal agencies "...wherever practicable in lieu of the procurement of new items."

— Excess property is acquired at no cost from other Federal agencies.

— The Department of Defense generates virtually all of the available excess property.

— Most of the excess property acquired by AID falls into five major categories: heavy construction equipment, vehicles of all kinds, heavy machinery, electrical generation equipment, and medical equipment.

— AID policy promotes the use of excess property as an economy measure in meeting the equipment requirements of AID-financed projects.

— Under Sec. 607(a) of the FAA, AID is authorized to furnish services or commodities (including excess property) on an advance-of-funds or reimbursement basis to: friendly countries, international organizations, American Red Cross, and registered voluntary agencies.

Two procedures have been established for acquiring domestic and foreign (U.S. Government-owned located overseas) excess property.

1. Sec. 608 procedure is conducted as a business operation.

— administered by the Office of Contract Management, Excess Property Division (SER/CM/EPD), with headquarters at New Cumberland, Pennsylvania and five field offices: Salt Lake City, Utah; Lathrop, California; New Cumberland, Pennsylvania (field office duties in addition to headquarters role); Kaiserslautern, Germany; and Yokosuka, Japan.

EXCESS PROPERTY PROGRAM

— acquires domestic excess property and U.S. Government-owned excess property located overseas.

— supplied to AID recipients on an "as is" basis or following reconditioning.

— $5 million revolving fund covers AID's overhead (including salaries of 20 full time positions and 5 part time positions authorized CM/EPD), reconditioning, and transportation costs.

— fund is replenished through service fees and reimbursed costs.

Ever since the enactment of the Federal Property and Administrative Services Act of 1949, Sec. 202 thereof has accorded all Federal agencies priority over the States and local organizations in claiming and acquiring Government-owned domestic excess property for their programs. However, Sec. 3 of Public Law 94-519, which became effective October 17, 1977, lowered AID's priority to a level below that of other Federal agencies and the States and local organizations. This is contrary to the Congressional mandate for AID to utilize excess property set forth in Sec. 608 of the FAA. It seriously limits AID's capability to acquire domestic excess property for its programs. Therefore, we are seeking legislative relief in the form of an amendment of Sec. 608(b) of the FAA which would simply restore AID's priority to the level which other Federal agencies continue to enjoy in claiming property for their internal use.

2. Direct acquisition procedure provides ready access to U.S. Government-owned excess property located overseas on an "as is - where is" basis.

— property available is generated by U.S. Armed Forces in Korea, Morocco, Panama Canal Zone, Philippines, and Turkey.

— recipients acquire excess property abroad directly from the owning Federal agency.

— services furnished in connection with the transfer are arranged and paid for by the recipient. The Sec. 608 revolving fund is not involved.

LIMITATION ON NUMBER OF COUNTRIES THAT MAY RECEIVE ASSISTANCE

ISSUE

The Foreign Assistance Act of 1961 as amended sets limitations on the number of countries that may receive certain categories of assistance.

- Section 201 provides that funds made available under Title I - Development Loan Fund shall not be used to make loans to more than twenty countries in any fiscal year.

- Section 211 provides that funds made available under Title II - Technical Cooperation and Development Grants shall not be used to furnish assistance "directly" to more than forty countries in any fiscal year, except that up to $600,000 may be used for self-help projects in additional countries.

  Development Loans and Technical Assistance grant programs in Latin America are exempted from these respective limitations by Section 251.

- Section 531 provides that, except for programs in Southern Africa, the authority of Chapter 4 - Security Supporting Assistance shall not be used to furnish assistance to more than twelve countries in any fiscal year.

AID POLICY

The proposed authorizing legislation for FY 1979 drafted by AID and transmitted by OMB does not include limitations on the number of countries that may receive assistance. If the Congress determines that AID programs should be subject to such limitations; however, assuming current exemptions are not provided, we would need ceilings to accommodate the proposed program as follows:

- Development Loans:	24 countries
- Technical Assistance/Development grants:	51 countries
- Security Supporting Assistance:	8 countries

Attached is a table summarizing AID bilateral programs subject to current FAA limitations on number of countries.

A.I.D. Bilateral Programs Subject to FAA Limitations on Number of Countries

		Development Loans	Technical b/ Assistance	Security Supporting Assistance
Africa	FY 1976	2	20	1
	FY 1977	2	21	2c/
	FY 1978	4	23	5
	FY 1979	4	29	2
Asia	FY 1976	7	7	-
	FY 1977	6	7	-
	FY 1978	6	8	-
	FY 1979	6	7	-
Latin America c/	FY 1976	13	17	-
	FY 1977	8	17	-
	FY 1978	11	14	1
	FY 1979	12	13	-
Near East (includes Cyprus, Greece, Malta, Portugal, Spain, Turkey)	FY 1976	1	4	7
	FY 1977	1	4	9
	FY 1978	1	4	10
	FY 1979	2	2	6
Total b/	FY 1976	23	48	8
	FY 1977	17	49	11
	FY 1978	22	49	16
	FY 1979	24	51	8
Limitation		20 b/	40 a/b/	12

a/ Does not include countries receiving only Self-Help funds.
b/ As Development Loan and Technical Assistance grant programs in Latin America are not subject to the respective limitations they should be deducted from the total when comparing it to the limitations.
c/ The count includes Zaire and Zambia which are exempted by law from being counted for purposes of the 12-country-limitation in FY 1977 and FY 1978.

Sources: FY 1976 - AID Bilateral Programs Subject to FAA Limitations on Number of Countries. 3/7/77
FY 1977 - Appropriation Allotment Report by Country (W-211) September 30, 1977
FY 1978 - Operational Year Budget, December 6, 1977
FY 1979 - FY 1979 Congressional Presentation

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TRADE NEGOTIATIONS AND COMMODITY ISSUES

Improved export performance by LDCs has been shown repeatedly to be an important stimulus to the growth of LDC output and employment. Indeed, trade is viewed by many as an engine of income growth and a vehicle for economic diversification. Recognizing the importance of trade in development, the international community set forth as one of the goals of the Multinational Trade Negotiations (MTN) to pay special attention to the trade concerns of the LDCs.

- A major challenge in the MTN has been to fashion a global trade liberalization package that addresses adequately both the desire to increase the LDCs' export potential and the need to avoid "serious disruptions" to specific industries within the developed countries.

- Negotiations on the reduction of non-tariff barriers (NTBs) are being pursued in tandem with the tariff discussions, and it is expected that many of the agreements will include progress on both fronts. An example of the success of this two-track approach is the bilateral trade pact between Mexico and the U.S. that was signed in December 1977 and that contained reductions in some U.S. tariffs and liberalization of Mexican import rules.

- The developed countries including the U.S. have taken the position in the negotiations that the degree of reciprocity expected from an individual LDC for trade concessions negotiated within the MTN will be in accordance with each country's level of development and economic circumstances. The U.S. is seeking to strengthen the LDCs' commitment to accede to full compliance with GATT obligations through the promotion of improved GATT supervision of existing trade perferences among LDCs and the codification of special and differential treatment of LDCs by the developed countries. We also are negotiating for greater discipline in the use of export subsidies and export restrictions.

- The Multifiber Arrangement (MFA) will be extended for another 4 years, beginning January 1, 1978. The agreement, which sets specific import quotas, has a direct effect on several LDCs for whom textiles represent an important source of exports and employment. Signatories account for more than 80% of world trade in textiles and clothing.

- AID, through its participation in several interagency MTN groups, has attempted to add a development perspective to the interagency discussion of MTN issues. The Agency also is sponsoring and undertaking research on the role of trade in economic development, including trade's relationships with LDC employment, growth and the basic needs of the poor.

Exports of primary commodities are an important source of income and foreign exchange for many LDCs. Drastic fluctuations in the prices of these commodities, such as those which have occurred in recent years, can radically affect an LDC's trade balance, growth, price level and ability to plan and execute its development strategy. These uncertainties are particularly burdensome on the low income and least developed countries, which typically are highly dependent upon a single commodity. At the same time, the developed countries have been concerned not only with the impact of commodity price fluctuations on their economies but also with ensuring the future adequacy of raw material supplies. As a major exporter <u>and</u> importer of raw materials, the U.S. has a large stake in commodity issues.

- During 1977 there were two UNCTAD conferences on the Common Fund. The November conference was suspended due to LDC dissatisfaction with the absence of developed country commitments to direct financing of a Common Fund and to the establishment of a "second window" for non-stocking activities. Among the issues which separate the DCs and the LDCs are: whether a Common Fund would be the most efficient way to promote development and whether a "second window" would duplicate existing facilities.

- The International Sugar Agreement, a five-year arrangement to stabilize prices via buffer stocks and export quotas, entered into force on January 1, 1978. The U.S. will apply the Agreement provisionally, pending Congressional ratification.

- High prices in coffee and cocoa have prevented the stabilization mechanism from being invoked in those international agreements, and the International Tin Agreement's buffer stock was exhausted in January 1977.

- Discussions of stabilization possibilities for rubber, copper, jute and hard fibers have occurred at a very preliminary level.

TABLE 1

U.S. Trade Balance by Type of Country

($ Billions)

	1974	1975	1976	1977 1/
WORLD				
U.S. Exports	98.3	107.1	114.7	119.9
U.S. Imports	98.1	103.6	124.0	151.1
Balance	.2	3.5	-9.3	-31.2
INDUSTRIALIZED COUNTRIES				
U.S. Exports	64.6	66.5	72.4	77.6
U.S. Imports	61.1	56.0	67.5	78.5
Balance	3.5	10.5	4.9	-.9
NON-OIL LDCs				
U.S. Exports	26.0	28.5	26.7	28.0
U.S. Imports	23.8	22.2	28.0	34.8
Balance	2.2	6.3	-1.3	-6.8
OIL EXPORTERS				
U.S. Exports	6.7	10.8	11.6	13.0
U.S. Imports	15.6	17.1	27.4	36.6
Balance	-8.9	-6.3	-15.8	-23.6

1/ Seasonally adjusted January-September, expressed as annual rate.

Sources: International Economic Report of the President (1977), Survey of Current Business

TABLE 2

U.S. Trade with Non-Oil LDCs

($ Billions)

	U.S. Exports	U.S. Imports	Balance
1961	6.1	4.3	1.8
1962	6.5	4.6	1.9
1963	6.9	4.9	2.0
1964	7.6	5.2	2.4
1965	7.6	5.5	2.1
1966	8.6	6.1	2.5
1967	8.4	6.2	2.2
1968	9.0	7.3	1.7
1969	9.4	7.8	1.6
1970	10.9	8.8	2.1
1971	11.1	9.5	1.6
1972	11.8	12.0	-.2
1973	17.4	15.7	1.7
1974	26.0	23.8	2.2
1975	28.5	22.2	6.3
1976	26.7	28.0	-1.3
1977 1/	28.0	34.8	-6.8

1/ Seasonally adjusted January-September, expressed as annual rate.

Sources: International Economic Report of the President (1977), Survey of Current Business.

TABLE 3

U.S. Trade (1976):
Commodities Included in UNCTAD's Proposed Integrated Program for Commodities

($ Millions)

	U.S. Exports	U.S. Imports	Balance
Bananas	NEGL	290	-290
Bauxite	1	330	-329
Cocoa	3	555	-552
Coffee	53	2858	-2805
Copper	14	90	-76
Cotton	1067	34	1033
Hard Fibers	2	16	-14
Iron Ore	82	980	-898
Jute	NEGL	4	-4
Manganese	8	74	-66
Meat	759	840	-81
Phosphates	327	2	325
Rubber	23	521	-498
Sugar	23	1148	-1125
Tea	1	95	-94
Tin	NEGL	39	-39
Tropical Timber	N.A.	N.A.	N.A.
Veg. Oils/Oilseeds	4005	92	3913

Source: Dept. of Commerce, U.S. Exports (FT 450), U.S. General Imports (FT 150).

LOCAL COST FINANCING

Description of Issue :

Recent changes in legislative directives and program emphasis have increased the importance of projects with a large local cost component in our bilateral aid programs. The more extensive need for local cost financing by the U.S. to implement the New Directions in our aid programs has given rise to questions about the possible adverse effect of this practice on the U.S. balance of payments position and whether such financing is consistent with the FAA guidelines. For instance, two reports of the Inspector General of Foreign Assistance in 1975 and 1976 criticized A.I.D. loans to Central America and Colombia on the grounds that the use of A.I.D. dollars to purchase local currency imposed a serious drain on the U.S. balance of payments.

Background:

Programs in rural development, education, health and population designed to benefit the poor have a much larger local cost component than earlier more capital intensive projects which constituted a major part of our assistance. At the same time, assistance is being increasingly directed to the poorer of the less developed countries which have very limited ability to contribute local cost financing from their own resources. Furthermore, the phasing out of program loans, and other commodity type import programs through which local currencies to support our development assistance programs could be generated has made it necessary to rely to an increasing extent on direct purchase of local currency with dollars to meet program needs.

The FAA lists a number of principles which should be observed in the administration of our programs. One is that assistance shall, <u>wherever practicable</u>, be constituted of United States commodities and services furnished in a manner consistent with other efforts of the United States to improve its balance-of-payments position. Within this framework the projects being financed in line with the New Directions have reduced the practicability of furnishing assistance in the form of U.S. goods and services to the same extent as previously.

Because the AID dollars spent for the local currency purchases are in effect totally untied, it is true that this form of expenditure does add to the potential dollar outflow resulting from our program. However, these dollar outflows are not an accurate measure of balance-of-of payments losses. The effect on the balance of payments will be offset to a certain extent not only by additional direct imports from the U.S. by the recipient country but also indirectly through imports by third countries in which the dollars are spent. Furthermore, the commodities procured directly with AID funds are not totally additional to the U.S. exports which would have taken place in the absence of AID procurement. Thus, the net loss in U.S. export earnings which may be attributed to local currency financing will vary from country to country and from continent to continent.

A.I.D. Policy:

It is AID policy to finance all the procurement from U.S. or eligible LDC suppliers of the commodity imports and related services required to implement our program activities. In addition, we may finance a portion of the local currency costs of such programs if such costs appear to be too onerous for the recipient country to undertake it. If the recipient country is among the least developed, as defined by UNCTAD, we may finance all of the local costs of an AID supported activity. All other recipients are required to finance at least 25% of the total cost of the project.

If asked, we estimate that in FY 1978 roughly 37% of our Development Loans and 26% of our Development Grants may be spent for local currency financing.

THE DEBT SITUATION OF THE LDCS AND DEBT RESCHEDULING

Congressional Perspective

The outstanding debt of the LDCs has been rising sharply and the LDCs have been using North/South forums to press for generalized debt relief. Debt policy is expected to be a major topic of discussion at the March 1978 TDB Ministerial Meeting. Congress has been apprehensive about the possibility of widespread rescheduling or actual default on debts owed to the U.S. Government and private investors. In addition recent congressional debate over the proposed IMF Supplementary Financing Facility (Witteveen Proposal) has included the issue of LDC debt.

Current State

As a result of both the major increase in the price of imports, including oil, and the worldwide recession beginning in 1974 the external debt of the LDCs effectively doubled between 1973 and 1976 reaching a level of approximately $145 billion. This nominal increase in debt does, of course, appear less dramatic when one allows both for the growth of real output and trade that has taken place in the world economy and for the inflation that has occurred. Although the system and the circumstances of individual countries, as always, requires our continued attention, there is little likelihood of a general debt crisis. As in the past, acute debt-servicing problems should be limited to a few countries with individual problems which require country-specific solutions.

Despite the fact that the last four years have been difficult for many LDCs, they generally have been successful in avoiding debt servicing crises. In FY 1977 only two countries, Zaire and Sierra Leone, required multilateral debt rescheduling. The U.S. participated only in the Zaire rescheduling.

The distribution of this debt and its implications for growth and development varies widely among individual developing countries. A small number of LDCs in the middle and high-income groups, which--unlike the poorer LDCs--have had access to private capital, solved their immediate balance of payments problems by borrowing substantial sums from abroad. This sharp increase in borrowing on commercial terms will increase their short-run debt servicing obligations, but the danger of debt servicing difficulties is mitigated by the fact that most of these countries have relatively productive and diversified economies and the potential to generate adequate export earnings to service their debt.

Many of the poorer LDCs, which do not have access to the private capital markets, have had, in the face of rapidly mounting import costs and sluggish export growth, no alternative but to cut back on the sale of their imports for development programs. Stagnation in real growth has been the unfortunate result in a number of them. Since these countries are dependent on concessional lending, very few have debt problems as

such. They do, however, have serious development problems.

Developing countries have a good record in meeting their debt service payments to the United States. Relatively few LDCs have asked to reschedule their debts. The need to maintain creditworthiness and the improved performance conditions generally attached to multilateral debt rescheduling are powerful deterrents against requesting rescheduling. Since 1970 the U.S. rescheduled debts within a multilateral framework for the following countries:

-- India (1970, 1971, 1972, 1973, 1974)
-- Indonesia (1970)
-- Pakistan (1972, 1973, 1974)
-- Chile (1972, 1974, 1975)
-- Zaire (1976, 1977)

In addition, there have been bilateral debt relief agreements with Yugoslavia (1971), Egypt (1971), and Poland (1973).

Current U.S. Policy

The U.S. debt policy is based on the presumption that the borrowing country has a contractual obligation to repay credits on schedule.

-- If, however, a debtor country should experience extraordinary circumstances, the United States will consider the merits of rescheduling the service due on some or all of the credits outstanding.

-- The debtor country is expected to adopt appropriate policies which would prevent the need for further such extraordinary measures, and to agree to make all reasonable efforts to reorganize unguaranteed private credits on terms comparable to those covering government or government guaranteed credits.

The U.S. strongly prefers that rescheduling be undertaken with other creditor countries in a multilateral framework and with a most-favored-nation clause, so that the burden of rescheduling can be equitably distributed among the creditor countries.

Debt forgiveness requires prior Congressional approval. Such action is rarely requested of Congress.

Although the discussion and defense of the supplementary financing facility of the IMF is best left to the U.S. Treasury, AID clearly supports the institution of this facility since it would not only augment the capacity of the IMF to lend to its member states, but it would also assure the

world that a source of official financing exists on a scale that is sufficient to cope with whatever financial turbulance we are likely to encounter. As recent events have clearly shown, the interdependence of the world economy makes avoidance of major disruptions necessary for all.

Subject: Summary of Delinquent Loan Payments as of December 31, 1977

A. Congressional Perspective

The U. S. Congress has expressed concern over the collection of debts due the U. S. Government. This concern is reflected in two provision of the F.A.A. of 1961, as amended.

-- Section 620 (q) prohibits the furnishing of assistance under the F.A.A. to any country in default during a period in excess of six calendar months on its payments of principal or interest on any loan made under the F.A.A. This section gives the President authority to waive this provision if it is in the national interest.

-- Section 506 of the Foreign Assistance and Related Programs Appropriations Act, 1976, ("Brooke Amendment") prohibits the furnishing of assistance from any funds appropriated under the F.A.A. to any country in default during a period in excess of one calender year on its payments of principal or interest on any loan made under the F.A.A. This provision excludes loans where the debt was disputed by the country prior to enactment of the section and loans which the country has taken appropriate steps to cure the delinquency. This section is silent on the issue of national interest.

B. AID's Collection Procedures on Delinquent Loan Payments

Mission and Embassy officals are responsible for following-up with host country officals on delinquent loan installments. FM monitors the collection efforts and maintains a centralized accounting and reporting system. The Regional Bureaus are responsible for the resolution of delinquencies in violation of legislative retrictions. On occasion the Agency will request State Department assistance in collecting a delinquency.

C. Reporting

FM prepares a monthly report on delinquent loans (W-242). The monthly report is distributed internally to the Regional Bureaus and other agency officals. FM also notifies Regional Bureau Assistant Administrators of any delinquency which warrants special attention.

Each quarter FM prepares a report to the Treasury Department on all delinquent loans. Special attention is given to amounts past due 90 days or more. This data is published by the Treasury Department along with data from other agencies in their report on the status of active foreign credits.

Einally, each quarter a report is prepared by FM for the National Advisory Council Working Group on Foreign Arrearages on all loans delinquent 270 days or more. The Working Group, chaired by the Treasury Department, is responsible for monitoring compliance with the "Brooke Amendment."

D. Analysis of Delinquent Loans - 90 days or more

The outstanding balance on all loans administered by AID as of December 31, 1977 was $14,590.5 million. Loans delinquent 90 days or more at the same date totalled $24.9 million or less than 2/10 of 1 per cent of the outstanding balance.

The delinquencies listed on the attached schedule are categorized as follows.

-- Vietnam and Laos ($7.95 million): A.I.D. has deferred collection efforts until such time when better opportunity to collect exists.

-- United Kingdom/Rhodesia (1.7 million): The State Department, Office of Southern Africa Affairs, has stated that the time is not right to pursue the delinquency because of the delicate situation in Rhodesia.

-- Somalia ($3.2 million): The A.I.D. Africa Bureau plans to pursue the delinquency in connection with the resumption of bilateral aid once the new AID Representative is in Somalia.

-- Zaire ($6.2 million): Payments due in CY 1976 and CY 1977 on dollar repayable loans are being rescheduled. The Africa Bureau and the Africa General Counsel are drafting the unilateral rescheduling agreements.

-- Guinea ($ .9 million): The American Embassy has submitted a compromise agreement to the GOG to settle the $937,992 delinquency on the Civil Aviation loan. The GOG has not responded to the Embassy according to the latest word from Conakry. The remaining $7,141, due on a PL-480 local currency loan, is past due from September, 1977 and is being followed-up by FM.

-- "Cooley" loans ($4.8 million): These loans were made under PL-480, Title I, Section 104(e) to foreign enterprises owned or substantially owned by a U. S. firm. Some "Cooley" loans were also made to non-U.S. owned firms to promote the sale of U.S. agricultural commodities.

The delinquent Cooley loans are in four countries (Bangladesh $284,145; Ghana $318,549; India $4,079,368; and Peru $85,977). The majority of the delinquencies are under loans where the borrower is having financial difficulties. Efforts are being made to cure these problems as quickly as possible.

Summary of Delinquent Loan Payments
Outstanding 90 days or more
As of December 31, 1977
(Amounts in Dollars or Dollars Equivalent)

Country	Total Delinquent	Repayable in U.S. Dollars	Repayable in Foreign Currencies
Bangladesh	$ 284,145	$ -	$ 284,145
Egypt	10,572	10,572	-
Ghana	318,549	-	318,549
Guatemala	56,863	56,863	-
Guinea	937,992	930,851	7,141
India	4,079,368	-	4,079,368
Laos	546	546	-
Peru	85,977	-	85,977
Somalia	3,162,541	1,274,168	1,888,373
United Kingdom (Rhodesia)	1,720,445	-	1,720,445
Vietnam	7,952,940	2,044,440	5,908,500
Z e	6,242,019	6,242,019	-
O rs *	603	572	31
Total	$24,852,560	$10,560,031	$14,292,529

* Represent shortfalls not considered material for this schedule.

Policy on Accelerated Loan Repayments

Congressional Perspective

Congress and AID share the same objective of accelerating the repayment of AID loans by rich oil producers. However, an issue might arise over the decision as to which countries are rich enough for the U.S. to seek to negotiate such an acceleration.

Current State

Our standard loan agreements require the borrower to negotiate with AID, whenever so requested, an acceleration of the repayment of the loan in the event that there is any significant and continuing improvement in its economic position and prospects which enable that country to repay the loan on a shorter schedule.

In 1974 AID inaugurated a system of reviewing annually the position of all countries with outstanding loan balances to determine on a case-by-case basis whether any should be asked to accelerate repayment of AID loans. The ultimate determination as to whether or not to make such a request takes into account overall U.S. interests in the debtor country--political, economic and commercial--as well as its ability to repay its AID debt at a faster rate.

We also weigh our broader domestic and international interests in our dealings with OPEC countries, including:

- -- Assuring an expanded supply of energy at fair prices.
- -- Facilitating orderly capital flows through the international markets consistent with the needs for productive investment.
- -- Encouraging additional assistance to the LDCs most seriously affected by the increased costs of energy and other essential imports.

Only five of the 13 OPEC members have outstanding AID loan balances. Three of these--Indonesia, Nigeria, and Ecuador--are relatively poor, with annual per-capita GNP in current dollars of $240, $380, and $640 respectively in 1976 (source: World Bank); and their economic prospects are too uncertain to justify requests for an accelerated loan repayment.

-- Venezuela, in the course of U.S.-initiated negotiations, offered in 1976 to accelerate the repayment of two AID loans with outstanding balances totaling nearly $30 million. The U.S. accepted the offer.

-- Iran, with $33 million in outstanding dollar loan balances plus $23 million equivalent in local currency as of September 30, 1977, is a logical candidate for accelerated repayment, but the State Department does not believe this matter should be raised with the GOI at this time, in view of other major issues pending with Iran.

AID TO THE LEAST DEVELOPED COUNTRIES - CURRENT POLICY

In FY 1977 AID began and will continue implementing a policy to provide assistance on a grant basis to countries on the United Nations list of "relatively least developed countries" (RLDC). These countries, all of which are extremely poor, are given grants instead of loans so as not to add to their debt burden. The adoption of this policy follows the U.S. initiative at the Fourth United Nations Conference on Trade and Development (UNCTAD) in Nairobi proposing that all donors adopt such a policy toward the countries on the list.

The UN list of least developed countries originally included 25 countries on the basis of low per-capita GDP, low proportion of GDP in manufacturing, and low adult literacy rate. The list has since been revised and now includes 19 countries in Africa (Benin, Botswana, Burundi, Cape Verde, Central African Republic, Chad, Ethiopia, Gambia, Guinea, Lesotho, Mali, Malawi, Niger, Rwanda, Somalia, Sudan, Tanzania, Uganda and Upper Volta); 7 in Asia (Bangladesh, Bhutan, Laos, Maldives, Nepal, Sikkim and Western Samoa); 3 in the Middle East (Afghanistan, Yemen Arab Republic and Yemen Peoples Republic); and one in Latin America (Haiti). Among the countries on the list, the following are not current AID recipients: Uganda, Bhutan, Laos, Maldives, Sikkim, Western Samoa and Yemen Peoples Republic.

This all-grant policy has been incorporated into the Foreign Assistance Act of 1978 in Sections 102(e) and 110(b). Section 102(e) states that development assistance is available to RLDCs on a grant basis for the purpose of promoting economic growth in the poorest countries to the maximum extent that is consistent with the attainment of U.S. development objectives. Section 110(b) exempts the RLDCs from the stipulation that disbursements under development assistance grant projects cannot exceed thirty-six consecutive months without justification to Congress.

Excluded from the all-grant policy is food aid, which is controlled by PL 480 legislation. However, recently enacted legislation provides for long-term (up to 5 years) agreements for PL 480 food assistance which could significantly affect the degree of concessionality. When the local currency proceeds of sales are used for agreed development purposes, this new law permits such uses to be counted towards repayment of the long-term dollar loans used to finance the sales from the U.S. For the least developed, many of the requirements for eligibility can be waived.

AID assistance to the RLDCs was $166 million in FY 1977 and will be $192 million in FY 1978; $266 million is proposed for FY 1979. With the exception of a $16 million loan authorized for Bangladesh in FY 1977, all assistance to the RLDCs was in the form of grants that year. AID also provides some grants to other developing countries not on the list.

AID ASSISTANCE TO RLDC'S a/

	FY 1977	FY 1978	FY 1979
Afghanistan	20.0	18.6	21.4
Bangladesh	60.8	64.8	87.0
Benin	-	-	1.0
Botswana	.3	(16.6) b/	6.2
Burundi	-	.7	1.8
Cape Verde	2.3	4.6	2.9
Central African Empire	.9	.5	-
Chad	6.6	6.4	6.4
Ethiopia	.9	15.2	10.8
Gambia	-	1.0	1.8
Guinea	.8	2.1	2.5
Haiti	20.5	15.3	16.9
Lesotho	4.2	(4.9) b/	8.6
Malawi	1.9	-	.8
Mali	9.9	6.6	13.9
Nepal	6.8	12.1	17.0
Niger	5.0	9.6	11.6
Rwanda	.1	1.6	2.5
Somalia	-	4.0	4.0
Sudan	-	7.5	9.7
Tanzania	6.7	11.0	17.1
Upper Volta	2.9	4.8	8.8
Yemen	15.5	5.5	11.4
Total	166.1	191.9	265.9

a/ The same group of countries is referred to as Relatively Least Developed Countries (RLDC) or Least Developed Countries.

b/ Funded from Security Supporting Assistance.

PPC/PB 1/30/78

EXTERNAL COORDINATION OF U. S. DEVELOPMENT ASSISTANCE

Other industrialized countries contribute, in total, over twice the amount of Official Development Assistance provided by the U. S. We and other donors also assist many of the same developing countries and international organizations. Thus there is a continuing need to ensure that U. S. and other donor efforts are complementary and that duplication is avoided. The U. S. pursues a variety of means to coordinate with other donors assistance to individual developing countries, regional (multi-nation) development activities and international organizations.

A variety of usefully functioning mechanisms operate to harmonize both bilateral and multilateral development efforts. A.I.D. remains committed to active consultation and cooperation with other donors in order to maximize the effectiveness of U. S. assistance.

Overall Policy Coordination. The OECD Development Assistance Committee (DAC) is the principal mechanism for the U. S. and other donors to coordinate assistance policies including the terms, objectives and conditions of aid. The U. S. most recently initiated in DAC, a proposal for donor agreement to support a Basic Human Needs approach to development cooperation. The BHN policy was adopted by development ministers at the last DAC High Level Meeting. We are now actively engaged in follow-up discussion on how donors can adapt their programs to implement a Basic Human Needs strategy.

UN, UNDP and Specialized Agencies

A considerable measure of coordination is provided by UN organizations, e.g., the Economic and Social Council, the UNDP and UNEP and the Governing Boards of over 15 specialized agencies. We strongly support the UNDP coordination role for mobilizing funding and developing integrated UN programs. We have urged DAC members to strengthen the role of the UNDP Resident Representative whom we consider to be a primary mechanism for local (in-country) coordination, particularly for technical assistance.

Regional Coordination

A.I.D. coordinates regional programs with counterparts in the World Bank, UNDP, and other bilateral and multilateral aid donors. Much of this coordination is informal, but has increasingly been regularized. The Latin America Bureau now schedules regular reviews with IDB and IBRD of their respective programs. Consultations between IBRD and A.I.D. counterparts has been scheduled in order to review existing coordination and to identify possible improvements.

We see a need for selected regional groups like the Club des Amis du Sahel and the new Caribbean Group for Cooperation in Economic Development. In

the Sahel, economic and development programs go beyond national boundaries and require regional integration. Thus the Club concept is ideal for an area with many small countries for which individual Consultative Groups would not be appropriate. As the political situation stabilizes in Southern Africa, we see the possibility of donors using the same type of regional approach to advance economic and social development.

A.I.D. also consults, bilaterally, with other donors on regional and sectoral programs.

Country Programs

Some 20 different Consultative Groups exist for coordinating assistance to individual LDC's. These Groups are well established and efficient mechanisms. It may be possible to improve their effectiveness by increasing attention to sectoral programs and Basic Human Needs strategy—in addition to regular discussion of macro-economic development concerns.

Sectoral and Research Coordination—Agriculture, Food and Nutrition

A number of groups have been set up both to coordinate assistance and to define aid needs. World Food Council (WFC) is the mechanism for ministerial level consideration of food requirements. Consultative Group on Food Production and Investment (CGFPI) addressed investment for increasing food production in LDC's. Consultative Group on International Agricultural Research (CGIAR) includes 35 member countries (some OPEC) and seeks to broaden support for research and training through 11 international research programs. The FAO, UNDP and IBRD jointly sponsor CGIAR.

Disaster Relief

We and other donors recognize that disaster relief most frequently requires international coordination. The UN Disaster Relief Organization (UNDRO) can perform vital coordination for donors. We support UNDRO's role and are further examining U. S. support to the UN for disaster preparedness and prevention.

STUDY OF DEVELOPMENT ISSUES*

Background:

The notion of a "World Development Budget" was first proposed in a Trilateral Commission Report entitled "Reform of International Institutions" written principally by Fred Bergsten, now Treasury Assistant Secretary for International Affairs. It was also mentioned by President Carter during his campaign.

As originally conceived, it was to have been a very broad study which would simultaneously treat the development implications of public and private flows to LDC's, trade and financial policies of both industrialized and less developed countries and LDC efforts to mobilize domestic savings for development. It was thought that this kind of approach would be far superior to the more traditional, piecemeal analysis of the diverse programs and policies which impinge on development. The results, it was hoped, would be useful in assessing the capital requirements of the developing countries, linking these requirements to LDC development policies, promoting equitable burden sharing among donors and making aid appropriations requests more easily understandable.

At the Downing Street Summit last spring, it was agreed that the World Bank would look into the possibility of carrying out such a study. It soon became apparent that a study of such broad scope could not be carried out quickly, but would need to be approached in stages. When Mr. McNamara presented it to the Executive Board of the Bank last June, he recommended that the first stage focus on one or two sectors of importance.

In a more recent memorandum to the Executive Directors (December), Mr. McNamara indicated that the focus of the study, which is now underway, has changed. Instead of a sectoral orientation, it will focus attention on the problems and possibilities of four groups of countries (low income: Africa, low income: Asia, middle income: primary producers, and middle income; semi-industrailzied). It will also include some discussion of the implications for development of assuming availability of different levels of external resources. The Bank expects to present the results of the Study to its Executive Board in July and to transmit a full report to the IBRD/IMF Development Committee in September.

Issue

What should be the scope of the first stage of the Study? This question was discussed by a NAC Working Group in August. While it was not possible to reach a consensus, there was some agreement that the study should:

*Previously referred to as the "World Development Budget" and the "World Development Program."

—emphasize both growth and equity objectives

—focus on a few sectors of particular importance (agriculture and energy and mineral development in the first stage)

—avoid attempts to set global quantitative targets for growth or resource transfers, and

—provide a basis for discussion of general trends and objectives—based on alternative assumptions—not for negotiation of specific commitments by governments.

Treasury Department Position:

Treasury has been particularly interested in assuring that the study focus on sectors, and not highlight macroeconomic issues. The main reason is fear that a macro-oriented study would lend itself to emphasizing the need for additional external resources. For this reason, Treasury representatives expressed keen disappointment that the emphasis of the Study had shifted, and that macro issues will receive more prominance.

With NAC approval, Treasury is asking Ed Fried to indicate U. S. Government disappointment. He will not suggest yet another restructuring at this late date, but instead will recommend that the report be prepared with a view toward using it "as a vehicle for generating public support for development assistance..."

State Department Position:

State has felt that the Study should give weight both to macroeconomic and to sectoral issues.

A.I.D. Position:

A.I.D. basically agrees with the State Department position. Nevertheless, we do not object to a Study focussed on country groups, if there is sufficient sectoral detail to make it operationally useful.

INDEPENDENT NORTH/SOUTH COMMISSION
"BRANDT COMMISSION"

Background:

IBRD President McNamara proposed in January 1977, the establishment of an independent commission to identify possibilities of restructuring the relations between industrial and developing countries. Willy Brandt of West Germany agreed to serve as head of the Commission. According to Mr. Brandt, the Commission is not to interfere with ongoing intergovernmental negotiations, but rather will try to supplement present endeavors and attempt to arrive at equitable solutions capable of political realization. The Commission will also strive to enhance public awareness of the need for increased cooperation between rich and poor countries. U. S. Commission members are Katherine Graham and Peter G. Peterson. A complete list of members is attached.

U. S. Position:

The Commission can make a valuable contribution to the North/South dialogue on development. Because it will consist of individuals rather than governments, the Commission's work will be a useful complement to ongoing efforts in other fora, such as the World Bank and the United Nations.

Mr. Brandt has stated the Commission's fundamental objective as the identification of politically feasible courses of action which are in the mutual interest and which can command the support of rich and poor countries alike. We support this objective and believe its attainment may provide a significant contribution to improving North/South relations.

The Commission can also help in bringing the developing countries into the international economic system by underlining their responsibilities in the world economy and defining how developed and developing countries can both contribute to a constructive international economic environment benefiting both the North and South.

While we recognize the private nature of the Commission, we will be happy to respond to requests for assistance, e.g., providing information and data on U. S. assistance efforts.

FYI. In September 1977, Brandt advised President Carter that Henry Kissinger would be nominated as one of the American members of the Commission. Brandt had earlier consulted with Secretary Vance on the Kissinger nomination. Dr. Kissinger declined to serve on the Commission but indicated that he would be available as a consultant. END FYI.

Attachment:

Brandt Commission Members.

BRANDT COMMISSION MEMBERS

The following have been asked to serve on the Commission:

Mr. Abdlatif Y. Al-Hamad, Kuwait
Mr. Rodrigo Botero Montoya, Colombia
Mr. Antoine Kipsa Dakoure, Upper Volta
Mr. Eduardo Frei Montalva, Chile
Mrs. Katherine Graham, United States
Mr. Edward Heath, United Kingdom
Mr. Amir H. Jama, Tanzania
Mr. Lakshmi Kant Jha, India
Dr. Adam Malik, Indonesia
Mr. Pierre Mendes-France, France
Mr. Joe Morris, Canada
Mr. Olof Palme, Sweden
Mr. Peter G. Peterson, United States
Mr. Shridath S. Ramphal, London; Guyana
*Mr. Nobuhiko Ushiba, Japan
Mr. Layachi Yaker, Algeria

*As Mr. Ushiba has become a member of the Japanese government, it is probable that he will be replaced on the Commission.

COMPOSITION OF COMMODITY CATEGORIES FINANCED BY AID

Commodity expenditures in FY 77 amounted to approximately $773 million which represents an increase of about 23% over FY 76. This figure consists primarily of nonproject commodity expenditures. Project commodities accounted for about $100 million of the total figure. Many AID-financed commodities for projects are not included in the statistics, such as commodities purchased with local currency and commodities purchased directly by contractors.

Approximately 97% of the $773 million total was expended for commodities purchased from the United States.

AID finances a wide variety of commodities under project and nonproject assistance. The major commodity categories which AID financed during FY 77 were Foodstuffs, which represented nearly 30% of the expenditures; Oil Seeds and Nuts, principally soybeans, almost 12%; Animal and Vegetable Oils and Fats, about 9.5%; and Motor Vehicles and Parts, including busses, aircraft and parts, which accounted for almost 7% of the total commodity expenditures. Fertilizer, which was a major item financed by AID in recent years, accounted for less than 3% of the commodity expenditure in FY 77 as compared with 10.7% in FY 76 and 21.6% in FY 75.

A table which specifies the dollar amounts for various commodity groups is attached.

FY 77 COMMODITY EXPENDITURES BY MAJOR COMMODITY GROUPS

COMMODITY GROUP		EXPENDITURES ($ Millions)
Raw Materials and Semi-Finished Products		313.4
Chemicals, except fertilizer		32.9
Iron and Steel Mill Products		5.5
Fabricated Basic Textiles		22.6
Pulp, Paper and Products		18.9
Animal and Vegetable Oils and Fats		72.8
Tobacco and Manufactures		18.8
Oil Seeds and Oil Nuts		91.5
Petroleum Fuels and Non-fuels		1.4
Miscellaneous		49.0
Machinery and Transportation Equipment		194.9
Machinery and Equipment and Parts		141.2
Generators and Motors	8.8	
Tractors, all types	21.6	
Engines and Turbines	9.8	
Industrial Machinery	46.9	
Miscellaneous	54.1	
Transportation Equipment and Parts		53.7
Trucks	9.3	
Busses	12.5	
Aircraft and Parts	14.6	
Miscellaneous	17.3	

Fertilizer and Feed	25.0
Fertilizer	20.2
Feed for Animals	4.8
Foodstuffs	230.3
Miscellaneous	9.7
Total	773.3

CARGO PREFERENCE/OCEAN SHIPPING

Issue: The Cargo Preference Act obligates AID to ensure that at least 50% of the tonnage of AID-financed commodities is shipped on US flag vessels, when they are available at fair and reasonable rates for US flag vessels. Additionally, AID has accepted responsibility to ensure that PL 480 Title II food assistance shipments comply with the Cargo Preference Act. Compliance for both programs must be achieved separately by three types of shipping: dry bulk carriers (tramps), dry cargo liners, and tankers. This requirement can increase the costs of transportation, principally when dry bulk carriers or tankers are needed.

Policy: AID imposes Cargo Preference requirements as to AID-financed commodities on each borrower/grantee by the terms of each loan or grant agreement, and on the shippers of PL 480 Title II commodities by letters of instruction and special agreements.

FY 77 Performance for AID-Financed Commodities:

a. Cargo financed totalled 2.5 million tons. US flag vessels were not available for 1.5 million tons, principally because there were less than a dozen suitable US flag dry bulk carriers operating during FY 77. For the remaining 1.0 million tons, US flag vessels carried 66%.

b. About 2.1 million tons were carried by dry bulk carriers. US flag vessels were not available for 1.4 million tons. For the remaining 700,000 tons, US flags carried 477,000 tons or 69%. Israel's program generated 1.8 million tons of grains and soybeans which needed this type of vessel. Israel repeatedly sought US flag vessels but could obtain only enough for 400,000 tons.

c. Dry cargo liners carried 299,000 tons. No US flag liners were available for 26,000 tons of asphalt and equipment purchased in the Far East for Indonesia. Of the remaining 273,000 tons, US flag liners carried about 158,000 tons, or 58%.

d. Tankers carried 105,000 tons of tallow to Egypt and liquid chemicals to Israel. No suitable US flag tankers were available.

FY 77 Performance for PL 480 Title II Commodities:

The three shippers of these commodities (US Non-Profit Voluntary Agencies, the USDA, and the World Food Program) shipped a total of 1,280,000 tons. Of this, some 751,000 or 58% was shipped on US flag vessels.

Potential Problem Areas:

a. The GAO is reviewing several Federal agencies' compliance. Their review of AID is completed, and the November 1977 exit interview was favorable. But the eventual report may advocate that cargo preference be applied by AID to two areas which AID considers exempt. One would be to cash grant transfers. The other is to shipment of VOLAG commodities not financed by the USG, although the ocean freight is reimbursed by AID.

b. In the last session of Congress, AID was required to furnish historical data on cargo preference performance to the staff of the House Merchant Marine Committee. The Chairman had announced a study of the administration of the statute and how it might be tightened to provide more cargo for US flag vessels.

c. Sec. 640C of the FAA authorizes (but does not direct) AID to use grant funds to finance ocean freight differentials. This differential is the higher cost, if any, of shipment on US flag vessels required by the Cargo Preference Act. AID sought this authority, but has found it impracticable to make significant use of it. There has been little or no interest from Congress to date on its use. But there may be in the coming Session. Sec. 214 of the International Development and Food Assistance Act of 1977 (PL 95-88) called for a Presidential study for 5 committees of Congress on payment of differentials on PL 480 commodities. OMB is preparing the study. They may broaden its scope to include AID-financed commodities, partly in recognition of the inter-related foreign assistance purposes of the PL 480 and AID programs. OMB has asked for and been furnished a description of the impact of ocean freight differentials on AID's programs. AID estimates the current impact is about $20 million per year. OMB's report, due February 3, 1978, may arouse committee interest in AID's use of Sec. 640C. If OMB's report is completed prior to the AID hearings, their recommendations will be included in an update of this paper.

MANDATORY RETIREMENT

Issue

On June 28, 1977, the District Court held that the mandatory retirement provisions of Section 632 of the Foreign Service Act violates the equal protection clause of the Constitution and that participants in the Foreign Service Retirement and Disability System cannot be subject to automatic retirement until age 70.

Agency Position

State, AID, and other agencies recommended that the decision be appealed. At the present time we are awaiting a determination from the Solicitor General of the United States on whether or not he will present an appeal of the District Court decision on mandatory retirement to the Supreme Court. We are encouraged by the fact that he recently asked for an extension of time until mid-February and are hopeful that he will ultimately decide to take the appeal to the Supreme Court.

To date the impact of the court decision has been negligible in AID. In 1977 33 employees were scheduled for mandatory retirement; 25 were mandatorily retired prior to the Court's decision, two others subsequently retired voluntarily. In 1978 there would have been 44 employees scheduled for mandatory retirement. Seven of these employees retired voluntarily in 1977.

As an incentive for employees to retire, the Civil Service Commission has presented a legislative proposal to OMB which would permit those employees whose salaries are $47,500 to retire on their high "one" earnings rather than high "three". To date we do not know whether the Executive Department will endorse this proposal. However, since the maximum benefit received from this proposal would begin to diminish if exercised after March 31, 1978, it appears that there is little likelihood of Congress taking action unless it is submitted to them immediately.

AID TRAINING PROGRAMS

A. TRAINING AND ORIENTATION FOR NEW-HIRE PERSONNEL

* Orientation Programs: A variety of special orientation programs ranging from 1-4 weeks are offered to all new Agency direct-hire personnel as well as PASA and contract employees.

* Language Training: Employees assigned to overseas positions with language requirements who do not have the needed level of proficiency are required to receive appropriate training up to 44 weeks in Washington before departure to post. Part-time language training is also provided to meet Washington employees' job-related needs.

* IDI Training: Each new class of International Development Interns during their initial 9 weeks in AID/W are given intensified training in such subject matter areas as the AID programming and documentation process, management training, team-building and simulated field work dealing with project analysis, design and evaluation. Following this the IDI's receive two years of on-the-job training in AID/W offices and overseas missions specifically tailored to their academic and professional backgrounds.

B. TRAINING FOR IN-SERVICE PERSONNEL RELATED TO FIELD NEEDS

* Development Studies Program: A 12-week professional course for mid-career development officers focusing on AID's development policy, theory and concepts, and data collection and analysis skills relevant to project design.

* Project Management Seminars: A two-week program dealing with the various roles, techniques and methodologies of managing field projects.

* Project Design and Evaluation Workshops: A one-week advanced level presentation on AID's project design and evaluation concepts and techniques.

* Analytical Skills Seminars: A two-week workshop to develop analytical skills needed in identification, planning, design and implementation of projects in accordance with the Congressional Mandate.

* Interaction Management Seminars: A one-week program dealing with techniques in managing a complex network of resources, collaborative goal-setting and problem-solving, change strategies, conflict resolution, negotiating and styles of interacting with the environment in which AID works.

* Financial Analysis Program: A 12-week advanced level program in professional development for Financial Management personnel. Emphasis is on improving employees' analytical skills and increased

knowledge of financial practices and cost-estimating techniques within the frame of economic and social development theories.

* AID Contracting for Non-Procurement Personnel: A three-day course covering the various types and use of contracts as well as AID contracting procedures.

* AID Commodity Management for Project Support: A two-day course dealing with commodity procurement and the management process for obtaining equipment, supplies and other commodities in support of AID-financed projects.

* Techniques of Initial Environmental Examinations: A two-week course designed to increase the capability of Project Officers to assess the environmental impact on AID-sponsored projects.

* Nutrition Training: A planned one-year program to train a select cadre of participants to carry out the Agency's responsibilities in planning and implementing nutrition programs overseas.

* Agricultural Technicians Training Program: A 2-3-month refresher training program designed to provide overseas technicians with the opportunity to update their skills and knowledge at select Agricultural universities.

* Administrative Management Executive Development (AMED): This is an individually tailored 1-3-year program in planned executive development to train Foreign Service Officers who will be managing worldwide administrative and logistical support systems for AID.

* Foreign Service Staff Career Development: A two-year combined program of academic and on-the-job training designed to provide FSS employees with an opportunity for career development to the Foreign Service Reserve and enable the Agency to take full advantage of existing personnel resources to meet field needs.

* Training Foreign National Mission Employees: Training programs in the U.S. are individually tailored upon request from the mission. These are usually of 1-3-months duration, based upon individual or mission training needs.

* AID also offers a wide variety of other training opportunities which relate directly to Foreign Service activities as well as individual career and professional development. These opportunities range from attendance at short courses, conferences and workshops to one year of academic study at select colleges and universities.

INTERNATIONAL DEVELOPMENT INTERN (IDI) PROGRAM

Current Status

The International Development Intern (IDI) Program is a two-year program designed to recruit, select and train a highly qualified cadre of young professionals for the Foreign Service. From the beginning of the program in July 1968 to the present, A.I.D. has hired 382 IDI's and conducted 14 training classes. The retention rate of interns who have completed the two-year training program is 78%, a cut above most government intern programs. Our female IDI rate has continued to increase. As of January 1978, 45 (31%) of the 146 IDIs currently in training status are female.

The annual input of IDIs into the Agency is planned at 6% or 7% of the total employment ceilings for any given Fiscal Year. Normally, two IDI classes are conducted annually (Spring and Fall).

Recruitment and Selection

Candidates for the IDI Program are recruited from several sources. Emphasis is placed on those with education and work experience in the fields of agriculture, health, nutrition, population, education, economics, financial management, business administration, and engineering. Candidates with previous overseas experience and foreign language fluency are of special interest. Normally the Agency receives about 3,000 inquiries for each IDI class, resulting in approximately 1,000 completed applicants. Through a six-stage selection and clearance process, these 1,000 are then pared down to those who will be appointed as Foreign Service Reserve Officers. Each stage of the process measures the level and degree to which each candidate meets and competes with others with respect to published qualifications, program criteria, technical excellence, personal characteristics, career potential, and health and security standards.

Training

Generally interns are brought on board with a specific country of assignment and target occupational specialty. Training is individually tailored to provide interns with the knowledge and opportunity to understand and work effectively within A.I.D.'s broad and complex range of functions and activities.

The two-year training program begins in Washington with nine weeks of group training, consisting of orientation; seminars which provide interns with a better understanding of international, political, social, and economic foreign policies and objectives and their impact on A.I.D.'s programs; workshops which guide interns through the Agency's program process and documentation flow; seminar in management and team building; and a two-week development project conducted in a nearby community. Area studies and language training are provided (as individually required) prior to departure for overseas.

After the initial group training interns spend from one to three months with their parent Regional Bureau prior to assignment overseas. Basically, the period of on-the-job training in AID/W supports the mission phase of training for the intern. The remainder of the two-year program is conducted at the mission to which the intern has been assigned. During this period training consists entirely of on-the-job training and includes interfunctional assignments as well as field trips.

Entry Level/Promotion/Conversion

Beginning with the Fall 1977 IDI Class, three major changes have been incorporated into the IDI Program... the entry level, promotion and conversion procedures.

Interns now enter the program at either the FSR-L 7 or 8 level depending upon their educational background and related work experience. Previously, all interns entered the program at the FSR-L 7 level.

The first of the two promotions which may be earned annually during the program is subject to recommendation by a Career Review Panel. The second is subject to the same type of recommendation, but within the number of promotions authorized by the Director of Personnel. Also, to be considered for the second promotion, an intern must have proficiency at the S-2 level in a foreign language which has been tested at the Foreign Service Institute. Interns in prior classes were promoted to the FSR-L 6 level upon successful completion of one year of their training program and to the FSR 5 level at the end of two years. Review and recommendations for promotion were made by the IDI Project Manager and the Chief of Foreign Service Personnel Division.

The interns who entered the Fall 1977 IDI class will be eligible for conversion consideration to Foreign Service career status upon completion of three years of service. Interns in prior classes were converted to an unlimited appointment in the Foreign Service upon successful completion of the two-year training program.

Assignment

At the end of their two-year training program, interns are assigned to regular positions and complete the remainder of their overseas tour.

Program Management

All phases of the two-year IDI Program are directed and monitored by the IDI Project Manager located in AID/W in the Office of Personnel and Training. IDI Coordinators in AID/W Bureaus/Offices and overseas missions assist the Project Manager in implementing and coordinating training activities.

Reference

Additional information regarding this subject is contained in Handbook 28, Chapter 5.

AID'S PROGRAM SYSTEMS IMPROVEMENT EFFORT

Background

A two-year task force to improve the Planning, Budgeting, Accounting, and Reporting (PBAR) system of AID completed its assignment in the summer of 1976.

This task force recommended:

1. Improvement of the documentation setting forth AID's long-range program strategy, mapping sector development strategy for a country, or set of countries; a new project assistance identification, design, approval, implementation, and accounting system which integrates the separate procedures and documentation formerly used for different types of assistance, i.e., Capital, Technical and Loan/Grant.

2. An increased emphasis on project planning, design, and evaluation requirements concerned with the New Directions requiring more extensive social and economic analysis, better implementation planning, and criteria to insure that projects are accomplishing their intended purposes.

3. A series of Management Information Systems within a data base management system to support the operating systems above. These systems include:

   - A Country Program Data Bank (CPDB) to track the project planning and approval process, and provide budgetary information about proposed projects.

   - A Project Accounting Information System (PAIS) to track the planned and actual financial progress of projects during implementation.

   - An Economic and Social Data Bank (ESDB) to provide macro, sector, and selected micro-economic and social data on some 140 countries.

   - A development Information System (DIS) to provide analytical data on AID's past project experience, and related technical information for designers of <u>new</u> AID projects.

Under the new administration, AID carried out an intensive review of the PBAR Task Force recommendations. This review in late 1977 resulted in:

1. A streamlining of the paperwork associated with both the long-range program strategy, and the project assistance, identification, design, and approval system, and a decentralization of approval authorities.

2. An endorsement of the strengthened planning and evaluation requirements with a reduction, however, in field reporting.

3. An endorsement of the automated management information systems with the conditions that they:

   a. be responsive to the decentralized management requirements;

   b. serve to minimize paper flow;

   c. undergo cost effectiveness evaluation in two years.

Current Policy/Situation

Additional analysis is now going on to further reduce paper flow and expedite project approval processes. Detailed study is going on of the best means of utilizing the growing availability of computerized information for long-range country level policy formulation and evaluation, particularly in reference to Section 102(d) criteria.

All management information systems are operational and the first sub-system in specific support of a regional bureau is in operation.

The "Green Book" (Overseas Loans and Grants), as well as portions of the economic, social, and project data for the Congressional Presentation is being produced by automated processes. Over 200 requests for historical and technical data have been provided for project designers and evaluators. Ad hoc inquiries from inside and outside the Agency for data are being answered through the systems on a daily basis.

Further training is being carried out to increase user decentralized capacity to use the systems.

Future

With basic systems now operational, work will continue in the development of sub-systems for specific support of Bureaus. These sub-systems will reduce the requirement for paper flow and will place vitally necessary management information in the hands of those responsible - the bureau managers. Historical and technical data, along with social and economic data will continue to be provided to project designers and evaluators, which will sharpen both our project design and our ability to assess program impact - something Congress has indicated a high degree of interest in. The availability of a consistent data set of social and economic indicators and historical and planned program data, along with professional analysts familiar with the data base will increase our ability to perform sophisticated analysis to evaluate alternative program strategies at country, sector, and global levels.

U.S. OWNED EXCESS OR NEAR EXCESS LOCAL CURRENCIES

Congressional Perspective

In past hearings, some Congressmen have urged the use of excess foreign currency holdings of the U.S. Government as a substitute for new dollar appropriations. Section 612 of the Foreign Assistance Act requires use of excess foreign currency to carry out the purposes of the FAA to the maximum extent possible. Sections 108 and 110 of the Foreign Assistance Appropriations Act of 1978 stipulate that appropriate steps shall be taken to assure that, to the maximum extent possible, United States owned foreign currencies are utilized in lieu of dollars for official residence expenses and for representation allowances.

Current State

As of September 30, 1977, Treasury's balances of local currencies available for U.S. Government use (as distinct from use by the country of origin) which are in excess or near excess of requirements for the next few years are as follows:

Countries with AID Programs	Excess Currency	Near Excess Currency
	($ Million Equivalent)	
Egypt	188	-
Guinea	8	-
India	812	-
Pakistan	172	-
Tunisia	-	18
Sri Lanka Republic	-	1
Sudan	-	1
Syrian Arab Republic	-	1
Subtotal	1,180	21
Other Countries		
Burma	11	-
Morocco	-	8
Poland	-	186
Yugoslavia	-	10
Subtotal	11	204
TOTAL	1,191	225

Indian Rupees

The largest of the U.S. owned local currencies are Indian rupees. The disposition of these rupees was decided by the February 18, 1974 agreement signed with the Government of India which provides for the use of $1.1 billion equivalent to pay for U.S. Government expenditures in India in rupees, not dollars. These balances were originally estimated to be sufficient to cover U.S. needs for about twenty years, but it now seems likely that these rupees will be expended within a shorter period. That agreement also provided for the prepayment by the GOI to the U.S. of all sums it owes the U.S. under PL 480 and Development Loan Fund loans repayable in rupees. In turn, the U.S. agreed to grant to the GOI $2.2 billion equivalent to promote agricultural and other economic development in India.

AID Policy

AID maximizes the use of U.S. owned excess foreign currencies for administrative costs overseas and for the local currency costs of economic development programs, as required by Section 612 of the FAA, to the full extent consistent with overall program objectives.

In response to questions concerning the possibility for substituting U.S. owned currency for dollar appropriations, especially those dollars used for local currency financing, it should be pointed out that:

-- The use of U.S. owned local currency in development projects does not represent a transfer of additional real resources, since it does not bring new goods or services into the economy.

-- The act of spending local currency accumulations for a current activity can be inflationary (similar to printing money) if an inflow of real resources does not take place.

BARTERING FOR U.S. FOREIGN ASSISTANCE

Summary

-- The Agency is continuing to explore ways in which the Barter Amendment (section 663 of the FAA) can be implemented to best achieve the purpose of the legislation, namely to secure strategic raw materials for the United States.

-- While the United States is heavily dependent on certain raw material producers for some strategic commodities and there are a number of cases where these producers are aid recipients, the institution of foreign assistance bartering involves certain problems; among them are the following: 1) annual aid repayment from individual producers would involve small amounts of raw material as a proportion of U.S. import requirements; 2) there are doubts that individual producers would honor a commodity repayment commitment if they decided to limit their exports of strategic commodities to the United States, as with an embargo; and 3) in the absence of such producer action, international trade provides us with one means of access to these commodities.

-- The Agency will continue to analyze the barter provision to ascertain if a feasible program can be established which meaningfully adds to the security of our strategic commodity imports and preserves the intent of our development assistance program. One method which we are implementing is to include a provision in future "umbrella" assistance agreements which guarantees nondiscriminatory, U.S. commercial access to raw materials in the aid recipient's territoty. A number of provisions of this kind are included in existing agreements.

The countries included are; Turkey, Greece, Philippines, and Thailand.

EXPROPRIATION

Our approach to the problem of expropriations of property owned by U.S. firms or citizens abroad is guided by the Executive Branch's policy statement of January 1972. The elements of that statement, as modified by subsequent legislation, were:

-- While we questioned the wisdom of expropriating private property, we recognized that expropriation is a matter of sovereign right if the taking is nondiscriminatory, for a public purpose, and if prompt, adequate, and effective compensation is forthcoming.

-- If adequate provision for compensation, defined as fair market value of the expropriated property, is not made, there would be a presumption against extending new bilateral economic benefits.

-- The presumption would not apply as long as it is determined that the country is taking reasonable steps to provide such compensation.

-- Exceptions could be made if there were major factors affecting U.S. interests that required continuance of the benefits.

-- The policy is consistent with the legislative requirement of section 620(e) of the Foreign Assistance Act (FAA), which provides for an aid cutoff if U.S. owned property is expropriated without adequate provision for compensation unless the President determines that a waiver of the cutoff requirement is important to the national interests of the U.S.

-- The provisions of the Trade Act of 1974 with respect to the Generalized System of Preferences are similar.

-- There are a number of countries where investment disputes or expropriation problems exist today (such as Ethiopia, Madagascar, Nigeria, Bangladesh, Syria, Algeria, Lebanon, Kenya, Tanzania, Panama, Zaire, CAE, Congo Brazzaville, Benin, Chad, El Salvador, Indonesia, Yemen, and Somalia), but no

current problem has reached the stage where formal invocation of the FAA amendment has become necessary. (In fact, formal invocation is extremely rare.)

SHARP INCREASES IN INDIVIDUAL AID COUNTRY PROGRAMS

Members of Congress are sometimes concerned by what they see as a dramatic increase in the dollar level of an AID country program from one year to the next. Congressman Bill Young, for example, expressed dismay in a recent Republican Congressional Committee magazine article because in looking at the FY 1978 CP, he noted a threefold increase in the Panama program, a fourfold increase in the Rwanda program ($.5 million to $2 million), and a sixteenfold increase in the Dominican Republic program. He questioned how effectively these increases can be "absorbed to avoid administrative waste and still make a significant contribution to the development process."

--An increase (or decrease) in a country level between two fiscal years can be the result of policy considerations.

Examples: Reestablishment of AN AID program in India--a Congressional policy decision;

An increase in the overall level for the Caribbean Region--an Administration policy decision to concentrate on employment problems in the region and on the problem of undocumented workers in the United States.

--But an increase (or decrease) in a country level between two fiscal years is more likely to be the result of the project process. A dramatic fluctuation in a country level from one year to the next can be caused by the timing of a single project.

Example: Congressman Young referred to a proposed sixteenfold increase in the Dominican Republic program between FY 77 and FY 78. In FY 77, AID did not intend to authorize any loans; the $0.7 million program was all grant. For FY 78, however, the Agency felt that in addition to a grant program of a similar magnitude as the previous year, we would be ready to proceed with a $10 million Agriculture Sector loan. That one project accounts for the entire increase.

--The project process also can cause a change between what is proposed for a country in our Congressional Presentation and what will actually be obligated by the end of the fiscal year. The project authorization process is a lengthy and complex one. Between the time we propose the project to the Congress and the time it is authorized (up to a year and a half later), it undergoes continuous refinement until the Agency knows in detail what the project will involve and how much it will cost.

Example: In February 1977 (the FY 78 CP), we estimated that we would obligate $7.9 million in Panama during FY 1977, including a $7 million integrated rural development loan, and proposed $23.8 million for FY 78. This year's Presentation indicates that we actually obligated $13 million in FY 77 (the difference being accounted for mainly by a $2.7 million increase in the rural development loan and a $2.5 million amendment to an existing education loan). It also indicates that our original proposal for FY 1978 has been revised downward by $3 million.

--The intent of allocation decisions is more realistically demonstrated by examining trends over a period of several years.

Examples: There has been an up-and-down trend in Dominican Republic levels as far back as FY 1970.

Assistance to Korea declined steadily from a $60.6 million level in FY 71 to a total phaseout by the end of the FY 1976 Transitional Quarter.

Assistance to Haiti has demonstrated a generally steady increasing trend from a low of $1.6 million in FY 70 to the $20 million range arrived at in FY 1977.

The Magazine of the National Republican Congressional Committee January 1978

International Banks Funnel U.S. Dollars Countries Hostile to Our Interests

by Rep. C.W. Bill Young

Our Foreign Aid Program is not what most Americans think it is or want it to be. From 1946 through September 30, 1977, it is estimated that the United States will have provided foreign assistance amounting to almost $200 billion. This year alone, our foreign aid will cost Americans $6.8 billion.

C.W. Bill Young represents the 6th District of Florida in Congress. First elected to Congress in 1970, Rep. Young serves on the House Appropriations Committee and is the ranking minority member of the Subcommittee on foreign operations.

The American people are generous, and I have no doubt that they would support a foreign aid program that [illegible]ly accomplishes the goals of helping [illegible]dy in the world. At the same time, I [illegible]w that they do not support the program as currently constructed, in part because it provides aid to countries which are openly hostile to this nation and its high standard of individual freedom — countries like Uganda, Vietnam, Laos and Cuba. I simply do not believe the American people consider aid to Uganda and Vietnam to be in our national interest or want their money going there either directly or indirectly.

While it is true that these nations will not receive "direct" assistance through our bilateral programs because of restrictions the Congress placed on this year's foreign aid appropriations bill, they will be receiving American tax dollars "indirectly" through multilateral institutions, like the World Bank and the United Nations. During the next five years the United Nations Development Program (UNDP) plans to spend $30 million for Uganda, $17.7 million for Laos, $44 million for Vietnam, and $13.5 million for Cuba. The United States will be contributing $115 million this year to the [illegible].

[illegible]addition to the UNDP, Vietnam is [illegible] considered for two "soft" loans from the International Development Association, which is part of the World Bank Group. A "soft" loan is a 50 year loan with nothing being repaid during the first 10 years — with no interest at all for the entire 50 years — only a small "service charge" is assessed. Idi Amin is still receiving funds from several IDA "soft" loans approved in earlier years. In addition, Uganda is one of three members of the East African Community which have received more than $240 million from the World Bank, including $15 million in FY 1976 alone.

There are other flaws in our Foreign Aid Program. The Agency for International Development (AID) is responsible for managing our bilateral development assistance programs. These programs are aimed at the poorest people in the so called "developing countries" for specific projects including food and nutrition, health, population, and education. There are several countries which will be receiving substantial increases in their program levels for development assistance in fiscal year 1978.

As an example, in fiscal year 1977, Panama received $7,945,000 in development assistance, while this year, fiscal year 1978, Panama will be receiving $23,774,000. This is a tripling of that program level in just one year. When a country's program level increases by fourfold in one year's time, as in the case of Rwanda, or 16 times as in the case of the Dominican Republic, how effectively can these increases be absorbed to avoid administrative waste and still make a significant contribution to the development process?

In the absence of extraordinary circumstances, AID should avoid such drastic increases in program levels from year to year for individual countries. The possibility for abuses occurring is greatly enhanced and at best it is difficult to determine that these increases are justified.

What troubles me even more than these flaws in our bilateral programs, is the multilateral institutions, and in particular the international financial institutions (World Bank, IDA, International Finance Corporation, Asian Development Bank, Inter-American Development Bank, and African Development Fund). My interest in these international banks began when I attempted to trace the dollars that flow from these banks to South Korea in order to see if any of that money was coming back to the United States in some form of bribe. I found that I could not trace that money and many of my questions on this subject went unanswered. Besi[illegible] unable to trace the money flo[illegible] loans to South Korea, we are unable to trace [illegible] the loans made by the international b[illegible] to countries throughout the world. [illegible] cannot see audits of loans made by the banks. In fact, I attempted to sit in on a board meeting of the World Bank when decisions would be made on loans, and Mr. McNamara, chief of the World Bank, turned me down.

The executives of these international banks refuse to appear before Congress despite the fact that the United States is their largest contributor. Employees of the international financial institutions make as much as 57 percent more than comparable positions in the U.S. Civil Service, and these employees pay no income tax on their salaries. In addition, World Bank employees are entitled to personal loans from the bank at interest rates as low as 4 percent. It is time we quit trying to fool the American taxpayers by continually telling them that their contributions are going to the "poorest of the poor", when actually a lot of it goes to the "richest of the rich".

The Administration currently is examining the possibility of doubling the Foreign Aid program by 1982, with much of this increase going to multilateral institutions. What we are seeing is a new direction in international affairs and it appears that this new direction is away from national control of our economy to international control of, in Secretary of State Cyrus Vance's words, "a new international economic system". There are other voices in the Administration that are equally as alarming as Secretary Vance. Under Secretary for Economic Affairs, Richard N. Cooper, stated on May 25th that the international banks should eventually become an "umbrella, a catalyst" for all international finance.

I don't believe this approach is in the interest of the United States and for that reason I have repeatedly called for a national debate on this new direction in our foreign policy, a debate in which the American people can learn the truth about what is about to happen in the field of international finance.

This issue is too important to leave to bureaucrats who admittedly want to establish a single umbrella for world finance. Whoever controls the world's finances controls the world's economies, and whoever controls the world economy can actually control the world itself. Although we are the largest contributor, these international financial institutions are not answerable to the United States Congress, and there will be no guarantees these institutions will be any different from the policies that come from the United Nations General Assembly. □

CRITERIA FOR ALLOCATION OF DEVELOPMENT AID (Section 102d)

Description Of Issue:

The Agency must propose "criteria and factors" for assessing recipient countries "progress and commitment" toward meeting the objectives of Chapter I of the Foreign Assistance Act. The objectives are numerous and overlapping, sometimes contradictory and ill-defined. A report proposing specific criteria and factors was submitted to Congress on January 31, 1978, as required by the statute.

Background:

Section 102(d) is seen by some influential backers (e.g., Professor Roy Prosterman, University of Washington, who was primarily responsible for the original legislation) as a means to concentrate aid on recipient countries whose performance has been highly successful and thereby gain public and Congressional support for aid. Others see its purpose more to rationalize aid allocation according to a development philosophy that emphasizes participation by the poor. Prosterman continues to push for use of 102(d) criteria to concentrate assistance in a few countries and for limiting the criteria to the smallest possible number variables. He also has continued to stress that the criteria should be statistical. Other knowledgable people have a host of opinions on the ideal number of criteria, the mix of statistical and non-statistical items, and so forth. These wide-ranging opinions help explain AID's implementation difficulties.

Last year's Senate Subcommittee Report was particularly critical of AID's February 1977 interpretation of 102(d), opining that it "concentrated on discussing measurement difficulties and made little or no attempt to fulfill the requirements of the section."

AID Policy:

Our January 31, 1978 report should help meet the Senate criticism. It proposes specific criteria and factors for assessing country commitment and progress, with a mixture of statistical and non-statistical items. (I.e., we have taken a "non-Prosterman" approach.) It also emphasizes that application of the criteria to the budget process will be cautious and experimental, at least in the coming year or two, and that the Foreign Assistance Act mandates objectives other than those of 102(d) for consideration in allocating development assistance.

ADDITIONAL TALKING POINTS

The tasks required by Section 102(d) call for an approach that, especially in coordinating AID's work with other donors, is much more sophisticated than the legislation's original framers may have anticipated.

For example, assessment of a country's commitment to participatory development may require:

-- first, a clear statement of its development strategy, including its priorities at the subsector level;

-- second, quantitative measures over time of its expenditures for activities such as agricultural development, rural health, family planning, and education programs;

-- third, measures over time of the country's "self-help" efforts to raise and allocate development resources domestically, including policies that affect private savings as well as credit;

-- fourth, information on major indirect economic and institutional policies, e.g., those affecting exchange and interest rates, tariffs, quotas, taxes, subsidies, wages, land tenure security;

-- finally assessment of commitment also requires quantitative and qualitative information on the constraints or non-controllable determinants of performance that inhibit a government from taking certain policy actions or that inhibit these actions from having their intended impacts.

AID has found that the lack of reliable host country data, especially in sub-Saharan Africa and other "least developed" countries, has been almost an absolute barrier to straight-forward "statistical" assessment of commitment and progress. Nonstatistical analysis of host country socio-economic performance is a more realistic approach, although its application has been severely limited by the lack of "analytical" USAID mission staff. We are requiring, however, that our missions pay more attention to socio-economic performance criteria in setting forth their budget priorities and we continue to pursue the topic with individual recipients. Continuing refinement of performance criteria in future years will allow gradual strengthening, through the use of objective statistics, of our capacity to make informed judgements, particularly as collaboration with recipients and other donors yields concrete agreement. But quantitative criteria will always be support, rather than replacements, for informed judgements in our allocation decisions.

IMPLEMENTING TITLE XII

ISSUE: The Senate Foreign Relations Committee Report of May 13, 1977, reminded the Agency that the Committee expects full compliance with Title XII, particularly in terms of achieving the fullest possible utilization of the universities' resources and effective cooperation between the Board for International Food and Agricultural Development (BIFAD), created under Title XII, and the Agency in the implementation of the Agency's overall Food and Nutrition program.

AID POLICY: A.I.D. is implementing the provisions of Title XII in close cooperation with the BIFAD. It has been a little more than two years since the Title XII Amendment was included in the Foreign Assistance Act. During that period, the Board and its two subordinate joint committees were established to provide the mechanism for carrying out the objectives of Title XII.

The BIFAD mechanism, although technically constituted as an A.I.D. Advisory Committee, has a broadly defined participatory relationship with the Agency, which extends all the way from the development of agricultural sector strategy and policy to the review of annual program budget submissions and planning, design, implementation and evaluation of projects.

Title XII placed upon the Board the responsibility for developing and keeping current a roster of universities interested, capable and experienced in the international agricultural development field. The process of developing this roster involves an appraisal by the Board's subordinate unit, the Joint Committee on Agricultural Development (JCAD), of a college or university's capabilities for participation in international agricultural development programs after an expression of interest has been made by the institution. To date, more than 75 universities have been approved by the Board for inclusion on the roster.

The Board has maintained a close and continuing line of communication with the eligible institutions through such organizations as the National Association of State Universities and Land Grant Colleges and the American Association of State Colleges and Universities, in order to inform them more fully on the progress of Title XII implementation. It has also published a report on progress during its first year; this was distributed to all interested institutions. BIFAD intends to begin publication of a monthly newsletter on Title XII activities in the near future.

Meanwhile, the use of university resources to implement A.I.D.'s food and nutrition projects has increased dramatically over the past two years. The Board and A.I.D. jointly established definitions of activity categories for the purpose of estimating magnitudes of Title XII activity. These estimates indicate a relatively rapid and constant increasing trend for the years FY 1976 through 1979.

FUNDING LEVELS: In FY 1976, even though the BIFAD mechanism was not fully operational, about $100 million -- 17 percent -- of the Food and Nutrition budget was identified as relating to Title XII. This figure rose to $118 million -- about 21 percent -- in FY 1977 and to $196 million -- 33 percent -- in FY 1978. This represents an increase of 95 percent over the first two years of Title XII's existence.

Of the $196 million identified as Title XII-type activities in FY 1978, about $66 million is clearly identifiable as involving university contracts for strengthening agricultural institutions, research and agricultural technical advisory services in LDCs. An additional $76 million has a high probability of being implemented through U.S. universities.

A.I.D.'s proposed budget for FY 1979 projects an even more dramatic increase in Title XII operations. Activities costing approximately $400 million -- nearly 60 percent-- of the proposed FY 1979 food and nutrition budget fall within the Title XII definition agreed on by the Board and A.I.D. This represents an increase in Title XII activities of three hundred percent over a four year period.

INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

ISSUES: The SFRC report expresses a strong concern that IFAD not become another large bureaucracy but rather that it should operate with a minimum staff channeling its resources through existing institutions. Questions may also be raised with respect to salaries and why it has taken so long (over 3 years) to bring IFAD into existence.

AID's POLICY: IFAD represents one of the most important elements among U.S. efforts to assist the developing countries increase food production and improve nutrition. The $1 billion pledging target, which had delayed progress for nearly a year, was finally attained in December, 1976. The Articles of Agreement establishing the Fund were reviewed and approved by the Senate and House authorizing committees in early March, 1977. President Carter signed the U.S. instrument of acceptance in August, and at the same time designated A.I.D. Administrator Gilligan as the U.S. Governor to the Fund. The U.S. deposited its instrument of acceptance on October 4, 1977, thereby ratifying the IFAD Agreement for the $200 million U.S. contribution. Ratification by the other major donors quickly followed, and the inaugural session of IFAD's Governing Council was held on December 13-16. This officially launched the Fund's operations.

Although it has taken three years to make IFAD operational, it should now move very quickly into actual lending activities on the basis of the extensive groundwork and arrangements that have been completed by the IFAD Preparatory Commission. Throughout the preparatory work, the U.S. played a very active role in helping to design the Fund's organizational structure and operating procedures. All important U.S. views were adopted in setting up the Fund:

- - The relationship agreements negotiated with the United Nations, World Bank, regional banks, and the Food and Agricultural Organization assure that IFAD will, as the Congress intended, work closely with and through these international agencies.

- - Similarly, through U.S. insistance that IFAD itself be kept as small as possible, agreement was reached among member states to maintain a very lean and efficient organization with a professional staff of less than fifty.

With respect to salaries, IFAD has adopted the UN common system. This has the advantage of setting clearly defined limits on the salaries to be paid. Although some may feel that the UN pay scale itself is too high, we should also recognize that in the case of IFAD, the severe limits imposed on the number of staff means that each of these has to be especially well qualified making the average salary level higher than would be warranted in a larger organization. The President of the Fund will be paid $53,200 net. While the U.S. would have preferred a lower rate, it was the view of the majority of other members that IFAD's President should be paid the same salary as the Director General of the FAO.

CENTRALLY MANAGED CONTRACEPTIVE DISTRIBUTION

Issue: More than $40 million has been proposed by AID for the contraceptive delivery program for fiscal year 1978, despite evidence that in some cases contraceptives are piling up in warehouses abroad and many are not being distributed to or used by people in developing countries. The committee of conference therefore expects that any reallocations of the population account caused by appropriations lower than the authorized amount will be made by reducing AID's centrally managed contraceptive distribution service. The committee of conference does not intend that AID reduce, below the amounts programmed in AID's fiscal 1978 presentation, its grants to either the U.N. Fund for Population Activities or to private groups working in the population field.

AID Position: AID's policy has been to provide sufficient supply of contraceptives in country to fill the supply systems and maintain a reserve equal to approximately a one year supply. This supply is based on estimates of future use and because of the uncertainity attendant in such predictions may be above or below actual occurences.

Present Status: AID reduced the proposed investment in contraceptives from $40 million to $33 million based on revised country estimates of requirements. Funding for UNFPA and private groups was not reduced. In fact funding for Family Planning International Assistance was increased for 1978.

Oral contraceptive production of the magnitude required by the worldwide population program requires a two year pipeline off shore of the user country to assure adequate supplies. This lead times is based on five years experience with program activity. Our worldwide procurement and distribution of contraceptives allows management to adjust requirements up to the time of shipment based on the latest information available.

Condoms are purchased for delivery over a period of about one year and require a pipeline of only one year.

This type of management action would be difficult if not impossible if contraceptive procurement and management were not a central responsibility.

The development of an effective program to deliver family planning services to a population requires the concurrent development of technical personnel resources in developing countries to promote and provide these services and a logistics system that will make the contraceptive available to the user.

During 1977, AID provided technical assistance in commodity management to many countries in the developing world through advisors from the Center for Disease Control (CDC).

In Bangladesh, a joint effort by CDC, the AID Mission, UNICEF, the Government of Bangladesh and others has resulted in a workable national supply system with a supply manual and a new central warehouse facility.

In 1978 we have budgeted additional resources to broaden and increase the assistance available to developing countries for improvement of their commodity management capability. Furthermore, AID reinforces our concern for maintaining adequate, continuous records of supplies by requiring AID Mission to submit quarterly and annual service statistics reports and special studies of contraceptives requirements.

INTEGRATION OF HEALTH AND POPULATION PROGRAMS

Issue: The HIRC Committee intended to reemphasize the link between population planning and health in view of its preference for integrated programs.

A.I.D. Policy: As a general rule, health, population and nutrition activities in developing countries should be planned as an integrated whole. There are, however, some instances in which population/family planning programs logically are initiated separate from health programs in order to provide emphasis and rapid implementation just as was the case with such other categorical health programs as tuberculosis control, smallpox and malaria eradication.

Discussion of Activities: The extent of the integration of population/family planning programs with health programs is not generally recognized. Many LDC population programs are organized with a National Population Council or Board responsible for the direction of the national family planning program. The Chairman is usually the Minister of Health or the Minister of Planning and Economic Development and the Board usually includes representatives from finance, communication, agriculture, education, etc. A.I.D. has encouraged the involvement of all these Ministries in broad population programs.

Practically all population/family planning programs supported by A.I.D. provide family planning services through the Ministry of Health. As time goes on, the trend is for unipurpose family planning programs to add some maternal/child health services to the family planning services and for maternal and child health to add a family planning component to their services in order to make them more comprehensive. It is natural for the Ministry of Health to provide family planning services because:

1. The Ministry of Health has the necessary clinical and training facilities.
2. The same clinical health equipment can be used to provide family planning services.
3. Trained Ministry of Health staff are available to provide family planning services.
4. The Ministry of Health clientele, particularly pregnant and postpartum women, are most likely to accept family planning services.
5. Sterilization requires highly trained medical manpower and sophisticated equipment, at least for backstopping field sterilization, most easily provided by the Ministry of Health.
6. It is often more economical and efficient to provide family planning services by existing Ministry of Health resources rather than by duplicating their efforts.

For the reasons above, family planning services are usually integrated with health services at the working level even when there are separate administrations and budgets at higher levels.

There are equally valid reasons for not wholly integrating or submerging population/family planning programs within health programs under all circumstances.

1. Ministries of Health in LDCs tend to be weak and ineffective with low government priorities as regards both budget and personnel. That is why it is important to have a National Family Planning Council or Board with membership from other Ministries and particularly from the Ministries of Planning and Finance to obtain the needed resources to carry out an effective population/family planning program.

2. Although countries like China, Singapore and Costa Rica have successfully integrated population and health on a large scale, experience in most countries indicates that if family planning is just one more scope of work added to an already over-burdened health program not enough is accomplished. Successful population/family planning programs often require* a separate cadre of population/family planning staff dedicated to and trained in population/family planning and who have separate resources and authority from the highest levels to at least the district levels. This care is necessary to insure that funds and staff are actually devoted to family planning.

* at least initially

3. Where family planning services are provided as just one more health service with no special emphasis excessive growth rates will not be contained in time to provide the economic and social development envisioned by the Foreign Assistance Act. To provide comprehensive maternal and child health services including family planning is a slow, expensive process which tends to dilute the family planning effort and divert funds appropriated for family planning to the support of other general health services. Largely for these reasons, the 130 member countries of the World Health Assembly resolved in 1975 to radically change the emphasis on health services to low cost systems of simple design.

4. The discrepancy between the existing or prospective health services and those needed to reach the majority of the LDC populations that make the dependence upon a high cost comprehensive health infrastructure unrealistic. Consequently, the development of a low cost system for family planning and other basic services becomes essential. Successful family planning programs, like other basic health systems, require a large number of service delivery points as study after study shows that the great majority of LDC populations will only travel a few miles to accept a preventive health or family planning service. Thus, it is essential to increase the number of delivery points by using easily trained family planning auxiliaries, village supply points, household delivery systems, and commercial distribution systems, sometimes lumped together under the designation of community-based distribution.

Population/family planning programs as one type of categorical health program probably do more per dollar spent to reduce infant and maternal morbidity and mortality than most any other categorical health program with the possible exception of immunization or sanitation. No LDC health department now gives adequate service to its population and yet the size of their problem, that is the number of people to be served, will double in 25 years or so just as will the number of children requiring education. Population/family planning programs can help solve the balance between food and population resulting in improved nutrition which is currently

identified as the world's most urgent health action. Spacing and limiting children, so that women between the ages of 20 and 30 bear not more than three children spaced two to four years apart, can cut the infant and maternal mortalities in half in many developing countries.

PORTION OF AID POPULATION FUNDS TO SUPPORT

UNITED NATIONS FUND FOR POPULATION ACTIVITIES (UNFPA)

The HIRC report (page 24) says a substantial portion of increased funds for population planning should go to support the UNFPA. The conference committee report (page 27) says the committee does not intend that AID reduce its grants to UNFPA below the amount programed ($28 million) in AID's fiscal 1978 presentation.

The 1978 pledge to UNFPA is $28 million which is $3 million or 12½% greater than our 1977 pledge of $25 million.

With our pledge of $28 million for 1978 we demonstrate our continuing, strong support for UNFPA. This is consistent with our action of the past several years when we held to the pledge level of the Congressional presentation even though final Congressional appropriations for population planning were substantially reduced. This has required us to reduce many on-going programs substantially from presentation levels and to sharply curtail new starts and initiatives. Had we applied the cut in the final appropriations evenly to all projects, our pledge to the UNFPA since 1975 would have been as follows:

FY 1978 - $25 million instead of $28 million
FY 1977 - $22 million instead of $25 million
FY 1976 - $15.5 million instead of $20 million
FY 1975 - $16 million instead of $20 million

SUGGESTIONS FOR IMPROVING POPULATION PROGRAM

ISSUE:

HAC recommends studies on 1) the impact of population growth and development assistance on fertility, 2) country specific assistance policies, and 3) extensive dissemination of policy innovations; and suggests focussing development assistance on countries showing a positive interest in reducing population growth.

AID POLICY:

AID policies are guided by results of population impact studies and modified by changes in LDC policy objectives. These responsibilities are vested in the Office of Population and the appropriate regional bureaus. Similarly AID has placed responsibility for tailoring assistance to country specific circumstances in DSB, the regional bureaus and country missions, with support and coordination from PPC.

AID Policy to evaluate the impact of development assistance projects on fertility derives from Section 104(d) of the FAA. PPC is responsible for coordinating these reviews and supplying guidance for country missions.

It is also AID policy to use active host country interest in reducing population growth as one, but not the only, criterion for allocation of development assistance among countries. This derives from Section 102(d) of the FAA.

CURRENT STATUS:

Numerous studies of the consequences of population growth have been undertaken over the past ten years. A new study of note, conducted by an African research center, will examine the impact of population growth on staple food production in the Sahel.

The legal status of population control policies in LDCs is being monitored closely by the Law and Population Programme of Tufts University under an A.I.D. population grant. The project follows the trends and changes in laws bearing on population questions, and disseminates these findings in country monographs; an additional function of the center has been to keep its leadership up to date on existing population programs and current research.

Population assistance policies are tailored to specific country circumstances and needs. During the past year, country population strategies have been developed for El Salvador, Pakistan, and Morocco in close collaboration with host country officials.

A number of initiatives were undertaken during FY 76-77 to evaluate the impact of development assistance projects on fertility. With the enactment of Section 104(d) of the FAA, policies were initiated to develop specific guidance for conducting these evaluations.

Whether development assistance should be exclusively focussed on countries that are strongly committed to slowing population growth remains a matter of debate within the Executive Branch. However, withholding all forms of assistance does not appear to be an effective means of encouraging the adoption of population control policies. On the contrary, it can prove to be counterproductive since it is a clear attempt to impose U.S. views and overrule LDC initiatives.

Given AID's role as a bilateral aid agency empowered to respond to LDC needs as they are articulated by the developing countries, a policy of withholding all assistance until LDC and U.S. views on population are consistent would be a direct contradiction of the letter and spirit of U.S. foreign assistance.

STERILIZATION

THE ISSUE:

AID's Office of Population, in expending Title X funds, has always required that any programs being supported must be entirely voluntary.

The fall of the Indian Government in March of 1977, partly as a result of some of the coercive measures used in India's sterilization program, served to focus world attention on the issue of voluntary versus involuntary sterilization. There were no AID-funded activities in India during this period.

To respond to the intent of the Congress and to codify and clarify the Agency position on voluntary sterilization, AID issued Policy Determination #70 on June 14, 1977: "AID Policy Guidelines on Voluntary Sterilization" (attached).

AID's Policy

These Guidelines stipulate that AID funds can only be used to support voluntary sterilization activities which observe the following six conditions:

(1) Obtaining of fully-informed consent

This means that the patient understands the sterilization procedure to be done, knows the risks and benefits of the procedure, and knows of its irreversibility; it also means that the explanation was made to the patient in his or her own language.

The patient's witnessed signature or mark is required on the consent document and the signed consent document must be retained for three years.

(2) Availability of Other Methods

Other family planning methods must be readily available to insure that the patient has a free choice of approved methods.

(3) No incentive payments

No AID funds can be used to induce patients to accept voluntary sterilization; also, the cost of the procedure must be such that it does not favor voluntary sterilization over other methods.

(4) Quality Services

The medical personnel must be well trained and the surgical equipment should be the best available and suitable to the field situations in which it will be used.

(5) Integration with health

AID-funded voluntary sterilization services should be closely integrated with other health services so as to maximize their health effectiveness.

(6) Country Policies

AID-funded voluntary sterilization programs should be carried out in full cooperation with host country officials to avoid the possibility of misunderstandings. Particular care must be exercised to avoid undue emphasis on any ethnic, political or religious minority.

COMPLIANCE

These AID Guidelines on Voluntary Sterilization have been sent to all USAID Missions and to all Grantee Agencies utilizing AID funds in support of voluntary sterilization. Close monitoring is planned to insure full compliance. This monitoring will include:

(1) Review by the Grantee Agency and by AID/W of each new and each renewed subgrant to insure that provisions of PD #70 are included;

(2) Perusal by each Grantee Agency of all status reports submitted by subgrantees to see that PD #70 Guidelines are being observed;

(3) On-site inspection by staff members from Grantee Agencies, AID/W and USAIDs to insure compliance with PD #70 Guidelines at each AID-supported voluntary sterilization facility or activity.

(4) Withholding of further funds from any subgrant project whose compliance is in doubt until all questions are resolved.

(5) Including within the annual report of each Grantee Agency concerned a section detailing compliance with PD #70.

FUNDING:

The 1979 AID budget projections in support of voluntary sterilization are as follows:

INDIRECT SUPPORT ($Millions)

	FY 1977	FY 1978	FY 1979
RESEARCH	1.250	2.180	1.300
SERVICES AND TRAINING			
International Planned Parenthood	1.750	2.500	2.900
Pathfinder Fund	.750	.700	1.600
Family Planning International Assist.	1.710	2.000	3.800
Assoc. for Voluntary Sterilization	5.500	5.400	6.000
Population Council	.100	.100	.200
Others	.050		-
EDUCATION & TRAINING			
Johns Hopkins Program (PIEGO)	5.000	4.300	4.500
II GOV'T to GOV'T SUPPORT (Bilateral)			
ASIA			
Bangladesh	-	1.000	1.500
Indonesia	.090	.600	.700
Nepal	-	.400	.600
Pakistan	-	1.000	1.500
Philippines	.650	.530	.600
Thailand	1.825	1.500	1.800
NEAR EAST			
Morocco	.000	.200	.200
Tunisia	.300	.400	.500
LATIN AMERICA			
El Salvador	.200	.300	.100
Haiti	-	.100	.200
Jamaica	.090	.200	.200
Panama	-	.100	.100
Total	19.565	23.510	28.300
Total Population Assistance Budget	140.250	161.800	205.445

WITHHOLDING POPULATION FUNDS

The Agency has identified a critical element for population program success:

> "(1) Full official backing of fertility reduction as a national policy must be present, because of political, cultural, and religious impediments to effective programs."

The Congress has confirmed this point of view:

> "We would not wish to see the United States dictating population policy to other countries, but we also do not see any cause to provide funding to those who will not take the measures required for successful implementation of population planning programs."

Since it is both right and necessary to involve LDC policy makers in A.I.D. programs, it is nonsensical for U.S. funds to be devoted to sectors of low priority to recipient countries. This does not mean that LDC governments cannot reverse themselves on this potentially sensitive issue at a later date, nor does it preclude discussion of issues pertaining to population control.

But we must also recognize that:

(1) There are numerous countries where the demand for contraceptives exists but political leaders are reluctant to make family planning services available. This is demonstrated by the number of induced abortions (often illegal) that occur and the ready adoption of family planning methods once contraceptives are readily available. This has happened where religious leadership opposition exists, such as in Colombia, and where the political leadership has imposed a pronatalist point of view, as is the case in Brazil.

(2) The U.S. government has perceived the importance of controlling population growth on a global scale and often has pinpointed specific country needs before the country itself has become aware of the long range consequences of high population growth levels. Hence the U.S. should continue to demonstrate leadership in population control and support for LDC initiatives in this area.

This latter issue implies that negative views on population control measures can be reversed at least in the long run; and, that discussions among world leaders on the implications of population growth for development can be a useful means of convincing LDC governments of the need for population policies.

In some cases the role of private voluntary agencies can provide the needed impetus for government adoption of population control policies. This can be accomplished through related training activities (such as instruction of midwives), provision of non-governmental family planning services or research endeavors. It is clear, for example, that the International Planned Parenthood Federation's family planning program in Brazil demonstrated the popular demand for contraceptives. Through the efforts of the Brazilian private sector (under the auspices of the IPPF) both consumers and local leaders were educated in the alternatives to high birth rates. This has brought a slow but steady change in the policies of the Federal Government, exemplified by the tentative steps now being taken to devise a national population program. Investments by IPPF and UNFPA in the private sector, pertinent data collection and other internal encouragements had much to do with the Mexican Government's policy reversal that now sees Mexico implementing a sizeable program with substantial host government investment. In Colombia a fifteen point decline in birth rates was accomplished in a decade with much less than vigorous government commitment.

We must, however, be careful to measure the country's (including the private sector) commitment before large scale operations with substantial U.S. funding are involved. Pakistan is a case in point where our ability to measure country commitment was inadequate. Here was a situation where one would be interested in doing all that was possible to support population programs in a critically over populated country. Nevertheless, this is a case where the lack of government commitment made program implementation a dismal affair. There are other instances where we have concluded that the level of government involvement was insufficient to continue AID population involvement. In Bolivia and Ecuador we have phased out our population support until it becomes clear that the government is interested. We have phased down our involvement in Honduras for the same reason. We have not even initiated actions in many countries of Africa for this same reason. In certain cases we have determined that funding of some actions under health money is more appropriate than by Title X due to the only incipient nature of a concern for family planning as part of the MCH effort.

In keeping with world declarations that the knowledge and means to choose the timing and number of children is a basic human right, and in keeping with our perception of this service as one of the most effective practical means at our disposal to improve the health and welfare of poor families in the developing world, we will continue to seek, in all ways possible, and to stimulate a concern for high population growth rates even in countries where presently it is not recognized as a valuable tool or important program. Nonetheless, we will be careful in the stewardship of funds and are not prepared to fund actions where they are clearly not desired or where it is not likely that the government will be involved in the near future.

FAMILY PLANNING AS A COMPONENT OF RURAL INTEGRATED HEALTH DELIVERY SYSTEMS

It is contended that A.I.D. has resisted the concept of having family planning as part of rural health delivery systems. "Integrated" family planning and health delivery systems are felt to be more effective than single purpose family planning programs.

A.I.D.'s policy is to place family planning within health care delivery systems. This position is shared by all but a few developing countries that have family planning programs. Without exception, A.I.D. combines its family planning efforts with health delivery systems where such integration is the host country's policy.

Unfortunately, many LDC clinic-based health delivery systems do not reach the vast majority of rural populations where reliance is based on scarce health personnel and facilities. In other countries such as China, Singapore and Costa Rica, the health system has been adjusted to reach the majority. Since 1975, the 150 member countries of the World Health Assembly have officially endorsed global efforts to extend health systems which are not based on costly facilities and technology. For areas where health services are inadequate or non-existent, alternative delivery systems for family planning must be developed.

The Office of Population, Development Support Bureau, has an active research program designed to develop and test cost-effective family planning/health delivery systems. These delivery systems are designed to be within the capacity of the host country so that they can, if successful, be replicated regionally or nationally. The systems train local lay personnel to provide family planning, health, and—frequently—nutrition services to their communities. This is done under local medical supervision. The health components of these delivery systems reflect the health problems of the area. Only those services are provided which can safely and effectively be administered by field workers with minimal training. A typical program includes the following services: family planning, iron supplementation for pregnant women, treatment for infant diarrhea and intestinal parasites, simple first aid, and information concerning nutrition and maternal and child health. More serious cases are referred to clinic or hospital centers. A.I.D. currently finances a variety of integrated systems under bilateral and centrally-managed programs. The Office of Population alone is presently testing such combined delivery systems among limited populations in 14 countries.* None of the projects has been in place long enough to permit evaluation of their cost-effectiveness. However, the project data does show that it is administratively, logistically, technically, and culturally feasible to provide health and family planning services to rural areas that, in the past, received inadequate or no such services. During FY 76 and the TQ, A.I.D. obligated $2.5 million for this type of research. In FY 77 the comparable figure is $4.4 million, and $6.3 million has been earmarked for these activities in FY 78.

*Thailand, Tunisia, Ghana, Sri Lanka, Bangladesh, Nicaragua, Mexico, Guatemala, Haiti, Egypt, Nepal, the Philippines, Morocco, and Colombia

AID'S DILATORY MANNER IN ADDRESSING THE ROLE OF WOMEN IN POPULATION ASSISTANCE

ISSUE

SAC believes that AID has given inadequate attention to the need to include women more fully in policy formation, planning, and implementation of its population assistance. This applies both to intra-Agency activities in Washington and to the roles of women in developing countries.

AID POLICY

AID's policy, in line with the Percy Amendment, is to eliminate all biases against women at all levels of activity in population assistance.

CURRENT STATUS

During FY 77, the population program has employed women as Deputy Assistant Administrator and as population officers in cooperating countries such as El Salvador. Other professional women in Washington carry full responsibility for various program activities. Recruitment and promotion limitations are the principal blocks to including qualified women in a larger range of policy issues.

In developing countries, the population program works with an increasing number of women in positions of responsibility at all levels. Women are involved in most aspects of direct service delivery; however, participation by professional women, particularly medical doctors, in policy making is limited by the scarcity of highly trained women in cooperating countries.

ONCHOCERCIASIS AND

TROPICAL DISEASE RESEARCH

Issue: The authorization bill for FY 1978 added $2.8 million to the administration request of $104.9 million for health programs. Of the $2.8 million, $1.7 million was to be used for contributions to the Onchocerciasis Control Program (OCP) and the remainder for additional contributions to other WHO programs to eradicate other tropical diseases. The appropriation bill provided $95 million for health and earmarked $2.0 million for the OCP. It provides no funding for other tropical disease research above the $800,000 proposed in the administration's request.

A.I.D.'s Response:

The program for Onchocerciasis totals $2.0 million in FY 1978. These funds, administered by the Africa Bureau, are an A.I.D. contribution to the multi-donor OCP in West Africa. A.I.D. also has budgeted $800,000 in FY 1978 for support of the Special Program for Research and Training in Tropical Diseases (TDR). The TDR is a program, jointly sponsored by WHO, UNDP and the World Bank, to be supported by a multi-donor consortium. The Program is not designed to eradicate specified tropical diseases (malaria, schistosomiasis, trypanosomiasis, leprosy and leishmaniasis) as stated in the Committee reports, but to foster increased and intensified research and training in those diseases to find more efficient and effective means of controlling them.

A.I.D. has requested $1.7 million in FY 1979 for the OCP and $1.5 million for TDR and we are seeking from the President approval for a U.S. Government five-year commitment up to $20.3 million for TDR with the proviso that our contribution not exceed 25 percent of total TDR program budget in any year.

Background and Discussion:

The OCP is described in a separate briefing paper. The earmarking of support for the tropical disease program stemmed from an amendment offered in the Senate Committee on Foreign Relations by Senator John Glenn to add $1.5 million to the international institutions and programs account, (IO), "to help eradicate several specified tropical diseases." (The purpose of TDR is not to eradicate the diseases but to provide better methods to control them.)

The committee of conference decided that funding for the TDR should come from the health account instead of IO and linked its support of the program to an earmarking of $1.7 million for the Onchocerciasis Control Program (OCP). The two programs are separate activities. OCP is an Africa Bureau regional activity and the tropical disease program is a worldwide activity which is much broader in scope. If the long-term commitment for support to TDR, which you approved on January 6, is approved by the President, the

continued support of Senator Glenn will be needed, along with other support in the Congress. Future contributions in support of TDR may run up to $6 million per year but will not exceed 25% of the TDR annual budget.

ONCHOCERCIASIS

Issue: What is A.I.D. doing about Onchocerciasis (River Blindness)?

The House Appropriations Committee expressed concern that not enough was being done to reduce or eradicate this disease. The FY 1978 Authorization bill earmarked at least $1.7 million for the Onchocerciasis Control Program (OCP) in West Africa. The appropriations bill makes $2.0 million available for the OCP.

A.I.D. Policy and Funding: A.I.D. has supported the OCP since 1974 when an initial contribution of $1.0 million was made. Additional contributions of $1.0 million were made each year thru FY 1977. A.I.D. has pledged $1.7 million for basic OCP activities in FY 1978 as well as an additional $300,000 contribution for special studies to determine the possibility of expanding the present control program into adjacent areas. In the proposed FY 1979 budget, $1.7 million is included for continued support of the OCP.

Background on the OCP:

a. Program: The OCP is a concerted, multi-donor effort to reduce incidence of the disease to a low enough level that it no longer poses a severe public health problem or an obstacle to economic development in the affected area.

The Program covers some 10 million inhabitants in approximately 270,000 square miles in Mali, Upper Volta, Ivory Coast, Ghana, Togo, Benin, and Niger. The results of the first four years have been promising and consideration is being given to extending the control activities to adjacent areas.

The World Health Organization is a co-sponsor of the Program and is responsible for the execution of the Program which is based largely on destruction of larval stages of the blackfly by use of the ecologically acceptable larvicide, Abate. The program includes the epidemiological evaluation of the results of Program operation, entomological surveillance of areas being treated by larviciding, and permanent monitoring of the long-term safety of the operations in the environment. The Program also includes manpower training and applied research components. Treatment of the disease with currently available drugs often produces severe side effects. The possibility of eliminating these reactions by alteration of dosage and treatment schedule is being investigated as a part of the research component.

b. Funding:

At its inception in 1974 the projected 20-year cost of OCP was estimated at $120 million, based on 1973 costings and exchange rates.

The OCP is supported by a consortium of donors including:

Belgium	Iraq	United States
Canada	Japan	African Development Bank
France	Kuwait	IBRD (World Bank)
Federal Republic of Germany	Netherlands	International Development Association
	United Kingdom	

The International Bank for Reconstruction and Development (IBRD or the World Bank), another co-sponsor, is responsible for the establishment of the Onchocerciasis Fund and its management.

A.I.D. has been one of the major contributors to the Program. Of the estimated $33 million raised in the first four years, A.I.D. has contributed $4 million, or about 12 percent.

TASK FORCE ON TROPICAL MEDICINE AND HEALTH PROBLEMS

The Senate Foreign Relations Committee adopted an amendment, offered by Senator Javits, to add $500,000 for establishment of a task force on tropical medicine and health problems. The following language from the amendment describes the role foreseen for the task force:

> "To investigate thoroughly the present state of tropical medicine with a need to determine whether A.I.D. funds in the health field are being properly targeted. This study is to include U.S. bilateral efforts, as well as the activities of the WHO, other international agencies and the multilateral development banks." "The focus of the task force is to be on tropical medicine. However, the task force may consider related issues in the health field including family planning, maternal and child health care, water supply and nutrition --- for improving our approach to health in tropical areas."

Although this amendment did not become law, Senator Javits wrote a letter in October asking about A.I.D.'s intentions and actions to carry it out. In a November 17 reply to Senator Javits letter we said that we were considering such a study but noted that three other studies, (described below) then in progress, would have a bearing on the matter. The studies may not explicitly or precisely address Senator Javits' concern, but their findings would have a direct bearing on the work to be performed by the proposed task force. In the November letter to Senator Javits, we suggested that a definitive reply to his question be deferred until we had studied the Bourne report and obtained more detailed information on the IOM study. We have not received any further letters from Senator Javits on this subject. A.I.D. would prefer to delay any decision until the IOM study is completed. However, if the Congress desires earlier action, we would propose a more modest study than the one suggested by Senator Javits to supplement the IOM and Bourne studies by addressing any specific issues on Tropical Medicine which are not adequately covered.

Studies in Progress:

1. Dr. Peter Bourne's office in the White House has completed a comprehensive report on U.S. involvement in all aspects of international health, research, training, and strategy, including the private and commercial sectors. It has been circulated for comment and is now being edited to be published as an administration document. An action memorandum for the President is now in preparation.
2. Senator Kennedy's Subcommittee on Health asked DHEW to undertake a major review of international health research. ~~and~~ DHEW has contracted with the Institute of Medicine (IOM) of the National Academy of Sciences in the amount of $180,000 for a report to be completed by July 1978. "The major areas to be considered include a) biomedical and behavioral research,

b) health service research, c) health professions education, d) immunization and public health activities, and e) other areas that might improve our and other nations' capacities to prevent, diagnose, control, or cure disease, and to organize and deliver effective and efficient health services." Emphasis is to be placed on U.S. sponsored activities in the less developed world.

3. A third smaller study along the same lines as (2) above, had already been started in response to a joint request from Senators Kennedy and Javits. After the larger study was begun, it was decided to merge the two and prepare only one report.

SECTION 105 - SOUTHERN AFRICA STUDENT AND TRAINING PROGRAMS

Description of and Response to the Issue

1. Section 105 of the International Development and Food Assistance Act of 1977 includes an authorization of $1,647,000 for educational assistance to Southern Africans in FY 1978.

2. The entire amount will be used to educate Zimbabweans, Namibians and majority exiles from the Republic of South Africa at universities and colleges in the United States or approved institutions within the African continent. The African-American Institute, a private U.S. organization, has been contracted to manage the program. A total of 330 students will benefit. Part of the fiscal year 1978 allocation will provide continuing support for 80 students whose education was initiated by A.I.D. in fiscal year 1976. Remaining funds will support 250 students identified or selected in fiscal year 1977.

3. In addition to the Development Assistance authorization (Section 105) $5,145,000 in SSA funds will be obligated during fiscal year 1978 to educate Zimbabweans, Namibians and majority nationals from the Republic of South Africa at universities and colleges.

URBAN DEVELOPMENT TO ASSIST THE POOR

Issue: The SAC has found that discussion on development efforts to help the rural poor has shown an inadequate appreciation of the relationship between rural dwellers and urban centers located in rural areas.

An important dimension of economic and social development is the set of relationships which exists between urban centers and the surrounding rural areas. Given the Agency's priority on rural development, the questions about those urban-rural relationships are: (1) What urban-related facilities and services are needed to support rural or regional development? and (2) Where should they be located? The concern is with the location of and access to the facilities and services small farmers and other rural people need to increase production and income and improve the quality of their lives. Included are basic infrastructural and institutional support, such as communication, transportation, governmental services, financial institutions, etc.; production and marketing supports, such as seeds, fertilizers, equipment, buying-selling outlets, etc.; and essential services, such as education, health, water and sanitation, etc.

It is no accident that some of these services are found in villages and small towns while others are situated in larger cities. The issue then is how to provide the greatest number of poor people in rural areas the greatest access to the greatest number of needed and appropriate facilities, services, and opportunities.

Two groups of people are of primary concern in these matters -- namely, those who remain on farms and in farming pursuits and those who leave farms and farming to pursue other opportunities in small and large urban centers.

A.I.D. policies and programs address these issues in several ways. Policy Determination 67, "Urbanization and the Urban Poor," states inter alia:

> The primary focus on AID programs and projects will continue to be on rural areas and on the rural poor. Included are those among the poor majority who live and work in villages, market towns, and those small cities which are centers of rural regions. Effective rural development requires the development and integration of these places to provide markets, services, employment and balanced growth. A.I.D. needs to and will step up this aspect of its rural development efforts...
>
> The urban poor are to be included in Agency programming to the extent that analysis of specific country situations indicates that this should be done as part of the overall strategy of helping the poor majority, that opportunities and support for effective projects in urban areas exist, and that the primary focus of the program on the rural areas and their associated urban linkages permits.

Recognition that the urban poor are a legitimate target population requires enhancement of our understanding of the similarities, differences, and relationships of urban poverty and rural poverty and of ways of dealing with them.

The Agency's definition of urban development and its urban development program also recognize the importance of urban-rural relationships. The Agency defines "urban development" as being (1) the functioning of the urban place per se, and (2) the role of the urban place in the surrounding hinterland and in overall national development. Agency programming in urban development has been concerned primarily with the second part of the definition and, indeed, includes an interregional research and development project entitled, "Urban Functions in Rural Development." This project is based on a study which was financed by the Office of Urban Development.* It is being carried out in the Bicol River Basin in the Philippines, and is scheduled to begin in FY 1978 in Upper Volta and in Bolivia. In essence, the project seeks to provide a mapping of existing and needed facilities and services to support rural and regional development and a determination of the location, timing, and magnitude of resources required to strengthen their support capability. The Bicol, Philippines, subproject is expected to be completed in March 1978.

A related interregional project which is expected to get underway in FY 1978 will look at the need for developing urban-related facilities and services from the standpoint of local farms unit demand. This is designed for countries or regions whose systems of urban places are not yet very highly developed and where existing facilities and services are scarce or nonexistent.

Issues concerned with the location of and access to needed facilities and services and with other urban-rural relationships are being addressed in other centrally-funded and in field mission-initiated projects; among them: (1) the Office of Rural Development projects on generating nonagricultural jobs in rural areas; developing credit, savings, and other financial institutions in rural areas; and studying the equity, employment, and "multiplier" aspects of rural market systems; (2) rural growth and service center projects in Panama and the Philippines and a market town project in Paraguay; and (3) regional planning and development projects in Upper Volta, Indonesia, and Bolivia. Most of these efforts were new in FY 1977 or are scheduled to begin in FY 1978. These projects are indicative of the increasing attention which the Agency and host governments are giving to the spatial (urban-rural) dimensions of economic and social development.

*Dennis A. Rondinelli and Kenneth Ruddle, URBAN FUNCTIONS IN RURAL DEVELOPMENT: AN ANALYSIS OF INTEGRATED SPATIAL DEVELOPMENT POLICY. Washington, D. C.: Agency for International Development, 1976. 305 p. Copies are available from the Office of Urban Development.

REGISTRY OF PRIVATE AND VOLUNTARY ORGANIZATIONS

THE ISSUE: What organizations must be registered and what documentation must they provide?

AID POLICY: As of October 1, 1977, any U.S. private and voluntary organization seeking either a project or program grant or wishing to receive ocean freight reimbursement funds, excess property or to participate in the Food for Peace program, must be registered with A.I.D.'s Advisory Committee on Voluntary Foreign Aid.

Organizations seeking registration must provide:

- a current annual budget, detailing anticipated amounts and sources of income and administrative costs and identifying overseas program costs;

- a list of the top five principal headquarters officers determined by salary levels, and the pay and allowances for these positions;

- a list of the top salary levels, perquisites and allowances of country directors in each of the countries in which the organization has such representation; and

- an audited financial statement.

BACKGROUND: In the Joint Explanatory Statement to the Conference Report on the FY 77 Appropriations Act, the conferees directed that A.I.D. prepare within a reasonable time, but no later than March 1, 1977, a registry of PVO's eligible for U.S. Government assistance. A.I.D. responded to these recommendations of the conferees by revising its existing registration procedures to require the additional data being requested and to extend registration to U.S. PVO's seeking grants. Up to that time registration had been a prerequisite for PVO's seeking ocean freight reimbursement, excess property, and PL 480, Title II Commodities (the subventions).

The announcement of the expanded registry, made on March 1, notified PVO's that as of October 1, 1977 any U.S. Private voluntary organization seeking either a project or program grant or wishing to receive other forms of support administered by A.I.D. must first be registered. Under current legislative guidelines, this process is conducted by the Advisory Committee on Voluntary Foreign Aid.

To date 88 private and voluntary organizations have been registered; between 40 and 50 are in the process of being considered for registration.

The salary information being requested will be retained in each registrant's file; we do not intend to publish this information and would make it available to the public only to the extent we may be requested to do so under the provisions of the Freedom of Information Act and the Privacy Act.

THE 50% RULE

The Conference Report on the FY 1977 Appropriations Bill directs that general program support for PVO programs should not provide more than 50% of the annual cash requirement for overhead and personnel compensation costs of a PVO. In the event grants exceed this level, A.I.D. is expected to justify to the Congress that the agency program:

(1) furnishes assistance in such a manner as to promote efficiency and economy in its operation;

(2) meets the development and humanitarian purposes as currently defined in the Foreign Assistance Act; and

(3) is prudent and responsible with regard to overhead and personnel compensation costs and is making a substantial effort to meet these costs by raising private funds.

AID provides general program support to PVO programs through general support grants, which may be made under AID policies to provide partial budgetary support of a PVO's activities in consonance with Foreign Assistance Act objectives.

"Overhead and personnel compensation costs" are defined as those costs attributable to the organization's supporting services (as distinguished from direct program service costs), including general, management, and fund raising expenses. In accordance with the definition of "supporting services" established in the American Institute of Certified Public Accountant's accounting and financial reporting guidelines for voluntary health and welfare organizations, these costs include but are not limited to such expenses as those for general board and committee meetings; executive direction; office management; accounting, auditing, and budgetary; legal services; personnel procurement, purchasing and distribution of materials; mail distribution, filing and other central services; organizational studies; and administrative reporting.

PVOs: BUREAU OF PRIVATE DEVELOPMENT ASSISTANCE (SECTION 106)

The Senate Foreign Relations Committee Report proposes the creation of a new Bureau of Private Development Assistance headed by an Assistant Administrator.

Several PVOs testified last year and recommended that a new Bureau be created within A.I.D. to focus on effective collaboration with PVOs in development assistance as opposed to welfare and emergency relief programs. They felt that many of the constraints in the AID/PVO relationship were not being handled at a high enough policy level to influence significantly operational activities.

Although the reorganization of A.I.D. has not totally satisfied these concerns, the new Bureau of Private and Development Cooperation is a first step in that direction. The Bureau consists of the following offices:

A. Office of Food for Peace

B. Office of Reimbursable Development Programs

C. Office of Labor Affairs

D. Office of U.S. Foreign Disaster Assistance

E. Office of American Schools and Hospitals Abroad

F. Office of Private and Voluntary Cooperation

While in the past these offices have acted independently of each other, a strong effort is being made to increase coordination, particularly where private constituencies overlap, and to strengthen the developmental impact of PVOs in their technical assistance, food and disaster relief programs.

COOPERATIVES: CREATING BUREAU FOR COOPS; FUNDING (SECTION 111)

The House International Relations Committee Report suggested that A.I.D. should set up a new, separate Bureau to handle PVOs, including cooperatives. It also proposed establishing a small loan fund, amounting to perhaps $5 million to be administered by cooperatives.

The new Bureau of Private and Development Cooperation includes the Office of Private and Voluntary Cooperation which continues to be the focal point for A.I.D.'s relationship with cooperatives and the office responsible for administering cooperative programs. This Bureau is exploring the idea of small capital funds in LDCs to be managed by cooperatives, but no money has been specifically appropriated for this purpose in FY 1978, nor have funds been included in the FY 1979 budget.

REPRESENTATIVES OF COOPs AS ADVISERS TO BIFAD

Issue. The Committee Conference Report (No. 95-501, p. 28) on the bill (H.R. 6714) to amend the FAA of 1961, urges the Executive Branch to include representatives of cooperative development organizations as advisers to the Board for International Food and Agricultural Development (BIFAD).

A.I.D.'s Policy. It is A.I.D.'s policy to implement the Congressional mandate in Title XII, utilizing to the fullest extent possible the advice given by BIFAD.. As a public advisory body, the BIFAD is free to seek information for advising A.I.D. from any source it chooses, including U.S. cooperative representatives. The BIFAD has recognized the need to coordinate the work of eligible Title XII universities with private voluntary organizations and cooperatives. A.I.D. has briefed BIFAD on international activities in this area, and will recommend future briefing sessions by representatives of U.S. cooperative organizations.

Background. A.I.D. will initiate baseline studies, recommended by BIFAD, to determine the status and capabilities of LDC institutions with regard to agricultural research, education and extension activities. The potential role of cooperatives in making new technology more accessible to small farmers will be considered in the extension aspect of the studies. A.I.D, has programmed $1 million annually for FY-1978 and FY-1979 for these studies.

A.I.D. recognizes the importance of sound cooperatives for serving small farmers. Cooperative development programs have been part of A.I.D.'s development assistance program for years with particular success in Latin America. The Agency maintains liaison with six U.S. national cooperative organizations and provides financial support for their international activities. A.I.D. is also funding a study by the Agricultural Development Council of the experience of U.S. cooperatives and their potential for helping to overcome food and poverty problems in LDC's.

As authorized by Sec. 111 of the FAAA of 1961, as amended, A.I.D. programmed $23.460 million in the FY-1978 OYB for technical ($15.260 million) and capital ($8.200 million) assistance in the development and use of cooperatives in food and nutrition programs in 24 LDCs.

HOUSE BILL REQUIRING A.I.D. TO REPORT PROGRESS ON INTEGRATING WOMEN INTO THE NATIONAL ECONOMIES OF DEVELOPING COUNTRIES

Issue

In 1977 an amendment (section 108[a]) was added to section 133 of the FAA — the "Percy Amendment" of 1973 which called for particular attention to the role of women in the development of countries receiving U.S. assistance. The new language "recognizes that women play an important role in economic production, family support, and the overall development process." The amendment's intent is that "A.I.D. give greater (emphasis added) attention to implementing those programs, projects and activities which will more effectively integrate women into the national economies of recipient countries."

The amendment also adds a new subsection (108[b]) to section 113, requiring the President to submit, within one year (by August 3, 1978) "a detailed report on the impact of U.S. development assistance on the integration of women in the developing economies of recipient countries. The report is intended to provide Congress with comprehensive information with which it can more adequately review and evaluate A.I.D.'s efforts and plans to implement the policy of revised section 113."

The report is required to include detailed information in three broad categories:

1—an evaluation of progress toward developing an adequate data base on the role of women in the national economies of recipient countries;

2—a comprehensive description of programs, projects and activities undertaken or anticipated by A.I.D. in its efforts to carry out the provisions of section 113, and

3—a thorough evaluation of the effectiveness of these efforts, including (but not limited to) impact on the incomes, productivity and literacy of women, and the level or extent of their participation in the development process.

Status of Report to Congress

The Women in Development Office is working on a final draft of this Report; the final will be ready by June 30. The Report assesses the progress being made by the Agency and others in gathering aggregate statistics on women's migratory status and the incidence of women as principal providers ("female headed households"); their participation in productive work; women's incomes; their literacy and numeracy; female fertility, and the level and extent of their involvement in the development process. As well, the Report evaluates information gathered by anthropologists and others carrying out small, pointed studies on women in developing countries.

WID is using the Report to Congress as an opportunity also to make some progress in data collection. Three sessions on social indicators related to women have been aimed at identifying key indicators on women's status and economic productivity and to get these statistics into the Agency's data systems. The WID Office is working with the Population Office's project to strengthen the capabilities of national statistical personnel in developing countries and to see that more information on women is collected and reported in the 1980-85 censuses.

The WID Office also is working with the Agency geographic and other bureaux and missions on a compilation of women-related projects. The Report also will describe the Women in Development Office's own projects and programs. Finally, the Report will assess the impact of overall A.I.D. efforts on integrating women into development.

A.I.D. Policy and Program

In 1974 A.I.D. established a Women in Development Office. In April, 1977, Ms. Arvonne Fraser took over as Coordinator. Under the current reorganization, the WID Office is moving to the Bureau for Program and Policy Coordination so that Women in Development becomes a central policy and program concern. Ms. Fraser and her office provide policy and program guidance, assist in formulating Agency strategy, review Agency progress, support research, and disseminate information on the role of women and development.

A major priority of the Women in Development Office is the education of girls and women -- to narrow the gap between girls and boys and to provide training for economic activities. The constraints on education of girls will be explored in a project intended for the 1979 U.N. Year of the Child.

The WID Office also has studies under way and workshops planned on rural/urban migration and the extent and impact of female-headed households on developing economies. In FY 78 the Office plans a major project to support the development of women's organizations which work with indigenous groups, as well as a study of the relation between legal rights and responsibilities of women and economic development -- particularly laws or practices preventing women from holding property, obtaining credit or controlling money.

In November, the WID Office sponsored a Consultation on development and women's education and women's organizations with overseas participants attending the U.S. National Women's Conference. A WID exhibit also was displayed (and was on view at the International Development Conference in Washington and for the Office of Education's Ethnic Heritage Month as well).

A women and food conference held in January included Title XII representatives; A.I.D. mission and Washington personnel: food, nutrition and development experts, and third world women officials and students. Other meetings being held or planned bring together university researchers investigating the status and role of women (who can also serve on project design teams); U.S. women's organizations and other private voluntary groups with a capability or interest in working with women's groups overseas, and university or other groups which want to work with foreign students on development concepts and goals.

INTEGRATION OF WOMEN IN INTERNATIONAL ORGANIZATIONS

Section 118 (b) of the 1977 FAA amended Section 305 by adding a request that the President, in making U. S. contributions to international organizations, consider the progress of such organizations in developing policies which encourage the integration of women into the national economies and into policy making positions within such organizations in accordance with the World Plan of Action for the Decade for Women. This Decade is 1975-85. The earlier sections of Section 305 asked the President to instruct each U. S. representative to international bodies "to encourage and promote the integration of women" into national economies and into policy making positions within the organizations.

AID POLICY AND ACTIVITIES

The Office of Women in Development, in cooperation with IIA/AID and the International Women's Programs Office of IO/State, assists with the implementation of this section.

In pledging the $3 million provided by the 1977 FAA appropriation for the Voluntary Fund for the Decade for Women, the U. S. urged that each UN Regional Economic Commission which would receive $500,000 each for women's programs be required to have three professional women as permanent staff members working on women in development programs and that each commission have a plan of action for women's activities during the Decade.

A second action occurred at the recent FAO Conference in Rome November 12-December 1 when the U. S. supported the Mexican resolution, adopted by the Conference, including in the agenda for the 1979 World Conference on Agrarian Reform and Rural Development "topics relating to women which emphasize their importance in agrarian reform and rural development both in the planning and application of reforms necessary to accelerate that development" and to "take steps to have a systematic analysis made of the situation of rural women and of the role they play in all rural activities..."

Other AID actions include attendance by women professionals at conferences of these Regional Economic Commissions, and meetings with UNDP, UNICEF, UNESCO, and other international organizations on the women in development issue. Close liaison is maintained with the World Bank women in development officer. AID representatives, in cooperation with the AID Administrator, at the High Level meeting of OECD, were successful in including a statement urging attention to the role of women in development and in meeting basic human needs in the communique resulting from that meeting. In March DAC will sponsor a meeting on women in development in Paris with donor representatives. UNICEF has produced an excellent booklet on Appropriate Technology for Women in Bangladesh which should be useful in other areas.

The Women in Development Office is drafting a report on international organizations' activities on women and the employment of women professionals. The preliminary draft will be ready March 1, the final report September 1.

IMPLEMENTATION OF THE PROVISIONS OF THE PERCY AMENDMENT BY THE ASIA BUREAU

In several amendments to the FAA, the Congress has directed A.I.D. to involve women as participants and beneficiaries of its foreign assistance programs and to promote women as fully participating activists in the development process. The Asia Bureau recognizes the important role women play in development and is assuring itself that this valuable resource is utilized in all its programs. To the best of its ability the Asia Bureau is carrying out the mandate under Section 113 of the Foreign Assistance Act as amended.

1. The Collection and Organization of Data: Korea, Thailand, Philippines and Bangladesh have completed special studies on the status and divergent roles women play in those countries. Nepal and Sri Lanka have begun special studies based on the questionnaire forwarded from the Bureau. Pakistan has provided specific micro studies. The Indonesian Mission is cooperating in a broader study sponsored by the Coordinator for Women in Development.

2. The completed profiles reveal the legal status of women, their work rights and the economic input women are making to the development effort. The profiles are useful to host governments as they formulate strategies for development and helpful to our missions by providing baseline data as the missions develop projects and programs integrating women.

3. It is the goal of the Asia Bureau to have women's needs and contributions worked into the design of all its projects. We monitor the project approval system in such a way as to insure that the role of women is being adequately addressed in all our projects where appropriate. For example, the Agricultural Outreach program in Thailand is a three million dollar loan program approved in FY 77. Women are well represented. There are over 300 women Extension Officers in the Department of Agriculture in Thailand. Of the 160 headquarters office staff at professional grades, at least 35 are women. On the beneficiary side, there also is a surprising percentage: 15% of the Thai landholder-farmers are women.

Another example is a grant project approved last September in Bangladesh to support the National Women's Development Academy.

This project involves the training of 1,000 rural-based women trade instructors and 400 women field workers to serve as rural motivators and extension agents for community improvement of nutrition, family planning, handicrafts and food production for income. The cost to the U.S. over a two-year period is $300,000.

The Asia Bureau can do more in the way of clarifying the impact of its projects upon women. During FY 78 and FY 79 we expect to develop suitable indicators to measure the effect of our ongoing projects on getting women more into the economic mainstream.

AFR IMPLEMENTATION OF CONGRESSIONAL LEGISLATION
ON WOMEN

Highlights

AFR was the first Bureau in AID to

1. transmit guidance to the field on implementation,
2. require country profiles,
3. send a consultant to the field,
4. set up a multi-purpose regional WID project, and
5. provide the field periodically with examples of projects and case studies to stimulate further action.

Field Guidance

In April 1974, six months before the adoption of agency-wide policy determination 60 on the integration of women into national economies, Mission Directors received special instructions from the Assistant Administrator on implementation of the Congressional legislation on women. The instructions (AIDTO CIRC A-311)

- set forth a strategy for making the legislation an integral part of Africa's programming process;
- outlined the specific steps to be taken from the overall program (DAP) and sector assessment levels down to the project design level;
- offered to assist the field in designing new activities; and
- requested Missions to report on the role of women including information gaps, and to identify opportunities for better integration of women into ongoing and future activities.

Field Response and Follow-Up

The country profiles from the field were of particular interest owing to the diversity of circumstances for each particular country as well as within most countries. What emerged from the initial response and subsequent field reports since 1974 was the vast need for training of women at all levels. Food production raised a particular challenge since an estimated 65% of all the food production in Africa is carried out by women. In some countries, the estimate is much higher. Mission responses to a joint WID/AFR 1977 airgram on the role of women in agriculture generally were excellent.

From 1975 through 1977, AFR sent the field periodic follow-up messages consisting of selected reports, case studies and project proposals regarding Africa to illustrate the different kinds of activities that might be undertaken. Examples of reports are those of the Economic Commission for Africa, the first UN regional organization to become actively involved with women's development problems, the Ethiopian Mission's review of its own activities in relation to women, the Ghana Mission's extensive study on the role of women in Ghana, and an AID employee's review of the Tanzanian situation. Similarly, all posts

received the project proposal for Upper Volta not as a model for replication which would have been unsuitable for other countries, but as a model of the project design process and analysis.

Future Plans

In the last four years, one of AFR's main purposes was to sensitize the field, as well as AFR staff, particularly by illustrating to the field the variety of activities that were being or could be carried out. Our impression is that phase two should be less conscious-raising and information oriented, and more action oriented in support of the field. AFR is cognizant of the next steps to take, the real problem being how to take such steps constructively owing to the constraints under which AFR operate in Washington and the field. This question is under review and will be raised with the Assistant Administrator in the near future.

Range of Activities

Regional Programs

Several African regional programs have special components that will help women benefit from development or become active agents of change. Examples are continued support to the Women's Bureau of the Economic Commission for Africa, to the Pan-African Women's Center, to the Accelerated Rural Learning project, and various education and manpower development projects. The African Women in Development Project, begun FY 1976, provides funds for Chad, Ghana, Senegal, Sierra Leone and Upper Volta for activities as diverse as instruction in hygiene, nutrition and gardening, assistance in management and marketing, tanning, vegetable cooperatives, and training.

Country Programs

Health, nutrition and population activities were under way before passage of the legislation on women. Emphasis is increasing on rural women now that their role in agriculture and in livestock is more fully realized. There is greater focus on training. There are components in regular projects that directly or indirectly affect rural women, and these are being strengthened. Examples are found in the majority of countries.

Among the "women's only" projects, the multi-disciplinary program for rural women comprising a cluster of mini-projects in Upper Volta is of particular interest. Some projects are relatively modest, but the larger ones also had modest beginnings.

Use of Development Assistance Funds in SSA Countries

FAA Section 115 prohibits the use of development assistance funds (DA) for a country receiving security supporting assistance (SSA) in the same fiscal year unless the Congress specifically authorizes such use of DA funds. This authorization is deemed to be satisfied when the annual Congressional presentation materials describe the use of DA funds for a country receiving SSA and the Congress indicates its approval in the legislation authorizing development assistance for the fiscal year in which such usage is proposed.

In FY 1979, the obligation of DA funds and SSA funds in the same country is proposed only for Botswana and Zambia.

In Botswana, it is proposed to obligate $6.2 million of DA funds for the Food & Nutrition, Health and Human Resource sectors. In addition, it is proposed to provide a grant of $11.0 million of SSA funds for the development of Botswana's transportation system so that it will not be dependent on political developments in Southern Rhodesia.

In Zambia, there is a planned DA obligation of $0.5 million for manpower development and training. In addition, an SSA funded Commodity Import Program loan of $20.0 million is planned to assist Zambia in its acute foreign exchange problem resulting from the depressed world market price of copper.

In the Africa section of the DA volume, there is no express statement concerning use of DA and SSA funds in Botswana and Zambia. However, the joint use is footnoted in the Program Summary tables at the beginning of each country narrative. Also the summary project listing for each country includes budget data on the joint use of such funds. The Africa section of the SSA volume, the Southern Africa narrative contains an explicit statement on the joint use of DA and SSA funds. In retrospect, the same explicit statement probably should have been included in the DA volume.

A.I.D. AND HUMAN RIGHTS

Since 1945 with the establishment of the United Nations, the United States has been committed to promote human rights throughout the world. The United States supported the 1948 Universal Declaration of Human Rights which established international definitions of human rights.

Three distinct categories of rights are recognized by the Declaration:

-- First, the right to be free from governmental violations of the integrity of the person.

-- Second, economic and social rights--to be free from government action which obstructs the individual's efforts to meet his basic human needs.

-- Third, civil and political liberties--freedom of thought, religion, assembly, speech, and press.

For nearly three decades, the U.S. foreign assistance program, in its efforts to assist the poor throughout the developing world, has worked to fulfill our commitment.

In 1973 Congress initiated a review of human rights in U.S. foreign policy. The Foreign Assistance Act was amended by Section 502B to read:

> "It is the policy of the United States, in accordance with its international obligations as set forth in the Charter of the United Nations and in keeping with the constitutional heritage and traditions of the United States, to promote and encourage increased respect for human rights and fundamental freedoms for all without distinction as to race, sex, language, or religion. To this end, a principal goal of the foreign policy of the United States is to promote the increased observance of internationally recognized human rights by all countries."

Subsequent legislation placed limitations on military and economic aid to countries which engaged in "a consistent pattern of gross violations of internationally recognized human rights."

President Carter pledged to develop human rights as a central theme of his foreign policy:

> "Ours is a great and powerful nation, committed to certain enduring ideals, and those ideals must be reflected in our foreign policy. There are practical, effective ways in which our power can be used to alleviate human suffering around the world. We should begin by having it understood that if any nation, whatever its political system, deprives its people of basic human rights, that fact will help shape our prople's attitude toward that nation's government. If other nations want our friendship and support, they must understand that we want to see basic human rights respected."

A.I.D.'s primary contribution to this policy is to promote international economic and social rights by working to meet the needs of the poor in the developing countries, even those where serious human rights problems exist.

A.I.D. is also designing projects which specifically promote civil and political rights. These efforts--such as establishing legal aid activities--are aimed at helping the poor in developing countries obtain the rights and protections to which they are entitled.

In addition, the U.S. now delays, withholds, and at times increases assistance to some governments to reflect significant changes in human rights conditions.

Programs

-- Humanitarian aid, such as International Disaster Assistance and PL 480 Title II grant food aid, alleviates human suffering by responding to emergencies caused by man-made or natural disasters. These programs protect the right of survival; consequently they are not used to express U.S. concern for human rights conditions.

-- A.I.D. bilateral development assistance programs are designed specifically to meet basic human needs, and will not generally be used to express U.S. concern for repressive practices in developing countries. We do not wish to punish the victims of repression for the acts of their oppressors. A.I.D. recognizes, however, that there are instances in which a particular government's violations of human rights are so flagrantly gross and systematic that the need to completely disassociate the United States from its actions outweighs our development assistance goals in that country.

-- Other A.I.D.-funded developmental programs, such as certain types of technical assistance, research projects, and training activities, may benefit the intended recipients less immediately. A.I.D. does withhold and reduce such assistance to certain countries when the U.S. wishes to disassociate itself from repressive or corrupt practices.

-- The PL 480 Title I Food for Peace is a symbol of American support for the governments which receive it. Legislation enacted this year provides that no Title I program can go forward in a country which engages in a consistent pattern of gross violations of international recognized human rights unless the food itself, or the proceeds from the sale of the food, "directly benefit the needy people in that country."

IIA/IG:SCollins:1/17/78

$750,000 SET-ASIDE FOR POLITICAL AND CIVIL RIGHTS

ISSUE

This is a new activity.

Section 116(e) requires that at least $750,000 of Fiscal Year 1978 development assistance funds be used for studies to identify, and for openly carrying out, programs and activities which will encourage or promote increased adherence to civil and political rights, as set forth in the Universal Declaration of Human Rights, in countries eligible for development assistance. The funds may not be used to influence the outcome of any election.

Congressman Fraser is the sponsor. The provision was written during last year's HIRC mark-up.

The Committee report notes that the provision is an attempt to proceed in a constructive fashion to make assistance available to countries that have a concern for political and civil rights and need help in implementing that concern and builds upon on-going AID activities in this area. The report also notes that people from foreign countries which are not eligible for development assistance are not precluded from attending and participating in such activities.

POLICY AND PLANS

We have set-aside $750,000 so that they may be used only for this purpose. The OYB is attached.

AID has little past experience with activities explicitly designed to deal with political and civil rights, so we are moving cautiously in this sensitive area to make sure what we do will help rather than hurt the cause of human rights and will represent a wise use of taxpayers' dollars.

Some AID projects to carry out Section 116(e) are now pending with governments, but it could prejudice on-going negotiations to refer to them as "human rights" activities. (They include modest legal aid and women's rights activities in Central America.) Further support is being considered for a program in public interest law in Latin America that is being coordinated by the American Society for International Law. A grant is pending for Cultural Survival, Inc., which will be doing studies on implementation of the rights of indigenous people in

economic development.

We shall respond positively to requests for assistance from governments where we can make a useful contribution to the furtherance of political and civil rights, but we believe that help for non-governmental groups and individuals must be an important part of any positive U.S. program aimed at the promotion of political and civil rights. We are considering giving special attention to the promotion of this objective among young people.

The House International Relations Committee has solicited and given us suggestions from groups and individuals in the United States who are concerned with these matters. In collaboration with the Committee staff, we held a meeting with representatives of American human rights organizations at AID on December 6. We are following up on these discussions and on interest in the program expressed by other groups.

Attachment:
OYB

REVISED

AGENCY FOR INTERNATIONAL DEVELOPMENT
FY 1978 Operational Year Budget

Studies and Programs to Encourage or Promote Increased Adherence to Civil and Political Rights

Authorizing earmark of not less than $750,000 (Sec. 116(e), FAA of 1961, as amended.)

		$000
Total, Agency for International Development, $750,000		
LATIN AMERICA		
El Salvador		
519-0094	Special Development Activities - Support for Salvadorean Women's Institute	15
Nicaragua		
524-0130	Campesino Legal Aid	50
524-0134	Mass Media Civil Rights and Laws	33
524-0125	National Women's Development	60
Regional		
598-0591	Human Rights Initiatives	300
	Subtotal	458
POLICY, PLANNING AND COORDINATION		
-	Human Rights Activities	100
-	Unprogrammed	192
	Subtotal	292

INFANT NUTRITION PROGRAMS

Issue:

Under a new provision of the FAA, the President is encouraged "...(1) to devise and carry out in partnership with developing nations a strategy for integrated programs of nutrition and health improvement for mothers and children, including breast feeding, and (2) to provide technical, financial, and material support to individuals or groups at the local level for such purposes."

This action resulted from pressures brought by various public interest groups who are primarily concerned that the sale of infant formula by private food companies helps to discourage mothers from breast feeding or leads to earlier weaning. The groups have dramatized the issue by making and circulating films, by bringing suit against various food companies, and by taking out ads and publishing articles in the press. (For example, A.I.D. has been receiving about five to ten congressional queries a week referring letters from constituents who learn of the issue from magazine articles.)

Criticism centers on the sales promotion practices of some companies which give free samples to new mothers while in the hospital and which employ as salespersons women dressed in nurse-like uniforms. Some extremists would ban all formula sales on the grounds that poor women overdilute the product or use contaminated water in preparing it. In either case, young children suffer.

A.I.D. Policy:

A.I.D. nutrition policy is to strongly urge developing countries to promote breast feeding for the first 4 to 6 months of life and to introduce supplementary feeding of infants at about 3, 4, or 5 months of age, depending on local conditions. Most of the nutrition programs supported by A.I.D. have components dealing with maternal and infant nutrition. We provide help in the following ways:

1) Technical assistance to enable countries to develop their own indigenous supplementary foods or weaning foods;

2) Materials and technical assistance to enable countries or private voluntary organizations to conduct education programs;

3) Capital assistance in the form of loans to enable countries to build plants to produce supplemental or weaning foods;

4) Food assistance under PL 480, which provides commodities for direct use in supplementary feeding programs or as an ingredient in a specially blended food. Pre-school children and pregnant and nursing women are given the highest priority in allocating PL 480 commodities.

On-Going Activities and Future Plans:

In 1976, A.I.D. funded the compilation of a comprehensive annotated bibliography. In 1976-77, we funded a 12-country study of infant feeding which included an analysis of practices and recommendations for new programming. In the Spring of 1977, we sponsored a major international conference on breast feeding and weaning. We have surveyed all overseas missions in order to compile additional data on feeding practices. We have drafted a new comprehensive A.I.D. infant feeding strategy which has been circulated widely for inputs from within the Agency. On January 30-31, we have arranged for the National Academy of Sciences to convene a small workshop including outstanding experts from developing countries -- to review and finalize the A.I.D. strategy. The workshop will also include leaders of the two public interest groups most vigorously involved in the bottle versus breast feeding issue and two key staffers from the House and Senate. By the end of February, we expect to issue A.I.D.'s new Infant Feeding Strategy.

In March, we have arranged for the strategy to be the focus of a special meeting of all bilateral aid agencies supporting nutrition programs and we will also encourage consideration by U.N. agencies. Our aim is to have a common strategy or complementary strategies, throughout the donor community.

NOTE: See briefing paper on Infant Formula Industry for additional related information.

Impact of Private Infant Formula Industry on A.I.D. Programs

Issue:

The HIRC gave recognition to A.I.D.'s "...commendable initial efforts" in the area of infant nutrition but called on A.I.D. to "...intensify and build upon ongoing programs". They also expressed strong concern about the adverse nutritional impact caused by the substitution of bottle feeding for breast feeding and called on "...The President to direct the appropriate agencies ...to take note of the overseas advertising, promotional, distributional, and sales practices of the infant formula industry, and report to the Congress...".

A.I.D. Policy:

See companion briefing paper on Infant Nutrition Programs for a statement of A.I.D. policy and information about ongoing programs.

It is not our policy to investigate the practices of private industry unless a company is operating under A.I.D. financing or aegis. We are exploring alternative options with the Department of Commerce. To date, this issue has not been resolved, but we hope to have a better answer before the hearings begin. They will likely push for a specific investigation of company practices.

On-going Activities and Future Plans:

Industry figures on sales volume are not available, but knowledgeable sources indicate that Nestles', a Swiss firm, accounts for about 50% of infant formula sales in developing countries. It is estimated that U.S. firms account for only about 10% of this market.

A recently formed association of infant formula companies has developed a code of ethics to govern its sales practices. Other companies have drafted their own, stronger codes. If strictly adhered to, these codes would eliminate a great deal of the criticized practices, but the citizen groups are skeptical of the companies intentions; particularly, the vigor with which they will monitor their local sales representatives in developing countries.

A.I.D.'s surveys of its missions and other information collection activities will provide some information on the practices of these companies, but such information will likely be insufficient to satisfy the Congress.

ENVIRONMENTAL PROTECTION

ISSUE: The 1977 legislation for the first time signaled Congress' desire that the Agency take stronger steps to recognize the physical environment in developing countries as an important factor in the well-being of their people, especially the poor. It authorizes positive AID programs to help developing countries prevent or reverse environmental damage, and support for LDC efforts to manage their natural resources more effectively. The legislative history of the Act discloses the further intent that, in measuring costs and benefits of all AID programs, their effect on the natural resource base of the recipient be taken into account.

POLICY: A policy determination of August 1975 required that potential effects on the environment be examined in the course of developing new projects. Formal regulations to the same effect were issued in June 1976. AID practices in this respect have become a model for environmental monitoring by other agencies involved in overseas development. Experience suggests that our procedures can improve project design and avoid detrimental secondary effects of development activities.

Passage of the 1977 Act resolved a persistent debate within the Agency about the status of environment-related activities under its legislative mandate. With the clear authority of the new law, the Agency regards environmental protection and enhancement, and the proper management of natural resources as a critical element in its strategy to help the poor in developing countries. To accelerate productive activity under the new authority is one of the important tasks of the months ahead.

FUNDING TRENDS: The legislation authorizes no specific sums for AID's positive environmental programs. A compilation of activities initiated under the new authority is in progress; their funding implications have not yet been calculated.

EXAMPLES: Upon passage of the new law, AID at once sought outside support for a strengthened environmental program. We are working through the U.S. National Committee for the UNESCO Man and

the Biosphere program as the means for pulling together the expertise of other U.S. agencies with environmental responsibilities. An early example of an AID environmental activity is the 211(d) program, now in its fourth year, to build the capacity of the University of Arizona to provide services in management of the resources of arid and semi-arid lands. Under the grant Arizona has worked in Ghana, Peru, and Niger. Upon the request of the OMVS (Organization pour la Mise en Valeur du Fleuve Senegal) for a contribution to its plans for the Senegal River Basin, AID offered to study the environmental impact of dams proposed under the program. A watershed protection/soil conservation program is being designed in Nepal. AID has contracted with the Board on Science and Technology in Development of the National Academy of Sciences to study 100 fast-growing tree species combining with their ability to protect marginal land from further degradation certain properties useful to man: suitability for firewood, nitrogen-fixing capacity, forage for livestock, and by-products useful in human nutrition or as cash crops. Published results of the study will be disseminated in development agencies and in the developing world.

ONGOING ACTIVITIES AND PLANS: Subject areas that recommend themselves for priority attention as the Agency gets up to speed in environmental programs per se include desertification, soil erosion, deforestation, watershed protection, and integrated pest management. Apart from the programs being launched as direct intervention AID furnishes developing countries help (training, technical assistance) in understanding environmental and natural resources issues, so facilitating their ability to select, design, and manage environmentally sound programs. Based on response of developing countries to the few programs so far undertaken in the environmental field, the Agency anticipates that these new forms of assistance will be well received.

SECTION 119: RENEWABLE AND NONCONVENTIONAL ENERGY TECHNOLOGIES

ISSUE: What is AID doing to cooperate with developing countries in renewable, nonconventional energy production and conservation?

AID POLICY: The new authority of the 1977 Act re-emphasizes the Agency's existing focus on the needs of the poor majority in developing countries, and especially those in rural areas. We are vigorously exploring the potential of nonconventional energy technologies for meeting the needs of the rural poor, providing a measure of relief from the financial burden that oil imports represent for many LDC's and offering an alternative to nuclear power. A further aim of AID's energy program is to reduce the pressure on forest and other natural resources for fuel purposes, so relieving some of the strains that expanding population and economic development impose on the environment.

FUNDING TRENDS: We have identified nonconventional and renewable energy projects representing obligations of $24 million in FY 78 funds, of which we intend to fund at least $18 million. The program has reached this level from $1 million in FY 76.

EXAMPLES: AID has under negotiation with the Energy Development Board of the Philippines a $10 million development loan/grant package in which nonconventional energy sources are stressed, including biomass utilization (this part of the project includes a plantation of very fast-growing trees for firewood), small-scale hydro techniques, and direct solar radiation. National surveys of the energy requirements and potential for development are beginning with the country study of Jamaica. AID is cooperating with the French in developing and demonstrating a solar-powered irrigation pump in Senegal. Upper Volta is the site of a demonstration of photovoltaic technology applied to pumping water for domestic use and to grinding grain, tasks common to rural villages. AID sponsored a study by the Board on Science and Technology in Development of the National Academy of Sciences on "Energy for Rural Development: Renewable Resources and Alternative Technologies for Developing Countries," a guide to technologies selected for their suitability in developing-country settings. The resulting publication is in considerable demand. Responding

to the need in developing countries for an indigenous capacity to identify energy problems and to devise solutions appropriate in the light of available resources, AID is developing a training program for public administrators having responsibility for their countries' energy policy and programs. Energy assistance in addition is a component of many rural development and environmental programs, as for example in Nepal. The study of energy needs, uses, and resources in developing countries, requested in Section 119 of the Foreign Assistance Act, is under preparation and will be submitted by March 1.

ONGOING PROGRAMS AND PLANS: There is significant uncertainty about the future of AID's energy program at present, which can only be resolved after Congress receives and considers the "sources, needs, and resources" study due March 1. The resulting discussion may well lead to recognition that larger energy programs, both conventional and nonconventional, are needed to support AID objectives in the developing world.

As to the direction of AID's future efforts, the program on which we are embarked contains exploratory and experimental elements that should guide our future choice of technologies suitable for application in the developing world.

UNCONVENTIONAL ENERGY FUNDING FOR FY 1978

Issue: Section 119, FAA of 1961 as amended authorizes a target of up to $18 million to be programmed in FY 1978 for small-scale renewable energy sources for rural areas.

A.I.D. Policy: Our policy is to program at least $18 million in FY 1978. To date A.I.D. has programmed $13 million and we are earmarking an additional $5 million for unconventional energy programs to be funded in FY 1978.

SECTION 119: INTERNATIONAL ENERGY INSTITUTE

ISSUE: Will AID support the creation of a non-profit International Energy Institute to carry out the purposes of Section 119 of the Foreign Assistance Act?

AID POLICY: As required by Section 119, AID has just submitted to the Congress on the President's behalf a study of organizational options for implementing that Section, together with the recommendation that AID, rather than the proposed International Energy Institute, be designated lead agency in carrying out the purposes of that Section. This recommendation, in which the Department of Energy (DOE) and the State Department concur, is consistent with the study findings. They are based on an examination of ten options, including the proposed International Energy Institute as well as solutions involving program leadership by AID or DOE. The study rated the Energy Institute proposal poorly against criteria of efficiency in government and effectiveness in overall development, without finding unusual compensating merit in other respects.

AID was identified as the preferred lead agency on grounds of its relative qualifications for international energy activities in a context of overall development. AID's considerable experience with technology diffusion more than offsets its limited technical capacity in energy. We believe public policy in this area can best be brought to bear by the governmental body with established authority over the U.S. foreign assistance program. Energy constraints are intimately related to other problems of economic development; an integrated approach to them is essential.

As recommended in the study, AID would propose to organize a small internal staff of high-quality energy professionals which could draw upon outside resources from DOE, other agencies, the private sector, and international organizations in executing its programs, and would coordinate these programs with other aspects of development cooperation. DOE, the principal supporting agency, would provide technical services which might include project design, advice, assistance in program implementation, evaluation, and direct participation in overseas operations.

At present there are arrangements between AID and DOE, covered in a Memorandum of Understanding (November 1976) and a General Agreement (September 1977), under which the two agencies have begun active work. We are reviewing these arrangements with DOE to see how they can be adapted to the requirements of Section 119.

SAHEL DEVELOPMENT PROGRAM AND INFRASTRUCTURE

Analysis of development prospects in the Sahel undertaken by FAO, Massachusetts Institute of Technology, the World Bank, and UNDP point to the lack of adequate infrastructure as a key impediment to economic development.

The infrastructure needs identified include smaller infrastructure works such as rural roads, markets, wells and other facilities centered at the village level. In addition, major infrastructure works such as dams, secondary and primary road links, ports, and food storage facilities systems are essential to Sahelian development.

For example, the recently completed Sahel Road Maintenance Diagnostic Study, undertaken by the Club du Sahel, noted that almost all of the 57,993 kilometers of secondary and feeder roads in the region are merely improved tracks and that the great majority are in very poor condition. Another example of the lack of adequate infrastructure is that while there are over 3,000 kilometers of major rivers flowing through the Sahel, there are less than a dozen significant irrigation projects. The lack of adequate infrastructure at the village levels is evidenced by the absence of potable water systems, grain storage facilities, and basic markets in the great majority of Sahelian villages.

A.I.D.'s FY 1978 and 1979 Sahel Development Program is limited to financing smaller infrastructure works. But A.I.D. is participating with other donors in the planning and institutional support related to major infrastructure projects.

While the Agency is not proposing for FY 1979 financing for any major infrastructure activities, our participation in the Sahel Development Program most probably will entail, in the near future, joining other donors in the financing of such infrastructure. Before proceeding with such financing, A.I.D. will keep Congress thoroughly informed.

SAHEL DEVELOPMENT PROGRAM - LIMITS ON U.S. CONTRIBUTION

Projected official development assistance to the Sahel in FY 1978 is estimated to be $900 million. This is expected to exceed $1 billion in FY 1979.

— At the $90 million level the U.S. will be providing just over eight percent of projected official development assistance to the Sahel of more than $1 billion in FY 1979.

— The $90 million requested for the Sahel Development Program in FY 1979 was arrived at through the normal budget request and approval process.

— For the two-year FY 1978-1979 period, U.S. contributions to the Sahel ($140 million) are estimated to be just seven percent of total projected development assistance of approximately $1.9 billion.

— It has not been possible for A.I.D. to program up to exactly ten percent of total assistance for FY 1978 and 1979 since we have to estimate donor flows for the later year.

— The ten percent limitation is a legislative restriction the Agency has opposed and will attempt to eliminate this year. We oppose this provision because it restricts U.S. flexibility in working with other donors, in a fully collaborative style. For example, in some years the United States contribution may exceed ten percent as it will be necessary for the United States to participate, with other donors, in financing the start-up costs of a number of substantial new projects.

SAHEL DEVELOPMENT PROGRAM

PROGRAM MIX - LOCAL GOVERNMENT COMMITMENT

- "Activities will be designed to use existing resources and technology."

- "Many programs projected for the region.....require a commitment on the part of the local government and in its FY 1979 presentation A.I.D. should be prepared to demonstrate that this commitment does exist."

.....

All of the activities proposed for FY 1979 are designed to build upon existing resources and technology. For example, in irrigated agriculture A.I.D. resources are directed to rehabilitating existing irrigation schemes. In the health sector proposed activities are focused on strengthening the existing health delivery system, particularly at the village level. In human resources, funding will be directed to upgrading the capacity of existing Sahelian training programs as well as increasing the capacity of Sahelian institutions.

The commitment on the part of local government to support the projects in the Sahel Development Program is specifically delineated on the project data sheets in the Africa portion of the Agency's Presentation to Congress. Some examples are:

- The Gambia Reforestation project (635-0205) in which total A.I.D. inputs amount to $1,500,000 while the contribution of the Government of the Gambia amounts to $1,160,000, or 43.6% of the life of project funding. Their contribution is in the form of personnel, facilities, and operating expenses.
- In Senegal, Small Irrigated Perimeters (685-0208) involves A.I.D. inputs of $5,859,000 while the contribution of the Government of Senegal amounts to $1,800,000, or 23.5% of the life of project funding. Their contribution is in the form of staff and agricultural inputs, farm infrastructure, and administrative expenses.
- Also in Senegal, Rural Health Services (685-0210) involves A.I.D. inputs of $3,435,000 while the contribution of the Government of Senegal amounts to $1,040,000, or 23.3% of the life of project funding. Their contribution is in the form of personnel, operating expenses, and the construction of six dispensaries.
- In Upper Volta, the Rural Water Supply project (686-0228) involves A.I.D. inputs of $12,280,000 while the contribution of the Government of Upper Volta amounts to $2,400,000, or 16.4% of the life of project funding. Their contribution is in the form of staff facilities and support costs for that area of U.V. where A.I.D. will implement its project.

For this fiscal year, we are requesting $90 million in appropriations against the multiyear authorization passed by the Congress at the beginning of FY 78. The appropriation voted by the Congress for that first year was $50 million. In addition, we sought $32 million from functional accounts. In testifying last year, we made it clear that FY 78 would be a year of transition and that by FY 79 "the requirement for the regular program will be well below the $32 million proposed for the regular program in FY 78". The budget which we will be presenting to the Congress will accurately reflect this statement since, in addition to the $90 million from the Sahel account, we will be requesting about $7 million from the functional accounts.

The activities comprising the approximate $7 million are for projects which are outside of the Sahel Development Program or which represent the final year of funding for ongoing activities. Examples which are outside of the current Club du Sahel criteria, and hence the Sahel Development Program, are such projects as the Desalination and Power Plant for Cape Verde, Family Planning in Senegal and Mali, and shelter programs in Niger and Senegal. In addition, projects to be concluded in FY 79, which were financed previously from functional accounts and, therefore, have their final funding from these categories are for such activities as rural development in Niger and Mauritania and Women in Development in Upper Volta. I have with me a listing of these activities which I am pleased to make available to this Committee.

I would like to note that while the appropriation sought from the regular accounts for the Sahel will remain modest in comparison to the overall amounts being requested from the Sahel account, there will probably

continue to be a need for some financing outside of the special Sahel account. When areas currently outside of the Club program become accepted, such as family planning, we would then transfer such activities to the Sahel Development Program account.

REGULAR PROJECTS
FY 79

CAPE VERDE	
Tarrafal Water Resources (last year)	700
Sal Desalination/Power	300
MAURITANIA	
Integrated I.R.D. (last year)	1,096
SENEGAL	
Family Planning (Population)	550
Patte d'Oie housing (Shelter)	1,365
NIGER	
Niamey Department Development (last year)	1,525
Niger Shelter Strategy (Shelter)	175
MALI	
Rural Health (Population)	300
UPPER VOLTA	
Women in Development (WID, last year)	381
SFWA/REGIONAL	
OMVS Environmental Assessment	500
Total	6,892.00

SAHEL DEVELOPMENT PROGRAM - ANNUAL REPORT INDICATORS

The President's Annual Report to Congress on the Sahel Development Program includes material covering per capita income, life expectancy, infant mortality, literacy rates, income distribution and land productivity measures to reduce the effects of future droughts and regional efforts to rationalize markets and reduce trade barriers. These measures include:

— Improve small farmer agricultural productivity as a way to increase per capita incomes and income distribution.

— Extend health services to rural population to increase life expectancy and reduce infant mortality.

— Non-formal educational programs directed to increase literacy rates.

— Introducing improved seeds, fertilizer and animal traction to improve land productivity.

— Reforestation programs to reduce the consequences of future droughts.

— Working within the context of the Club du Sahel to rationalize markets and reduce trade barriers.

The Annual Report discusses in detail how A.I.D.'s program for the Sahel, in concert with other donor programs, are addressing each of these factors.

As A.I.D. has consistently pointed out, the Sahel Development Program is a long-term effort, and as such, we cannot at this point and time, demonstrate any significant progress on the above-mentioned factors. The SDP Annual Report does demonstrate those measures being taken to address each of these factors.

SAHEL DEVELOPMENT PROGRAM - CLARITY OF PROJECT PREPARATION

During last year's Congressional hearings an impression arose that there were no specific projects available for the $50 million being proposed. This was not the case.

For the Sahel Development Program in FY 1978 there was a description of each and every project. The same is true this year. In our proposal for the SDP there are no unprogrammed funds. Project-specific details account for how all of the proposed $90 million will be used in FY 1979. These projects are clearly defined and have met the same standards required for any and all Agency projects.

All of the projects proposed for the Sahel Development Program funding are consistent with Sahelian priorities as articulated in the Club du Sahel's "Strategy and Program for Drought Control and Development in the Sahel." Amont the top priorities identified are improving the capacity and productivity of the small farmer and strengthening the human resource base in the Sahel. In the A.I.D. program proposed for FY 1979, over thirty-four percent of the resources required will be directed to increasing agricultural productivity and thirty-one percent is proposed for developing Sahelian human resource capacity.

A. American Schools and Hospitals Abroad (Sec. 214)

SUMMARY DISCUSSION

FY 1979 Budget Request

-- $8 million is the FY 1979 request

-- Although A.I.D. requested a higher budget level for the FY 1979 ASHA program ($20 million plus the dollar equivalent of $7 million in Egyptian pounds), the OMB determined the lower level would be requested.

-- The OMB is favorable to a budget amendment with regard to the Egyptian pounds provided the GAO review of the American University in Cairo warrants such an amendment.

-- The low level may elicit unfavorable Congressional comments, especially from Chairman Clarence Long.

The only possible response is that the figure requested represents the best judgment of the OMB based on overall priorities and a desire to keep the budget deficit to a minimum.

Priority in FY 1979 will be given to ongoing projects since the prospective $8 million budget does not provide the latitude for initiation of new activities.

Should the Congress appropriate more than $8 million and funds become available for new projects, priority will be given to projects in the Far East, Latin America and Africa since the program has been unduly concentrated in the Near East (60% in FY 1976, 42.8 % in FY 1977).

List of Applicants or "Project Proposals" Pending

-- The list of applicants (Section I) covers FYs 1977, 1978, and 1979 as requested by the two Appropriations Committees.

FY 1978 Program Distribution

-- As of January 13, only one grant has been made with FY 1978 funds (out of the $23.7 million budget):

American University of Beirut, Lebanon $1,000,000

-- Notice has been provided to the Congress with regard to the following grants which will have been made by the time of the hearings, provided there is no Congressional objection (none anticipated):

American University of Beirut - additional $1,000,000
(for total of $2 million)

People-to-People Health Foundation $2,000,000
(Project HOPE Schools of Health Science in South America and the Caribbean)

Total Obligation Planned by Hearings $4,000,000

-- We do not envision making any other grants until summer.

-- In the course of testimony we should, if possible, avoid any indication of possible grantees since such information inevitably will lead to agitated lobbying by those not mentioned. If the Committee should request what uses are likely to be made, the following response is recommended.

All projects will be selected from amongst the list of applicants submitted to the Committee.

B. American Schools and Hospitals Abroad (Section 214)

REVIEW OF CRITERIA TO IMPROVE GEOGRAPHIC DISTRIBUTION OF PROGRAM

The Authorizing Conference Report of the HIRC for FY 1978 asked A.I.D. to review present ASHA criteria for support of institutions with a view toward providing recommendations to encourage more equitable geographic distribution of the program's grants, and guidelines for what types of institutions should receive support.

Congressional Perspective

Language in the Conference Report that we review the criteria was a sop. The language was adopted by the Conferees so they could kill the House approved amendment of Congressman Lee Hamilton limiting the number of ASHA projects in any one country to four.

The purpose of the amendment was to encourage geographic distribution of the ASHA program by limiting the number of projects in Israel. The Conferees did not want to tackle the problem. Support from individual members of Congress for a multiplicity of institutions in Israel continues unabated.

Proposed Response

The following response is recommended.

> We have reviewed the ASHA criteria and believe they are suitable for achieving more equitable distribution of the program. Better distribution has been achieved. In FY 1970 and 1971, 90% of ASHA funds were granted for institutions in the Near East. The average from FY 1972 through FY 1977 is 54.4%. This is better, but still too much for one region. We have reduced assistance to the American University of Beirut. However, requests for institutions in Israel remain high, with requests totalling $18.9 million for FY 1978 and $20.2 million for FY 1979 for Israel alone. Only by cutting back in Israel as well as Lebanon can better geographic distribution be achieved. That is why we supported Congressman Hamilton's amendment last year to limit assistance to not more than four institutions in any one country. However, as you recall, the amendment was killed in Conference.

C. American Schools and Hospitals Abroad (ASHA)

GEOGRAPHIC DISPERSION

Congressional Perspective

- For historical and political reasons, the ASHA program has been concentrated in the Near East (Egypt, Israel, Lebanon and Turkey).

- The two Subcommittees responsible for A.I.D.'s appropriation are on record encouraging A.I.D. to diversify the ASHA program geographically. However, Congressional interest in a multiplicity of institutions in Israel continues unabated. Also, the Authorizing Conference Committee last year killed the adopted House amendment to limit the number of projects in any one country to four a year, a clear signal of support for projects in Israel.

Extent of ASHA Concentration in the Near East

- From FY 1970 through FY 1977 a total of 205 ASHA grants have been made to assist 75 institutions in 30 countries. During this period, 59 ASHA grants were made to assist 34 institutions in Israel (7 in FY 1977).

- In no other country is there such a concentration of institutions receiving Section 214 assistance. The closest is Greece, where 4 institutions have been assisted.

- The total of ASHA grants worldwide from FY 1970 through FY 1977 is $165 million. Within that amount, grants for institutions in Israel total $40.3 million ($4.6 million in FY 1977).

- Assistance to the American University of Beirut, Lebanon, a regional institution, represents the only other comparable concentration of funds, with $54 million in assistance provided during the period FY 1970 - FY 1977.

Progress Toward Geographic Dispersion, FY 1970 - FY 1976

- In FY 1970 and FY 1971, when the Congress was making specific line item appropriations for the ASHA program, 90% of ASHA funds were granted for institutions in the Near East.

- Consistent with Congressional intent, the ASHA program has been able to make wider geographic distribution of its grants in recent years, despite the facts that it has 1) continued to have approximately the same yearly budget (around $20 million) and 2) that there have been continuing requirements in the Near East.

- From FY 1972 through FY 1977, institutions in the Near East accounted for an average of 54% of ASHA funds, a reduction of 36% from FY 1970 and FY 1971.

- In FY 1970 and FY 1971 combined, only 7 different institutions were assisted in areas outside the Near East. In FYs 1975, and 1976 and 1977 combined, 26 different institutions were assisted in areas outside the Near East.

Improving Geographic Distribution in FY 1978 and FY 1979

- Additional geographic dispersion of the ASHA program is desirable.

- In FY 1978, Congress provided ASHA $23.7 million, up from $19.8 the previous year. This higher amount will permit additional geographic dispersion.

- However, grant applications to assist institutions in Israel alone in FY 1978 exceed $18 million and for FY 1979 exceed $20 million.

- In FY 1979, the $8 million requested in the Budget does not provide any latitude for geographic diversification of the ASHA program The $8 million in the FY 1979 budget would be required to maintain currently supported activities.

D. Justification of Certain ASHA Expenditures

The House Conference Report No. 95-633, dated September 26, 1977, instructed the Director of ASHA to provide a full report to the Appropriations Committees of both Houses justifying the expenditure of funds for the American Hospital of Paris, the American Library in Paris, the American Hospital in Rome, and the American University of Beirut, and to indicate if continued expenditures to those institutions are presently contemplated.

On October 31, 1977, AA/LEG forwarded the report of the ASHA Director to the House and Senate Appropriations Committees.

The report addressed three issues raised by the Conference Report as follows:

1. SUPPORT OF AMERICAN SCHOOLS AND HOSPITALS IN DEVELOPED COUNTRIES.

Pursuant to Section 214 any U.S. organization which has founded or sponsored a school, library, or hospital abroad may apply without discrimination as to the stage of economic development of the country in which the institution is located. Congress has clearly advocated assistance to institutions in developed countries by making line item appropriations and by otherwise supporting grants to institutions in Lebanon, Israel, Greece, Poland, Italy and France.

ASHA has no control over where these institutions are located. Cultural ties and our long history of missionary activities have led to many institutions being in the Near East, Europe, and the Far East.

2. THAT THE HOST COUNTRY OR OTHER INTERESTED COUNTRIES SHOULD SUPPORT AMERICAN INSTITUTIONS OVERSEAS.

The extent to which such countries may be willing to assist American institutions and the amount of assistance that could be accepted without institutions ceasing to be truly American and private are limited.

It is unlikely host countries could or would provide significant support to American institutions overseas as that the U.S. Government would provide support to private British, French or German schools operating in the U.S.

Existence of Section 214 is the antithesis of the proposition that foreign governments should support private American schools. If U.S. policy were to be that American institutions overseas obtain funding from foreign countries, Section 214 would be inconsistent and unnecessary.

3. THAT IN CERTAIN COUNTRIES U.S. INTEREST HAS BEEN DEMONSTRATED ADEQUATELY AND, THEREFORE, ADDITIONAL ALLOCATIONS OF FUNDS ARE NOT REQUIRED.

Demonstration of American medical and educational practices through U.S. medical and educational institutions abroad is by definition of a long term nature. Neither schools nor hospitals become effective institutions overnight. We agree, however, that there is no need to "over demonstrate" U.S. interest in a particular country and for that reason have supported Congressional initiatives to limit the number of American institutions in any one country receiving assistance. However, the Congress as a whole has not supported such initiatives.

American Hospital of Paris, chartered by an act of the U.S. Congress in 1913, is presently constructing a new 75-bed facility to replace its most obsolete building. From FY 1972 through FY 1975, grants totalling $5.5 million were provided to modernize its facilities. All operating expenses are met from fees and private contributions. No assistance has been provided since FY 1975 and no additional assistance is presently contemplated.

The American Library in Paris, whose merits were brought to A.I.D.'s attention by the SAC in June of 1974, was granted $275,000 in FY 1975 for sorely needed building improvements and $25,000 in FY 1977 to strengthen its acquisition program. The library has requested $140,000 in FY 1979 to complete its physical improvement program. Whether we will respond favorably will not be known until all pending applications for FY 1979 have been reviewed and their relative merits determined.

American Hospital in Rome The Association Columbus, the medical organization of the Missionary Sisters of the Sacred Heart, sponsors the hospital. The Association was granted $4.8 million during FYs 1972-1975. The grant provided less than half the funding for the Association Columbus to purchase an existing 300 bed facility. No additional assistance has been requested.

The American University of Beirut (AUB) Operating assistance is necessary for the survival of this regional institution. Assistance was reduced to $5 million in FY 1977, a reduction of $1 million from previous years in view of negative Congressional opinion regarding the high annual subsidy given to AUB. In FY 1978 assistance will be between $4 and $4.5 million. A final determination will be made during the summer of 1978 following additional review of AUB's financial situation. Assistance, at a yet undetermined level but somewhat reduced from FY 1978, will be necessary in FY 1979.

E. American Schools and Hospitals Abroad (Section 214)

AMERICAN UNIVERSITY OF BEIRUT, LEBANON

Pursuant to Congressional intent, assistance to AUB in FY 1977 was reduced to $5 million, a reduction of $1 million over previous years.

Assistance in FY 1978 will be reduced further, to between $4 and $4.5 million. A final determination will be made during the summer of 1978 following additional review of AUB's financial situation.

Section 214 represents an increasingly smaller portion of AUB's operating budget. Whereas several years ago Section 214 comprised 33% of AUB's budget, in FY 1977 it represented 18%. In FY 1978 it will represent around 15% of an estimated $30 million operating budget.

Operating assistance, at a yet undetermined level but somewhat reduced from FY 1978, will be necessary in FY 1979.

F. American Schools and Hospitals Abroad (Section 214)

AMERICAN UNIVERSITY IN CAIRO

The situation regarding AUC remains in abeyance pending receipt of the GAO's report on the University and its Endowment Fund. The SAC requested the GAO to complete its report by March 1, 1978 so that it could reconsider appropriating funds to complete replenishment of the Endowment Fund, funds which the SAC declined to appropriate in FY 1978.

A.I.D.'s request to the OMB to carry forward the FY 1978 request of $7 million equivalent in excess Egyptian Pounds to FY 1979 was denied. However, the OMB favors, and will support, a budget amendment, provided the GAO report on AUC warrants such an amendment.

THIS SECTION WILL REQUIRE UP-DATING UPON RECEIPT OF THE GAO REPORT.

Background Review

Funds voted by the Congress in FY 1976, the TQ and FY 1977 to replenish the Endowment Fund (approximately $15 million in excess Egyptian Pounds) have not been granted to AUC pending receipt of the GAO's report and assessment. AID's freeze on any additional endowment fund investments by the Trustees of AUC also continues.

The GAO review follows upon AID's own audit report of AUC, which was issued in July of 1976. That report raised a number of questions about the business practices of the Endowment Fund. ASHA, immediately upon issuance of the audit report, froze additional investments and any additional grants pending evidence of corrective measures by AUC and an investigation by I I S of matters raised in the audit report.

In the Summer of 1977, ASHA completed its review of the I I S reports and the corrective actions taken by the AUC Board of Trustees to improve the management and their own supervision of the Endowment Fund. On the one hand I I S reports showed that the original audit report overstated the case against AUC and included inaccuracies; on the other hand ASHA concluded that corrective measures were taken by AUC to ensure management of the Endowment Fund in accordance with good business practices and that the Endowment Fund offered the only possibility to free AUC from continued dependence on the U.S. Government.

In July 1977, AID told the SAC that it favored renewal of the endowment investment program and replenishment of the Endowment Fund. The SAC concluded it wanted an independent appraisal of the situation and called in the GAO.

In the meantime, AUC continues to make up its Egyptian Pound deficit by drawing on the principal of the Endowment Fund provided by AID. For academic year 1977-78, Egyptian Pound expenses are estimated at LE 3.4 million. Interest and principal from the endowment fund make up LE 2.24 million of that total, or about 66%.

G. American Schools and Hospitals Abroad (Section 214)

CHILDREN'S MEDICAL RELIEF INTERNATIONAL

The Authorizing Conference Report for FY 1978 stated that funds appropriated for ASHA may be available for assistance to centers established by Children's Medical Relief International (CMRI), for use only for foreign operations.

CMRI, which was best known for its pediatric plastic and reconstructive surgery center in Vietnam, now wishes to make its services available in the Caribbean.

ASHA officials met with CMRI officials in September of 1977 and remain in close contact. CMRI is in the process of developing its proposal. We will be giving CMRI every consideration once their proposal is received.

(We may receive CMRI's proposal prior to the hearings. This section will be up-dated accordingly.)

H. American Schools and Hospitals Abroad (Section 214)

LIFE INTERNATIONAL; REFITTING AND OPERATING THE USS SANCTUARY AS A CIVILIAN HOSPITAL SHIP.

Congressman Parren Mitchell of Maryland has introduced legislation to provide Life International $6 million in FY 1979 to refit, and $15.5 million between FY 1979 and FY 1984 to operate, a civilian hospital ship to provide volunteer medical services overseas. The navy would transfer the USS Sanctuary to Life International and the ship would be renamed the SS LIFE.

Life International is a non-profit D.C. corporation headed by Mr. Robert N. Meyers and Dr. James E. Johnson.

The Conference Report of the House and Senate Appropriations Committees of 1976 requested A.I.D. to study the feasibility of refitting and operating the USS Sanctuary for possible use as a civilian hospital ship. The study was completed in December of 1976 and furnished to the Committees.

The study concluded it would be inadvisable to activate the USS Sanctuary in view of the high cost of preparing the vessel for operating and the substantial annual ship operating expenses exclusive of medical service costs. The benefit to cost ratio is very unfavorable. Comparable services could be provided through land based institutions at a lesser cost.

It should be noted that the People-to-People Health Foundation (Project HOPE) gave up operating the SS HOPE a couple of years ago because it simply became too expensive.

Attachment I

Actual Obligations and Grant Requests from Institutions
(in thousands of dollars)

(Note: Amounts in parenthesis are local currencies expressed in dollar equivalents)

INSTITUTION	FY 1977 Requests	FY 1977 Actual	FY 1978 Requests	FY 1979 Requests (as of 1/12/78)
BOTSWANA				
Maru a Pula, Gaborone	-	-	-	365,000
BRAZIL				
Esperanca, Santarem, Brazil	-	-	-	393,000
CHINA, REPUBLIC OF				
Cheng Hsin Rehabilitation Center, Taiwan	380	100	190	-
ECUADOR				
Working Boys' Center, Quito	567	530	566	-
EGYPT				
American University in Cairo	450	-	250	250
	(7,000)	-	(7,000)	(7,000)
FRANCE				
American Center for Students and Artists, Paris	-	-	-	988
American Hospital of Paris	1,586	-	-	-
American Library in Paris	25	25	-	140
Sub-Total, France	1,611	25	-	1,128
GREECE				
American Farm School, Thessaloniki	310	300	383	350

INSTITUTION	FY 1977 Requests	FY 1977 Actual	FY 1978 Requests	FY 1979 Requests (as of 1/12/78)
GREECE (Cont.)				
Anatolia College, Thessaloniki	182	180	507	485
Athens College	1,150	1,000	150	300
Deree-Pierce College, Athens	3,600	-	1,889	740
Sub-Total, Greece	5,242	1,480	2,929	1,875
GUATEMALA				
Hospital de la Familia, Nuevo Progreso	260	260	235	200
HONDURAS				
Escuela Agricola Panamericana, Tegucigalpa	175	175	150	200
INDIA				
Ludhiana Christian Medical College, Punjab	-	-	-	500
INDONESIA				
Bandung Adventist Hospital, Jalan, Indonesia	-	-	300	-
Satya Wacana, Christian University	-	-	-	540
Sub-Total, Indonesia	-	-	300	540
IRAN				
Damavand College, Tehran	500	500	447	560
ISRAEL				
Beth Oulpana, Bne Brak	-	-	-	500
Beth Yaacov Avat	100	100	250	-
Beth Zeiroth Mizrachi Vocational School	-	-	500	1,000
Beth Rivka Comprehensive School	750	-	-	-
B'nai Torak	1,000	-	-	-
Ch'san Sofer Yecheskel Institute	400	300	-	-

INSTITUTION	FY 1977 Requests	FY 1977 Actual	FY 1978 Requests	FY 1979 Requests (as of 1/12/78)
ISRAEL (Cont.)				
College of Hebraic and Semitic Studies	1,500	-	-	-
Diaspora Institute	-	-	3,000	1,054
David Raziel Youth Town	3,000	-	-	-
Feinberg Graduate School of Weizmann Institute	5,800	1,200	5,500	5,000
Gan Yavne Youth Village	1,180	-	1,180	-
Hadassah Medical Center	2,000	750	2,000	2,000
Hadera Institute	750	-	750	-
Hadera Eron Vocational School (Pioneer Women of America)	-	-	-	1,000
Israel Goldstein Youth Village	-	-	350	-
Jerusalem Mental Health Center	250	-	-	-
Jerusalem School Of Jewish Studies	-	-	-	1,018
Laniado Hospital	-	-	1,548	-
Mount David Crippled Children's Hospital	-	-	-	1,500
Negev High School	-	-	-	2,000
Ohr Somayach	-	-	-	2,000
Or Hachayim	-	-	300	-
P'eylim, Migdal Haemek School	-	-	-	1,500
Pre and Post Natal Medical Center	-	-	-	1,600
Shaare Zedek Hospital	3,600	750	3,600	-
Tel Aviv Vocational School (Or Moshe)	750	750	-	-
Yohanna Jabotinsky Youth Town	500	-	-	-
Yad Benjamin	900	750	-	-
Sub-Total; Israel	22,480	4,600	18,978	20,172

INSTITUTION	FY 1977 Requests	FY 1977 Actual	FY 1978 Requests	FY 1979 Requests (as of 1/12/78)
ITALY				
American Hospital in Rome	150	-	-	-
American Center for Children, Rome	1,750	1,600	2,500	-
Bologna Center	425	350	365	350
John Cabot International College, Rome	-	-	100	3,000
Sub-Total, Italy	2,325	1,950	2,965	3,350
KOREA				
Induk Vocational School	408	-	400	497
Kwangju Christian Hospital	-	-	-	400
Presbyterian Medical Center	300	200	300	340
Seoul Adventist Hospital	800	-	150	-
Sogang University	220	-	900	-
Yonsei University	-	-	1,000	-
Sub-Total, Korea	1,728	200	2,750	1,237
LEBANON				
American University of Beirut	6,000	5,000	6,000	5,300
Beirut University College	508	-	-	-
Sub-Total, Lebanon	6,508	5,000	6,000	5,300
LIBERIA				
Cuttington College	-	-	536	-
MEXICO				
University of the Americas	1,840	315	2,465	5,000
MOROCCO				
Rabat American School	-	-	300	-

INSTITUTION	FY 1977 Requests	FY 1977 Actual	FY 1978 Requests	FY 1979 Requests (as of 1/12/78)
NIGERIA				
Chemke Mercy Hospitals	250	-	250	-
POLAND				
American Children's Hospital, Krakow	350	-	610	-
PHILIPPINES				
De La Salle University, Manila	-	-	-	1,200
Manila Sanitarium and Hospital	-	-	-	411
Silliman University	1,140	-	-	-
Sub-Total, Philippines	1,140	-	-	1,611
SPAIN				
American Hospital in Estepona	438	-	921	-
SWITZERLAND				
English School of Bern	-	-	459	-
American College of Switzerland	-	-	-	750
Sub-Total, Switzerland	-	-	459	750
THAILAND				
Thailand Vocational School, Mae Sariang	150	-	150	-
Bangkok Adventist Hospital	200	200	200	-
Payap College	-	-	1,992	1,992
Sub-Total, Thailand	350	200	2,342	1,992
TURKEY				
American Hospital in Istanbul	375	375	360	400
Robert College	350	-	-	-
Sub-Total, Turkey	725	375	360	400

INSTITUTION	FY 1977 Requests	FY 1977 Actual	FY 1978 Requests	FY 1979 Requests (as of 1/12/78)
UNITED KINGDOM				
Lingnan College, Hong Kong	1,500	1,500	500	-
New England College, Arundel	450	450	-	-
Sub-Total, United Kingdom	1,950	1,950	500	-
WORLD-WIDE				
Children's Medical Relief International	-	-	*	-
Project HOPE	2,000	2,000	2,000	2,000
ZAIRE				
Good Shepherd Hospital	160	160	200	-
GRAND TOTAL	51,429	19,820	46,703	47,823
	(7,000)	-	(7,000)	(7,000)

* The Conference Report of the Authorizing Committees instructed AID to consider this project. CMRI is presently developing its grant proposal

EXCEPTIONS PERMITTING HOUSING GUARANTY PROJECTS IN COUNTRIES NOT RECEIVING DEVELOPMENT ASSISTANCE

In its report on the FY 78 foreign assistance legislation, the HIRC expressed its concern for the continued use of the Housing Guaranty Authority in Israel, Portugal and Lebanon. Subsequently, and during the Committee of the Conference, it was agreed that the Agency should not abruptly terminate the Housing Guaranty programs in these countries and could authorize Housing Guaranty projects in these countries through FY 78. Based on Congressional approval, the Agency proposes to authorize the following FY 78 program levels: $25 million for Israel, $10 million for Portugal and $15 million for Lebanon. Consistent with Congressional advice, the Agency is not seeking special authority for these countries beyond FY 78.

PURPOSE OF HG PROGRAM

In the context of considering the extension of the Housing Guaranty Program in Israel, Portugal and Lebanon, the HIRC entered into extensive discussion over whether the Housing Guaranty Program should be used solely for demonstration programs and on an in-and-out basis, or whether it should also be used to transfer resources.

It is important to establish that the Agency views shelter as a basic human need and, as such, shelter response strategies must be developed with the same time horizons as other Agency efforts in meeting basic human needs. Because of the magnitude of the shelter problems in developing countries and the limitation of internationally available financing, AID's shelter objectives have sought to have strong multiplier effects by assisting countries to:

- Develop their capability for analyzing their housing requirements and developing national policies and plans that meet these requirements, particularly with regard to the needs of the poor;

- Create and strengthen the necessary institutional framework to implement these shelter policies; emphasis has been placed on the mobilization of local resources and on the use of unutilized resources (e.g., institutions which mobilize idle savings, encourage self-help housing and optimize the use of unemployed labor), while minimizing the drain on scarce resources (e.g., existing savings);

- Examine their various subsidy programs in an effort to reduce the drain on national development resources and achieve a higher degree of self sufficiency (pay as you go) in its shelter programs for lower income people;

- Introduce Host Country officials to the U.S. capital markets in an effort to facilitate future development loans.

The Agency considers the Housing Guaranty Program an extremely useful development resource to address the shelter needs of the poor. It should be noted that to date this resouces has made no demands for budget outlays or appropriated resources and makes a very small impact on U.S. capital markets.

As with all development asssistance, a Housing Guaranty loan represents a resource transfer from the United States to a developing country; however, the basic purpose of the Program is to support host country initiatives to develop affordable and replicable shelter programs for the poor. Since FY 74, AID has promoted three categories of demonstration-type shelter programs:

(1) Shelter financing for lower-income groups. This includes HG loans to the mortgage credit institutions which were created with A.I.D. assistance. These loans have resulted in the financing by LDC mortgage lenders of houses much lower in cost, in size and standard than before considered suitable for financing on an economically self-sufficient basis.

(2) Sites-and-services/minimum shelter approaches. HG loans have promoted the provision of basic infrastructure and perhaps the beginning of a house for low income families, with the owners providing basic structural additions and amenities as their means allow.

(3) The rehabilitation ~~of~~ for upgrading of existing squatter settlements and slums. This includes HG loans for the provision of safe drinking water, raw sewerage disposal, electricity, improved transport, community facilities and improvements to the dwelling themselves in low income neighborhoods.

In all three categories of shelter solutions, we are interested in demonstrating that these programs are viable without massive subsidies and are replicable on a self-liquidating basis. We are also very much concerned with the development of the LDC institutional capacity to continue the program after external assistance is terminated.

CHANGES SOUGHT IN FAA RELATED TO HOUSING GUARANTY PROGRAM

AID is requesting that the Congress add a new section to the FAA to reflect more accurately the change in emphasis and direction in the Housing Guaranty Program. The revision notes that minimum shelter is a basic human need and that the Program addresses the needs of the poor by promoting effective national shelter policies, helping develop indigenous shelter institutions, and assisting in the development of financing for shelter and related facilities and services.

The Agency is also seeking changes that would:

- Increase the ceiling for the principal amount of guaranties issued at any one time by $150 million, which provides enough authority to conduct the Housing Guaranty Program through FY 1980;

- Extend authorization for the Housing Guaranty Program through FY 1980. This extension (one year beyond the FY) is consistent with past practice and assures private United States lenders that commitments will be implemented.

Question

What, in terms of United States interests, is the general case for the requested increase in voluntary contributions to International Organizations and Programs?

General

For FY 78, the Administration requested about $265 million and the Congress approved about $231 million for these voluntary contributions. For FY 79 the Administration requests a total of $282 million, 6 percent over the request and 22 percent over the FY 1978 appropriation. Although the UN programs enjoy substantial support in both the House and the Senate, this increase may be perceived as excessive and will stimulate opposition from members who question the effectiveness of multilateral assistance in general.

Specific

We have two general objectives in proposing increased contributions to the UN technical cooperation and humanitarian programs.

First, we believe that these programs effectively mobilize the financial resources and human skills of the international community to deliver needed assistance to developing countries and to carry out other multilateral action on problems of global concern. Thus, instead of the United States paying 100% of the costs of these programs, our contribution encourage others to share the burden.

The problems addressed include the scarcity of managerial and technical skills, hunger, population, nuclear proliferation and the special problems of refugees, of disaster victims and of women and children. Through these programs, the nations of the international community take common action to alleviate these problems and to share the financial burden of supporting that action.

Second, we want to strengthen the principle of multilateral cooperation, especially in the United Nations in the context of our relations with the developing countries.

During World War II we led the initiatives to create the UN as an organization to keep the peace. Since then we have led the growing membership of the United Nations in numerous initiatives to deal with general problems. We wanted others to wake up to issues that affected everyone -- environment, population, disaster relief coordination, etc. Many of these programs are the result and represent one of the significant postwar successes of US foreign policy.

Our continued leadership is especially important now. After a period in 1974-75 of strained relations in the UN between the developed and developing nations, we have seen in the most recent General Assembly a new cooperative atmosphere in which the developing nations supported actions favorable to our interests. In the coming years we want to reinforce that constructive spirit.

IO/DHP:JMHawley:jbs:jew
1/28/78 x22607

Question

What is the Administration position on multilateral technical assistance financed in part by U.S. assessed contributions to certain UN agencies?

General

The Congress has strongly criticized the growth of UN technical assistance programs funded by assessed contributions. In report language last year, the concerned Committees directed the Executive Branch to take remedial action. If this was not done they stated their intention to reduce voluntary contributions to the UNDP in proportion to the Administration's requests for assessed contributions to the UNDP in proportion to the Administration's requests for assessed contributions intended for UN technical assistance programs.

Specific

We recognize that there has been substantial concern within the Congress regarding the handling of funds for technical assistance. As a general rule, U.S. funds for technical assistance are provided as voluntary contributions to various UN agencies under the Foreign Assistance Act. However, some of the United Nations specialized agencies have traditionally included technical assistance in the budgets for which member nations are assessed. These technical assistance programs

are much smaller than those funded voluntarily, such as UNDP and UNICEF.

This is a highly complex issue. Undoubtedly the founders of the United Nations system did not anticipate that the UN would become the world's most important vehicle for international technical assistance. For reasons of history and common practice within the UN system, technical assistance funding is through both voluntary contributions and assessments. We have prepared an analysis covering significant aspects of this problem which also states our policy at some length. I would be pleased to provide a copy to the Subcommittee.

Briefly, however, we intend to continue to sustain the United Nations Development Program as a major channel through which the technical assistance program of the UN system are financed by voluntary contributions. Accordingly we intend to provide ~~a~~ the major share of U.S. support for technical assistance through the UNDP.

In order to provide uncontrolled and incoherent growth funding of technical assistance, we wish to develop and encourage international acceptance of a set of criteria to determine the appropriate choice of financing through UNDP, through voluntary contributions to the

agencies or budget assessments for technical assistance. In general, the United States would like to see direct financing of technical assistance through the agencies only when we are persuaded that there is a clear advantage or need to do so outside the mechanism of the UNDP. Such may be the case with programs of a specialized temporary emergency or high priority nature not easily funded or capable of being accommodated into the country programming of the UNDP, or where these can be most efficiently executed by the agencies themselves. Whether we would wish to fund these programs by voluntary contributions or accept funding through assessed budgets would depend on such factors as whether the programs are already supported by regular budgets and operating well, whether they can be expected to have identifiably far-reaching benefits beyond those accruing to individual recipient countries or whether financing is urgently required for high priority programs pending the establishment of arrangements for a longer term voluntary support. It is our position, however, that the UN must avoid any uncontrolled or incoherent growth in the funding of technical assistance.

IO/DHP:JMHawley:jbs
x 22607 1/27/78

Question

What is the Administration's position on the use of U.S. funds to provide assistance indirectly to certain countries through these UN agencies?

General

This year there may be renewed efforts to amend the Foreign Assistance bill to prohibit use of U.S. funds for indirect assistance through multilateral programs to certain countries. It is likely that sponsors of such legislation will specify that it apply to UN programs.

Specific

UN organizations such as the UN Development Program (UNDP), UNICEF, and others are universal development agencies helping over 140 countries on an impartial basis. The U.S. led in founding these agencies. We continue to exercise strong and effective leadership in the direction they take.

These UN agencies are non-political and have been very successful cooperative ventures between the developed and developing world when North/South confrontation has been common in other fora.

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We recognize the shortcomings of many nations for human rights and other reasons. We do not consider prohibiting U.S. funding to UN agencies or indeed to any multilateral assistance program an effective and appropriate way to meet these problems. In many cases it is through these very UN programs that the U.S. is able to assist victims of human rights violations. We see the following disadvantages of such an approach.

(1) Such a provision in law could well be construed to enjoin legally and to forbid any United States voluntary contributions to several of the international organizations and programs which now provide humanitarian, development and technical assistance to developing countries and which the United States has supported strongly for years.

(2) Multilateral, humanitarian, and technical assistance does not involve large amounts of money or political influence in recipient countries. Thus, such assistance provides little or no effective leverage on the internal political policies of recipient countries.

(3) United States contributions to these organizations go into a general fund. They cannot be effectively earmarked or delimited to prevent the organizations using them in a particular country that violates human rights. The United States could reduce or withhold

its contributions, but this would penalize equally all recipient countries. Moreover, these programs approve individual country programs by consensus, not by vote, a procedure which has enabled countries like Israel, already under attack elsewhere, to receive UNDP funds without political considerations.

(4) If the United States attaches conditions to its voluntary contributions relation to the recipient agencies' programs in specified countries, there will be no bar to other member - contributor nations reciprocating by setting similar conditions for countries we favor. This is precisely the kind of politicization the United States has vigorously opposed in other UN organizations such as the International Labor Organization and UNESCO.

(5) Such legislative restrictions with the growing emphasis of UN programs on basic human needs, risk hurting the very people we are trying to keep.

Additional Background

In the consideration of the FY 1978 Foreign Assistance Bill, the House passed amendments prohibiting use of U.S. funds to provide assistance indirectly to certain countries.1/ The Executive Branch concluded

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1/ Vietnam, Cambodia, Laos, Uganda, Cuba, Angola, Mozambique

that the House intended that these amendments apply to all multilateral assistance programs to which the United States contributed in FY 1978. The amendments were withdrawn in exchange for the President's letter of commitment that the U.S. would oppose International Financial Institution loans to these countries.

Although the President's letter did not mention the UN programs, House Appropriations Subcommittee of Foreign Operations Chairman Clarence Long wrote Assistant Secretary Maynes in late October 1977 to the effect that the President's commitment should also apply to the UN programs. In a response cleared by the White House Inter-Agency Group, Mr. Maynes replied that the President's Letter did not apply but said that the Department would provide information about UN programs in those countries.

IO/DHP:JMHawley:jbs
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Concurrences: H - Mr. Schnee
IO - Mr. Maynes

Question

What is the case for increased contributions to the UN Development Program? (UNDP)

General

The FY 79 UNDP request is for $133 million. During the last several years UNDP has been strongly criticized in the Congress for poor management, excessive overhead and general ineffectiveness.

Specific

At $133 million, the Administration's request for FY 1979 is only $3 million above the $130 million requested for FY 1978, although it is $18 million above the appropriation passed by Congress. This increase is highly desirable for several reasons. First, at the June, 1977 meeting of the UNDP Governing Council member governments agreed upon a voluntary goal of increasing total contributions by 14 percent in each of the five years of the Second Programming Cycle. An increase of this amount translates into apporximately 6.5 percent after adjusting for the expected inflation rate. The $18 million increase we are proposing also will help maintain the U.S. share of total contributions at or near the 22 percent level we believe is sound. This evaluation is based on our estimate of the level of participation

required if the U.S. is to maintain its key influence in UNDP policies, e.g., in bringing additional resources into basic human needs oriented programs. We also believe this increase is necessary to prompt other nations to meet the 14 percent growth figure, for our own contributions are a highly effective catalyst in encouraging other nations to increase their support.

In addition, we want to avoid aggravating further the situation created in 1975 and 1976 by a shortage of funds in UNDP which resulted in some executing agencies expanding technical cooperation efforts with funds from other sources. If allowed to continue, independent action would undermine the UNDP's important coordination and coherence role among the UN technical assistance programs. Ensuring UNDP's primary role as the central funding and programming mechanism in the UN development system rests squarely on the leverage over other agencies which financial resources provides.

With respect to UNDP's management, during the two years former Congressman Bradford Morse has been UNDP Administrator, he has acted strongly to improve its program and financial management, especially in terms of reducing headquarters staff and overhead and of strengthening evaluation of field activities.

I would also point out that many countries are increasing their support for UNDP. For 1978, Saudi Arabia increased its pledge from $2.5 million to $10 million or 300 percent. Pakistan pledged over $1 million, nearly 200 percent above their 1977 pledge. Finally in 1977, the OPEC Special Fund provided special grants of $20 million through UNDP for four major regional technical cooperation projects.

IO/DHP:JMHawley:jbs
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UNDP

UN STRUCTURAL REFORMS

ISSUE: The SAC Report on the FY 1978 Appropriations bill (pages 60-61) is concerned about the ability of UNDP to manage its technical assistance projects effectively and efficiently without a fundamental structural reform of the UN development system.

AID POLICY: At its last session the UN General Assembly approved recommendations for the reform of the economic and social sectors of the UN development system. The restructuring which will follow in the next few months should enhance UNDP's effectiveness.

In addition, UNDP has taken measures to reinforce its operating relationships with the Specialized Agencies. Late last year a Task Force consisting of senior representatives of the Agencies set up shop at UNDP Headquarters. Internally, UNDP with the assistance of Price Waterhouse of Canada is completing a first phase of a two-year effort to revamp its financial management system, in which exercise AID will be playing a technical role.

Question

What is the case for continued support for the UN Relief and Works Agency (UNRWA)?

General

During the last year there has been increasing concern in the Congress, especially the Senate, as to the desirability of fullyfunding the Administration requests for contributions to UNRWA.

Specific

Since 1949, the U.S. has been an active supporter of assistance to Palestinians who lost their homes and livelihoods as a result of the Arab-Israeli conflict. During the intervening years, there have been three additional wars which have aggravated the plight of these refugees and which, in two instances, increased their number.

UNRWA was created with the expectation that it would continue to provide the refugees with services pending a peaceful resolution of the conflict. We are now engaged in efforts, with the parties, to resolve this long-standing dispute. As the President has said, the solution which we seek should deal with the Palestinian part of the problem in all its aspects, including, of course, the refugee dimension. We believe the present time is particularly inauspicious to alter our policy of support for UNRWA

when the possibilities for genuine peace are being vigorously explored. Even under the best of circumstances, time will be required to resolve the refugee problem. UNRWA would be required in the context of peace to bolster area stability. We are convinced, therefore, that for the present and until the fruits of current efforts are realized, UNRWA remains the best vehicle for providing assistance to the refugees. The dedication, cost effectiveness and recognized standing of UNRWA among both refugees and governments cannot be ignored. As a consequence, we feel that the U.S. should continue to support UNRWA in present circumstances.

Additional Background

For FY 1978, the Administration requested $ 52 million. At the initiative of Senators Stone and Javits, the Senate Foreign Relations Committee reduced the level to $42.5 million and directed that a Congressional study of UNRWA be carried out. The Committee and Joint conference reports said that based on the result of the study, the Congress would consider supplemental FY 1978 funding. As of late January 1978, the study had not begun.

1/25/78

Question

What is the justification for the substantial increase requested for the UN Children's Fund ($25 million to $35 million)?

Specific

The proposed increase is, indeed, well above that made for FY 1978. It represents, however, substantial compliance with the strong support expressed by this and previous Administrations for UNICEF. The United States percentage of total government giving to UNICEF has fallen to about 19 percent in FY 1978, a steady slide from the 40 percent which the United States years ago pledged to maintain. The increase in FY 1979 will be a positive move to reverse this general trend. Furthermore, it is a move towards fulfillment of the recommendations of the Lodge Commission Report which, at the time when U.S. assessed contributions to the UN were to be reduced to 25 percent, indicated the intention of the United States to insure that voluntary contributions to UN organizations would be well above that level.

UNICEF has become over the years the most noteworthy and successful of UN agencies as well as the best-known by the American public. As bellwether among the nations giving to UNICEF - more than 130 gave last year - the United States contribution encourages others to give, and to give more. The UN General Assembly last year endorsed a target for UNICEF of $200 million in annual revenue for 1979 from all sources. For FY 1978 UNICEF expects to receive $165 million. A contribution of $35 million to

UNICEF will not only give UNICEF a considerable boost towards reaching that goal during the International Year of the Child but also restore the United States to a pre-eminent position as a donor to UNICEF and the cause of children and mothers in the developing world. Most importantly, for it is not a question of dollars and cents alone, it would enable UNICEF to carry on and develop numerous projects in maternal and child health, nutrition, clean water, education, and family planning which would otherwise be delayed. Every deficit year in the life of a child takes a permanent toll.

Given the needs of children throughout the developing world, the sum of money requested is still far less than what would be effectively used to alleviate their wants and assist the children to grow up as healthy adults who can make meaningful contributions to the economic and social development of their countries. To give but one example, at the last meeting of the Executive Board of UNICEF in May, 1977, the Board voted to approve new commitments of $130 million. In addition, it voted $66 million worth of projects in various countries for which supplementary funding is sought and for which the general resources fund of UNICEF is insufficient. The United States prefers to give to UNICEF's general resources, but the magnitude of projects for which there is a felt need and which are

virtually ready to be implemented as soon as money is available is indicative of the crying need for additional resources for UNICEF.

Additional Background

The U.S. contribution to UNICEF in 1977 of $20 million represented 17.8 percent of total government contributions. The $25 million contribution is 1978 is estimated to be about 19.5 percent. An estimate for 1979 would be in the neighborhood of 22 to 25 percent.

In the 1950's the United States percentage of total giving was as much as 60 percent. As other nations recovered from the ravages of World War II they joined in the contributions and increased theirs so that U.S. contributions have fallen to less than 20 percent, a figure well below that which we believe is justifiable.

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UNDP

Dual Method of Financing

ISSUE: The Appropriations Conference Report (page 6) is concerned about the dual method of financing the technical assistance program of the United Nations System, that is the financing of technical assistance by certain specialized UN agencies out of assessed contributions.

AID POLICY: Aid and State, as well as the Congress, have been concerned about the increasing practice of certain U.N. Specialized Agencies to finance technical assistance from assessed contributions. In recent months the U.S. and other major donors have been meeting regularly to discuss this subject and to coordinate their position. AID representatives have expressed their dismay about the current budgetary trend to high-level officials of U.N. Agencies. The technical assistance activities of the Specialized Agencies have a long history and in some of them are specifcally authorized in their constitutions which the U.N. has ratified. The Regular Programs of the Agencies, financed from assessed contributors, permit a wide range of activities: organization of technical seminars, training of selected key government officals sponsorship of sectoral studies. As a general rule, such activities are not development-oriented and are not geared to help with national social and economic objectives.

Increasing proportions of the WHO and FAO Regular Program budgets are, however, being earmarked for field operations. Our concern, as well as that of other major donors, is to be able to control overall growth of these budgets and to limit the development-oriented thrust of their technical assistance activities.

Primary responsibility within the U.N. system for the planning and financing of development programs in the developing world rests with the United Nations Development Program. The UNDP, whose resources are exclusively made up of voluntary contributors, manages the most extensive network of field offices in the world, reaching to nearly 150 countries and territories. UNDP field offices are headed by a Resident Representative who is recognized by the Specialized Agencies as the focal point for the coordination of field activities. UNDP recently initiated on an experimental basis joint programming exercises with WHO and UNICEF in a select number of countries. This will ensure much closer coordination, with planning and executing stages, of their respective efforts. The U.S. supports the initiative taken by UNDP.

FULL FUNDING OF UNDRO

Issue

UNDRO receives funds from two sources:

a) The regular budget of the UN which supports administrative and staff costs, and b) extra-budgetary contributions primarily from donor nations used to cover additional administrative/staff costs and such other activities as preparedness, prevention, and relief. The Senate Foreign Relations Committee wishes other nations either to increase their contributions to UNDRO or to consider funding UNDRO through the regular budget of the UN rather than through the regular budget and through a voluntary contribution trust fund.

AID Policy

Although UNDRO is funded out of the IO/P account, you can comment that State and AID have supported a General Assembly resolution which encourages other nations to contribute to UNDRO. State is not prepared to support full funding of UNDRO from the regular UN budget in that they feel this would go against USG efforts to keep the UN budget down.

UNITED STATES AND OTHER NATIONS CONTRIBUTIONS TO THE
UNITED NATIONS DISASTER RELIEF OFFICE

Issue

The Senate Appropriations Committee has recommended that the annual U.S. contribution to UNDRO be funded out of the IO/P account and not out of the disaster relief account.

Senator Inouye has stated that he does not object to funding UNDRO, but feels that all UN agencies should be funded out of one account and not separate accounts.

State Policy

In accordance with the Committee's wishes, UNDRO is being funded out of the IO/P account from FY 78 on.

Trends in Funding Levels

From 1975 to FY 78, UNDRO has received $1.25 million in U.S. voluntary contributions. Until UNDRO's budget is totally funded out of the regular budget of the United Nations (34 percent of UNDRO's administrative and staffing costs are now paid out of the regular UN budget), State/IO anticipates providing UNDRO with approximately $250,000 a year. This would represent approximately 25 percent of the costs which the international donor community has been making annually on a voluntary basis in order to fund UNDRO's expanded activities.

FUNDING OF UN ASSISTANCE IN INTERNATIONAL PROGRAMS
OF DISASTER PREPAREDNESS AND PREVENTION

Issue

The UNA Panel on International Disaster Assistance recommended a $5-6 million annual contribution to the UN for disaster preparedness. State/SP subsequently received permission from the Secretary of State to investigate this proposal. The Senate Foreign Relations Committee staff (Ruddy Rousseau, who represented Senator Humphrey on the UNA Panel) in principle, endorses the UNA recommendation. The Senate Foreign Relations Committee, thus, will most probably ask what our position is on this issue.

AID Policy

Neither the UNA Panel nor the UN have made any concrete recommentations as to how funds should be spent on preparedness and prevention to justify a $5-6 million USG contribution, or 25 percent of the total program. AID is now working both internally and with the UN to try to arrive at the kinds of programs which would merit funding. Essentially, we are not prepared to endorse this recommendation until we are confident that funds in this area can be effectively used. We also believe that multilateral technical assistance in disaster preparedness should be funded through increased contributions to UNDP, in close collaboration with UNDRO.

If pressed by the Committee for possible areas of funding, we feel that the following areas could receive assistance in the preparedness field: strengthening of truck fleets, building of food storage areas, grants to organize and temporarily support disaster preparedness organizations, development of early warning systems, and provision of equipment needed to monitor earthquakes. As you will note, many of the above activities are developmental in nature; disaster preparedness objectives on such a large capital intensive scale as improved transportation or irrigation systems can also be funded through other AID programs such as the Sahel Development program.

USE OF DISASTER RELIEF FUNDS FOR RELIEF AND NOT FOR RECONSTRUCTION

Issue

The Senate Foreign Relations Committee and the House International Relations Committee strongly feel that disaster relief funds authorized under Section 491 of the FAA not be used for long-term reconstruction activities. Essentially, the Committees feel that when AID enters into such activities as the purchase of cranes for Romania and the reconstruction of the port in Beirut, special Congressional authorization should be sought.

AID Policy

Under the provisions of Section 491 of the FAA, it is AID policy to provide relief and rehabilitation assistance during the emergency period following a disaster declaration. Although we have found that emergency outside assistance is not normally required for more than three months, we have remained involved in some disasters during the relief and rehabilitation phase for longer than 90 days. This is not unusual in the case of drought; in the Haiti drought, during Fiscal Year 1977, the provision of food, seeds medicines, and agricultural implements had to extend for one or more planting seasons until the affected population could get back on its feet. The Committees have not objected to our relatively long-term activities in drought relief. When we have entered into such long-term reconstruction activities as the building of schools as part of the Italy earthquake disaster assistance effort, we have sought authorization from the Congress. All in all, we feel that AID policy closely adheres to the sentiments of the Congressional committees as to the use of disaster relief funds.

Disaster Food Aid as a Disincentive to Food Production

Issue: Following the Guatemala earthquake, the press carried reports that U.S.-provided food aid acted as a disincentive to food production. The issue is whether the provision of food under PL 480, Title II, is an effective form of disaster assistance; is it a disincentive to food production?

AID Policy: Food is not provided automatically following a disaster. Rather, the first step is to assess the actual needs of victims for food and such other matters as the availability of harvestable food and stocks; and the timing of shipments of food scheduled prior to the disaster. Generally speaking, food assistance under PL 480, Title II, is most effective in response to two types of disaster:

a) Following such sudden disasters as earthquakes, there is often a need for a quick infusion of food into isolated areas where people are logistically cut off from their fields, or stocks, or where the disaster has resulted in the destruction of staple foods.

b) In a long-term disaster, such as a drought where stocks have been exhausted, mass amounts of food are often the only way to prevent starvation. Under these circumstances, the object is to provide as much food as can be effectively delivered until the drought is broken and people are capable of producing food by themselves.

Title II emergency programs are short-term one time programs targeted on a population suffering from a food crisis that has no access to food through the regular market mechanism. The Title II donation is provided for direct consumption and does not have long-term market impact.

In almost all countries, the percentage of U.S.-donated food is relatively so small, in terms of overall imports or internal production, that we believe that our food aid has a negligible impact on the food production or on pricing. It is Agency policy that PL 480 food distributions should not interfere with the local market.

DISASTER FUNDS FOR ETHIOPIA SUBJECT TO PRIOR NOTIFICATION

Issue

The Senate Appropriations Committee staff expressed objections when disaster relief funds were used this fiscal year as a contribution to a UN appeal for the purchase of trucks to ferry relief supplies in Ethiopia; the relief supplies would go to the victims of fighting and drought. The Committee felt that disaster relief funds were used to circumvent a stand which the Committee had taken against the utilization of regular AID funds for a road building project in Ethiopia. While disaster relief funds were used for a completely different purpose than road building, the Committee still stated that it should have been given prior notification for the use of disaster relief funds for the purpose of trucks since, in the opinion of the Committee, trucks were related to road building. We feel the Committee is confusing disaster relief with road building.

AID Policy

The UN made a $10 million appeal to purchase 150 trucks which would be used to ferry food to the victims of both the fighting between Ethiopia and Somalia in the Ogaden region and to the victims of severe drought in northern Ethiopia. In response to the appeal, the U.S. contributed $2 million and Sweden contributed $3 million. AID funds came from two sources: $1.350 million from disaster relief and $650,000 from funds programmed for other activities in Ethiopia which could not be undertaken because of the war.

The Senate Appropriations Committee feels that the purchase of trucks was related to an Ethiopian road building program to which they had objected. The Committee feels that AID should have submitted prior notification for the use of disaster relief funds. Prior notification is never submitted for the use of disaster relief funds. It would be highly ineffective for AID to submit prior notification to the Congress before responding to a disaster for several reasons. First, valuable time could be lost which would result in increased suffering to the disaster victims. Each year AID responds to as many as thirty disasters.

Secondly, submitting a prior notification for the use of disaster assistance funds in this instance would establish a precedent for submitting prior notifications for the use of disaster assistance funds for other contingencies which would further

complicate the process of promptly responding to disasters.

Third, the Ethiopian truck purchase was a bona fide disaster relief effort, unrelated to the road building project.

Earthquake Reconstruction Assistance to Italy

Background

A serious earthquake struck the Friuli region of Italy on May 6, 1976. A second quake took place on September 15th of the same year. The first quake hit the Province of Udine hardest whereas the second destroyed much of what had been repaired during the summer of 1976 and caused severe damage in the Province of Pordenone, an area which had suffered less from the first quake.

Italian Government figures on losses include about 1,000 killed, 2,400 wounded, 32,000 people left homeless, over 100,000 people whose homes were seriously damaged, and total financial losses at about $4.9 billion - that is about $3.3 billion in material damage and the rest in losses in earnings.

Immediately after the first quake, Congress appropriated $25 million for relief and rehabilitation. One million was used immediately for emergency supplies and equipment whereas the remaining $24 million were obligated and reserved for construction of

a) five centers for the aged,
b). eight schools, and
c) A.I.D. overhead including that of the small A.I.D. supervisory office which was established in Udine.

A.I.D., State and the Embassy deliberately determined in the summer of 1976 not to participate in any program to provide prefabricated structures and a decision was made to eliminate from consideration a multiplicity of possibly desirable, but potentially complicated projects, some of which were advanced by voluntary agencies. We wanted to avoid providing shoddy structures which could become the target of unfriendly propaganda against the U.S. Similarly, we avoided any marginal projects whatever the merits of their sponsors. The Congress took note of these decisions and praised them in the course of hearings on the second tranche of $25 million.

When the second earthquake hit, virtually all of the original funds appropriated by the Congress had been committed for the 8 schools and 5 centers for the aged previously cited. No funds remained available to offset losses caused by the second earthquake. Recognizing this, the Congress provided an additional $25 million as part of the FY 1977 Foreign Assistance legislation.

The first program and news of the additional $25 million have been enthusiastically received by the people in the Friuli region. Local government authorities have been very supportive. Large signs indicating U. S. financing for the various projects have been erected at all the sites and the press has been extremely favorable since June 1976 (see photos attached).

Implementation of the first program has been excellent and incredibly swift. All, but one, of the grants were signed by the end of September of 1976. Within one year all the architectural designs, engineering, and other preliminary work, such as geological studies, issuance of building permits, town council resolutions deeding the land, etc., have been completed. Construction contracts have been signed for all the schools and four of the centers for the aged. Excavation has already begun on two of the schools and on three others the foundations have already been laid. The foundations have also been completed for four of the centers for the aged. *.

A prominent newspaper in the Friuli has repeatedly noted the efficiency and speed with which this program has been launched and has praised A.I.D. efficiency as an example to be followed by Italian Government authorities.

Even before the President had signed the FY 1978 A.I.D. bill, the Director of the program went to Italy to review with Embassy and Italian regional and municipal authorities how the additional $25 million would be utilized. In keeping with testimony before Congress during 1977, it is envisaged that the new money will once again be used for (six) schools and (one or two) centers for the aged. Most of the money will be programmed for areas in Pordenone Province and in the Carnia areas which received a minor share of the original $25 million voted in 1976. The Director of the program is once again in Italy refining this program. The intention is to conclude grant agreements with Italian authorities in February but this stage may not be completed until April. The program is being limited to that which can be prudently financed with the funds available and a reserve has been established to cover cost increases during the period of construction (1978-1981).

Architectural and engineering design work will commence as quickly as possible upon conclusion of the grant agreement(s). It has been our experience in Italy that the design work and construction contract bid process require at least one year. The period of construction is estimated at 18 months to 2 years following award of the contracts.

* Photographs of the construction work have been requested from the A.I.D. Office in Udine. They will be mailed APO and should arrive in AID/W by the end of January.

Organization

The Italian earthquake program is directed by Arturo G. Costantino, stationed in AID/W. A small regional office has been established in the Friuli (Udine). The office is headed by an A.I.D. engineer, Mr. Merten Vogel, assisted by another engineer, a contract employee, and a secretary. The office is housed in a wing of a factory owned by a subsidiary of a U.S. firm. Our total annual rent for these premises is $1.

REPORT ON TURKISH RELIEF, REHABILITATION, AND RECONSTRUCTION--EARTHQUAKE AID

Background: In November 1976 a severe earthquake struck northeastern Turkey killing thousands of persons and livestock and destroying large numbers of dwellings and public buildings. Following the earthquake, A.I.D. provided $3.7 million in emergency relief from Section 492 disaster assistance funds. Most of these funds were used for winter tents flown to Turkey by the U.S. Air Force.

At about the same time, Senator Kennedy introduced a bill to authorize $10 million for relief, rehabilitation, and reconstruction to assist the earthquake victims. It was understood that this amount would include the $3.7 million already disbursed for relief purposes. A.I.D. sent a team to Turkey in May 1977 to review Turkish Government (GOT) reconstruction plans estimated to require about $90 million in GOT and donor resources. After discussion with the GOT Ministry of Reconstruction, it was concluded that the $6.3 million remaining under the proposed authorization should be used for rehabilitation/reconstruction of dwellings, animal shelters and facilities, schools, and clinics. The GOT was particularly anxious to obtain roofing materials from the United States. Since A.I.D. has no mission in Turkey, it was also agreed that the A.I.D. assistance would be channeled through a grant to CARE which already had staff in Turkey and was willing to send additional personnel for the earthquake activity. European and Arab donors had contributed and pledged significant amounts of assistance for relief, rehabilitation, and reconstruction.

Following authorization of the $10 million (Section 495 D, FAA) and consultation with the authorizing committees and notification to the Appropriations Subcommittees, A.I.D. decided to use $6.3 million in available FY 1977 disaster relief funds under Section 492, FAA, for the Turkey program rather than seek a supplemental appropriation or wait for the FY 1978 appropriation. In order to expedite delivery of roofing before the end of the 1977 construction season, A.I.D. procured $1.9 million in corrugated iron roofing sheet. The remaining $4.4 million was obligated July 18, 1977, by a grant agreement with CARE for additional rehabilitation and reconstruction purposes.

Ongoing Activities and Future Plans:

-- Under the oversight of CARE, the $1.9 million of roofing procured by A.I.D. has been delivered to the stricken area, and 5,000 homes were made ready for occupancy prior to the onset of winter;

-- In addition, CARE has completed plans and negotiations with the GOT preparatory to the upcoming construction season to:

  -- provide improved sanitation facilities to scores of affected villages;

  -- construct facilities--breeding stations and veterinary services--to replace lost livestock and protect herds still living;

  -- reconstruct 20 schools and a like number of teachers' quarters; and

  -- reconstruct village water supply sources.

These activities will be financed under the A.I.D. grant to CARE. With completion of these activities and additional housing, the essential basic needs of the affected villages will be met.

Possible Issue:

Question -- A United States supplier of research equipment has indicated that the Turkish Earthquake Research Institute was interested in purchasing an earthquake simulator costing $1.3 million using funds from the R&R grant. This firm has been in contact with AID/W, the Turkish Embassy, the members of the House and Senate. Can A.I.D. finance this purchase?

Answer -- A.I.D. has not been requested by the Turkish Government to finance the earthquake simulator, although the Government has discussed the matter with CARE. In fact, all of the $10 million authorized for Turkish earthquake aid is already obligated. The purpose of this authorization was to assist victims of the 1976 earthquake. Although a simulator could be useful to Turkey primarily for research on large structures, it is doubtful that the research undertaken would have any application for A.I.D.'s support of GOT reconstruction activity in the stricken area. Further, we do not regard the simulator as having significant high priority to seek Congressional authorization and appropriation of additional funding.

REGISTRATION AND USE OF FOREIGN NONPROFIT VOLUNTARY ORGANIZATIONS

Section 607 of the 1977 FAA, and Section 202(a) of P.L. 480 (as amended in 1977) require that A.I.D. institute a procedure for registering foreign nonprofit voluntary organizations with A.I.D.'s Advisory Committee on Voluntary Foreign Aid. The legislation pertains only to the registration of foreign voluntary organizations seeking services and commodities on a reimbursable and advance of funds basis, or those desiring to participate in the Food for Peace Program (P.L. 480, Title II).

The regulations being drawn up and now in the process of clearance will pertain to all A.I.D. relations (except contractual), thus enabling A.I.D. to approach all foreign voluntary nonprofit organizations on an equal basis. Under this policy, A.I.D./State officials in the country in which the foreign organization is headquartered will have authority to certify that the entity meets minimum essential eligibility criteria consistent with those applicable to U.S. private and voluntary organizations.

The draft of the administrative regulations will first be published in the Federal Register. Following a period for comment and public input, the procedures will be issued along with the revision of those which pertain to the registration of U.S. private and voluntary organizations.

ABOLISHMENT OF THE OFFICE OF INSPECTOR GENERAL, FOREIGN ASSISTANCE

The information set forth herein was received from Ambassador Robert M. Sayre, Inspector General, Foreign Service.

I. WHAT IS THE PRESENT STATUS OF THE INSPECTOR GENERAL, FOREIGN ASSISTANCE (IGA)?

Under Section 124 of the International Development and Food Assistance Act of 1977, the Office of the Inspector General, Foreign Assistance will be abolished as of July 1, 1978.

For all practical purposes this has already been accomplished, since the Congress has terminated funding of IGA as of October 1, 1977.

II. HAVE THE FUNCTIONS OF IGA BEEN ABSORBED BY THE INSPECTOR GENERAL, FOREIGN SERVICE (S/IG)?

The functions formerly performed by the IGA will not be absorbed by S/IG.

SHIFTING OF PERSONNEL FROM THE ABOLISHED OFFICE OF INSPECTOR GENERAL, FOREIGN ASSISTANCE TO THE OFFICE OF INSPECTOR GENERAL, FOREIGN SERVICE

The information set forth herein was received from Ambassador Robert M. Sayre, Inspector General, Foreign Service.

HAVE THE PERSONNEL EMPLOYED BY THE IGA BEEN ABSORBED BY THE INSPECTOR GENERAL, FOREIGN SERVICE?

The personnel employed by the IGA have not been absorbed by the Inspector General, Foreign Service. As of January 9, 1978, all remaining IGA personnel and staff were given notice that their positions were terminated.

SECTION 640 B : THE DCC REPORT

Nature of Review and Report

This year's DCC Annual Report will be submitted to the Congress by March 31, as required. It will reflect a substantial change of approach from previous DCC reports.

The report will of course meet all the requirements of Section 640(b). However, the report will not be a thinly spread statistical tour d'horizon, but rather a candid and straightforward treatment of the development issues of critical concern to the Executive Branch and to the Congress. Beneath the many summaries of data on development which are available lie human needs and human problems, and the Congress wants to know how we see them and what we are doing about them.

The report will therefore focus on several major areas of development concern:

- on meeting basic human needs,
- on global community concerns,
- on broad economic issues critical to the interrelationships of developed and developing countries,
- on the domestic impact of movement on key north-south issues, and
- on the importance of shifting from a confrontational to a collaborative approach on north-south issues.

Expanding Role of the DCC

The report will also reflect new vigor of the DCC and its increased activity over the past year. The Congress is concerned about improved coordination within the Executive Branch on the various assistance programs which make up our overall effort. So too is the Executive Branch, and the Annual Report of the DCC will discuss the issues we have addressed and the additional efforts we plan to undertake. Although much remains to be done, we have made progress.

ADMINISTRATOR'S BRIEFING BOOK

RE: DCC

As you know, the DCC spent five months this past year developing a comprehensive analysis of USG foreign assistance strategies for the President. The process was a valuable one; all DCC principals and their staffs participated fully; attendance at meetings was oftentimes greater than expected, and issues were raised on which members, by nature of their respective vantage points, held vigorous discussions.

Right now several issues are being addressed at the working group level among them, quanitative targeting and DCC principals have begun discussions on other policy issues such as energy and PL 480 Title III.

As the year progresses, the DCC hopes to prepare interagency position papers on selected development problems and to develop complementary implementation strategies among its member agencies.

REIMBURSABLE DEVELOPMENT PROGRAMS

Issue

Whether to increase the amount of "seed money" to promote and stimulate reimbursable (country financed) programs under the authority of Section 661, FAA, to $3 million in FY 1979 from the FY 1978 level of $2 million.

Policy

-- It is A.I.D. policy to promote reimbursable development programs as a means of facilitating the sale of U.S. development technology to friendly countries.

-- A.I.D. is the major channel through which the U.S. Government provides services and commodities to developing countries able to pay for them.

Program Components

The Reimbursable Development Program is comprised of two components. Specifically:

-- Section 607

** Provides legislative authority for any USG agency to furnish goods or services to any friendly country on an advance-of-funds or reimbursement basis.

** Authority to approve programs for any USG agency under Section 607 has been delegated to the A.I.D. Administrator.

-- Section 661

** Provides legislative authority for use of funds to promote and stimulate the sales of technical programs by any USG agency to developing countries which can afford to pay for their own development.

Increase in funding authority contained in Section 661 is required in FY 1979 to carry out an expanded program with a full personnel complement on board.

REIMBURSABLE DEVELOPMENT PROGRAMS
ACCOMPLISHMENTS

Section 607

Since the inception of the 607 program, under which the USG receives payment for the goods and services provided to recipient countries, $38.4 million, a relatively small amount, was received from sales initiated by the USG prior to October 1, 1975. Specifically:

-- $4.4 million was received from 75 Section 607 programs which had been completed.

-- $34 million was received as of that date from Section 607 programs which were still continuing.

During the period October 1, 1975 to June 30, 1977, significantly higher payments were received by the USG from 607 activities. Specifically:

-- $123 million was received for goods and services provided in 115 Section 607 programs.

As of June 30, 1977, there were 77 Section 607 programs in operation involving 34 foreign countries, 14 U.S. federal agencies and 17 international organizations.

-- At the time these 77 programs were approved initially, it was estimated that total payment from sales would reach $285 million.

Section 661

-- Efforts to effectively promote the sales program abroad have continued. In FY 1977, 24 missions were sent abroad under authority of Section 661 to help purchasing countries define their project needs. Cost of these missions: $359 thousand.

-- ** As an illustrative example of effectiveness of Section 661 activities, a definitional mission to Nigeria in August 1977, at a cost of $36 thousand, led to the implementation of the Nigerian Technical Manpower Training program under which 1,000 Nigerians are now studying in the U.S. for a two-year period at a cost of some $15 million which is fully paid for by the Nigerian Government. Thousands more students are expected to be added to this program over the next several years.

BUREAU FOR PRIVATE AND DEVELOPMENT COOPERATION
OFFICE OF REIMBURSABLE DEVELOPMENT PROGRAMS
SECTION 661 TARGET COUNTRIES - 1978

Non-AID

Algeria
Malaysia
Qatar
Oman
United Arab Emirates
Saudi Arabia
Singapore

Graduate

Argentina
Brazil
Gabon
Iran
Mexico
Nigeria
Trinidad/Tobago
Venezuela

Transitional

Colombia
Ecuador
Korea
Thailand

AID (On-Going)

Bahrain
Bolivia
Indonesia
Morocco
Peru
Tunisia

Potential Tri-lateral

Sudan

BUREAU FOR PRIVATE AND DEVELOPMENT COOPERATION
OFFICE OF REIMBURSABLE DEVELOPMENT PROGRAMS

PRESENT AND POTENTIAL COOPERATING COUNTRIES
FOR SECTION 607 PROGRAMS

COUNTRY	SECTION 661 TARGET	ON-GOING 607 PRGM 6/30/77	POTENTIAL MIC a/ PROGRAM	POPULATION 1973 (000 s)	GNP/CAP 1973 (US $)	FOREIGN XCHNGE RESERVES (US $ MILLIONS)
Algeria	X	X		14,700	570	1,331
Argentina	X	X		24,282	1,640	2,463
Australia		X		13,130	4,350	1,873
Bahrain	X			265 b/	1,200 b/	483
Bermuda		X				
Bolivia	X	X		5,950*	360*	153
Brazil	X	X		101,051	760	5,750
Canada		X		22,130	5,450	1,904
Chile		X	X	10,230	720	333
China (Rep.)		X		15,432	660	1,370
Colombia	X	X		23,777	440	1,544
Costa Rica			X	2,050*	960*	184
Dominion Rep.		X	X	4,980*	720*	103
uador	X			7,130*	590*	579
hiopia				29,420*	100*	204
Gabon	X			520	1,310	9
Germany		X		61,970	5,320	27,940
Guatemala			X	6,260*	570*	575
Honduras			X	3,430*	360*	161
India		X		633,858*	140*	4,221
Indonesia	X			135,000*	220*	2,717
Iran	X	X		32,136	870	10,099
Ivory Coast			X	5,578	380	234
Korea	X			37,885*	560*	4,231
Kuwait	X	X		880	12,050	1,629
Libya		X		2,160	3,530	4,374
Malaysia	X	X		11,750	570	2,627
Mexico	X			56,047	890	1,467
Morocco	X		X	18,340*	470*	526
New Zealand		X		2,960	3,680	478
Nicaragua		X	X	2,330	730*	133
Nigeria	X	X		71,262	210	3,866
Norway		X		3,960	4,660	1,729
Oman	X	X		750 b/	1,200 b/	
Pakistan		X		74,537*	160*	352
Panama			X	1,763*	1,290*	37
Peru	X	X		16,420*	760*	240
Philippines		X	X	45,999*	380*	1,461

COUNTRY	SECTION 661 TARGET	ON-GOING 607 PRGM 6/30/77	POTENTIAL MIC a/ PROGRAM	POPULATION 1973 (000 s)	GNP/CAP 1973 (US $)	FOREIGN XCHNGE RESERVES (US $ MILLIONS)
QATAR	X	X		130	6,040	131
SAUDI ARABIA	X	X		7,745	1,610	28,142
SINGAPORE	X			2,185	1,830	3,539
SPAIN		X		34,740	1,710	5,558**
SWITZERLAND		X		6,330	6,100	6,710
THAILAND	X			43,806*	350*	1,690
TRINIDAD/TOB	X	X		1,058	970	1,315
TUNISIA	X	X	X	6,041*	730*	236
TURKEY			X	37,930	600	653
UNITED AR.EM.	X	X				1,254
VENEZUELA		X		11,486	1,630	6,475
ZAIRE		X		22,230*	140*	118

a/ Middle Income Countries
b/ 1976 Figures
* 1977 Figures
** Convertible Currencies

BUREAU FOR PRIVATE AND DEVELOPMENT COOPERATION
OFFICE OF REIMBURSABLE DEVELOPMENT PROGRAMS
U.S. GOVERNMENT AGENCIES PARTICIPATING
IN REIMBURSABLE PROGRAMS AS OF JUNE 30, 1977

Agency for International Development

U.S. Bureau of Reclamation

U.S. Army Corps of Engineers

U.S. Customs Service

U.S. Department of Labor

U.S. Environmental Protection Agency

U.S. Department of Health, Education and Welfare

Federal Aviation Administration

Federal Highways Administration

General Services Administration

Internal Revenue Service

U.S. Department of Treasury

U.S. Coast Guard

U.S. Department of Agriculture

U.S. Geological Survey

BUREAU FOR PRIVATE AND DEVELOPMENT COOPERATION
OFFICE OF REIMBURSABLE DEVELOPMENT PROGRAMS

Illustrative RDP Projects FY 1976-1978

-- In Nigeria, a Manpower Training program was initiated in August 1977 with signing of an agreement between AID and the Federal Military Government (FMG). Under this agreement, 500 Nigerians were brought to the U.S. for a two-year training program at junior/community colleges and proprietary schools. An additional 500 students arrived in January 1978. The total estimated cost of this program, paid entirely by the FMG, is $15 million. Additional thousands of students are expected to be added in the years to come with proportionate cost increase.

-- In Nigeria, a group of senior U.S. educators was sent to assist Nigerian National Universities Commission to work out plans for recruiting, on a country-financed basis, up to 500 U.S. professors to teach in expanding Nigerian universities system and to develop long-term linkages between the universities and U.S. institutions. One consequence of the study is that the FMG is opening an office in Washington to further develop these linkages. The American Council for Education is recruiting a full-time employee to work with the FMG on this project.

-- In Iran, three officials sent from the U.S. Environmental Protection Agency (EPA) concluded a general agreement with the Government of Iran to provide environmental services, as requested, estimated at $250 thousand. Over a five-year period, the value may reach $1 million.

-- In Venezuela, the Central Bank of Venezuela requested the U.S. Bureau of Labor Statistics assistance, under Section 661, in planning for a seminar on modern techniques for developing a price indexing system for analysis and planning. The BLS subsequently participated in the seminar and received $25 thousand for their services. As a follow-on to this successful seminar, the Central Bank may request additional follow-on technical services from BLS valued at $250 thousand.

Joint Economic Commission (JEC)

Of the various Joint U.S.-host country Economic Commissions around the world, only two are relevant to reimbursable development programs, i.e., those in Saudi Arabia and Iran.

SAUDI ARABIA

-- The Saudi Arabian JEC, for which the Treasury Department provides USG leadership, has continued to be the most active reimbursable program. Between June 6, 1975 and June 30, 1977, goods and services in excess of $111 million were provided. Major sectors covered are industrialization, agriculture and water, manpower (vocational training), general broadcasting and statistical programs.

IRAN

-- The JEC in Iran is administered by the Department of State on behalf of the USG. AID authorizes federal agencies to undertake projects under JEC auspices by issuing Section 607 determinations directly to the implementing agency rather than by means of issuing umbrella agreements to State as in the case of Treasury in Saudi Arabia.

-- Progress in Iranian JEC projects continues to be spotty, mainly due to the Iranian Government's fiscal concerns. Recently, however, progress has been made in initiating programs approved previously. As of June 30, 1977, nine on-going programs involving seven U.S. agencies returned a total in excess of $5 million for goods and services provided.

Facilitative Assistance

In addition to Section 661/607 activities, a considerable amount of time is spent assisting client countries obtain goods and services directly from private U.S. sources. We have located a number of medical consultants for the Qatari Government National Hospital; we arranged for the University of Arizona to establish a small solar installation for salt water distillation in Oman; a fisheries advisor was located for the Oman Government.

PDC/RDP:RBBrougham:1/27/78

BACKGROUND PAPER

The Need for Reimbursable Development Personnel Ceilings for Discussion with OMB

1. Under Section 661 of the FAA, A.I.D. has been stimulating reimbursable development projects in numerous developing countries that can afford to pay. These projects, many of which involve goods and services from a broad range of U.S. federal agencies, are authorized under Section 607 of the FAA. This paper discusses the problem which arises when U.S. federal agencies are called upon to manage and/or implement such projects.

2. Problems in staffing reimbursable programs in several agencies, including A.I.D., have been developing over the last six months due to increasing activities undertaken by several agencies that have been in the reimbursable business for some time as well as the initiation of activities by additional agencies without previous reimbursable program experience in meeting foreign requests for technical assistance projects. In both cases agencies are reaching or have reached the limit of personnel ceilings that can be made available for assignment to reimbursable programs. Reimbursable projects can become competitive for personnel with an agency's regular activities for which appropriated funds are available. And in some instances, the proposed reimbursable project, while related to the agency's capability, is not directly related to the agency's major objectives. Lack of personnel for overseas assignment in a number of cases will not only preclude launching additional assistance projects under discussion or which may be requested in the near future, but also may seriously affect an agency's capability to complete ongoing projects which require additional personnel. The Government thus risks being placed in the position of promoting reimbursable aid programs that it cannot ultimately undertake or of entering into activities it cannot complete. We anticipate this problem will grow with the pending assignment of regional reimbursable development attaches in four overseas locations.

3. We have been requested to assist these agencies in seeking additional "reimbursable ceilings" that could be used for the duration of their reimbursable projects. With such ceiling relief, these agencies will not be precluded because of domestic or other regular requirements from assigning experienced, qualified personnel to manage overseas reimbursable activities.

4. Reimbursable ceilings are intended to facilitate smooth and adequate project operations. In some cases contract hire personnel or consultants may be considered for reimbursable program slots but cannot legally represent a federal agency in certain matters nor perform appropriately and knowledgeably for the agency without prior working experience with it.

Furthermore, host countries have contracted for specific U.S. Government agency expertise and reputation when they have chosen this type of reimbursable program. If they had preferred to deal directly with the private sector they would not have contacted us in the first instance. Most agencies undertaking reimbursable projects, therefore, consider it necessary for direct hire personnel to occupy management and, at least, key technical slots.

5. Reimbursable positions should not be considered as additional USG personnel slots inasmuch as they are fully reimbursed by host countries. The positions themselves would be given up as each personnel requirement under a project is terminated. In cases where such slots are allocated to time-limited appointments, these would be terminated. If an agency wishes to retain personnel hired against reimbursable ceilings he or she would be absorbed into normal ceiling vacancies. Thus there would be no USG employment increase involved and no additional direct cost incurred.

6. Pending requirements under Section 607 are outlined below:

-- Corps of Engineers:	Request from DOD, supported by A.I.D. and State, submitted for 50 additional positions to undertake major management job for Govt. of Nigeria development of Niger-Benue River basin and inland waterways.
-- A.I.D:	Request under preparation for six positions to provide management for the Nigerian Mid-level Technical Manpower project, currently consisting of 1,000 students and likely to grow to 3 to 5 thousand over the next two years.
-- Bureau of Reclamation:	Presently has teams overseas in five countries with a sixth under discussion. Only one person is supported by outside ceiling (in Saudi Arabia). The Bureau is currently using 10 of its own ceilings and expects the requirement to increase to 22 in the next three months.
-- USGS:	Current Section 607 workforce requirement not supported by outside ceiling is 50 man years. Pending Section 607 workforce requirement adds another 20 man years.

-- NCPC: Federal Capital Authority of the Nigerian Government strongly desires institutional relationship with NCPC to assist them in long range planning, engineering and construction of new multibillion dollar federal capital. Assistance also wanted from GSA and National Park Service. These agencies cannot proceed in serious way without additional positions, the precise number of which has not yet been assessed.

-- FCC: Requested to provide advisory services to Venezuela counterpart organization. While contract personnel can do bulk of work, FCC needs two positions in order to perform most effectively.

-- EPA EPA has already given notice that it cannot staff more than two or three small programs overseas. Currently it has an agreement to provide advisory services in Iran and discussions underway on projects in Brazil and Nigeria.

-- USDA: Agriculture has chronic difficulties with overseas projects, and has advised it cannot handle substantial reimbursable projects without additional ceiling. Discussions are currently underway on development of long range agriculture reimbursable assistance to Algeria which would require several direct hire slots.

7. Procedures and Control of Positions:

There are several ways reimbursable development personnel ceilings could be handled. OMB might dole them out on a case by case basis as requests are submitted by the concerned agencies and endorsed by A.I.D. and State. Or OMB might allot a block of reimbursable positions to A.I.D. for doling out as needed. A.I.D. would be a logical manager of this block as its Office of Reimbursable Development Programs is responsible for the promotion of such programs under Section 661 as well as for overall monitoring and coordination of the Section 607 program under which all such reimbursable activities are authorized, including those in such Joint Commission countries as Iran and Saudi Arabia. The combined estimated value of current activities under the 607 program is already some $300 million and is bound to grow.

There are several documents attached which reflect the seriousness and magnitude of the problem.

5 PERCENT LIMITATION

Brief description: Section 109 - Use of program funds for operating expenses.

Brief presentation: The 5 percent limitation on transfer authority as proposed is acceptable by the Agency. We believe that any request for additional operating expense funds if necessary will be within the 5 percent limitation (i.e., for FY 1979 a 5 percent limitation will be approximately $13 M). This would be adequate to provide for unforeseen changes in proposed programs and for opening new missions. Anything greater than 5 percent should be presented as a supplemental request to Congress. A.I.D. will not act on a transfer of funds to operating expenses without consulting with the Committees.

SENSE OF CONGRESS RESOLUTION TO INCREASE SUBSTANTIALLY U.S. DEVELOPMENT ASSISTANCE

Description of Issue

Section 131 of the 1977 authorizing legislation, "International Development and Food Assistance Act of 1977" (P.L. 95-88 of August 3, 1977), added a sense of Congress Resolution on "Future United States Development Assistance" to the Foreign Assistance Act of 1961. This resolution calls for a substantial increase in U.S. assistance for "self-help development among the world's poorest people." The resolution further states that such assistance should be provided in accordance with the general "new directions" policies and principles of Chapter 1, Part I of the FAA, with "particular emphasis on encouraging and supporting more equitable patterns of economic growth, especially in the poorest countries," and that it should be "coordinated with similar expanded efforts by international organizations, donor nations and the recipient countries themselves." The resolution originated in the House bill and was agreed to by the committee of conference.

The question of future assistance levels is likely to be raised in Congressional hearings and A.I.D. should have a position on the resolution.

A.I.D. Policy

A.I.D. strongly supports this resolution. It responds to the continuing need for additional development assistance and is consistent with the capacity of the United States to provide additional assistance. It moreover is in accord with the recent decision of the President to seek increased development assistance over the next five years. The President's decision was based on the recommendations of his Policy Review Committee which, in turn, were influenced by the recent studies of U.S. foreign assistance undertaken by the DCC and Brookings Institution.

Begin FYI

The magnitude of the increase recommended by the President has not yet been made public. Reference to any figures in hearings may therefore require White House clearance if no public announcement has yet been made. The President in fact approved a "moderate increase" option which postulated an indicative increase in gross ODA commitments in real terms (adjusted for estimated inflation) of about one-third from FY 78 to FY 82, or from just over $6 billion to about $8 billion (an increase in nominal terms to about $10 billion). This increase has also been referred to as a "doubling" (in nominal terms) from $5.2 billion in FY 1977.

These overall levels include A.I.D. bilateral development assistance, SSA, PL 480 and budget contributions to the soft lending windows of the multilateral banks and to the UN development-oriented programs. OMB has subsequently made recommendations to the President concerning long run projections of the international affairs accounts. The President approved these recommendations as a tentative allocation among the component accounts. This includes $3.3 billion for A.I.D. by FY 82, three times the FY 77 level (and $2.8 billion for Functional Accounts compared to $.9 billion in FY 77 and $1.3 billion in FY 79). IFI contributions would increase about 150%, PL 480 would increase by 50% and SSA would remain roughly constant at $2 billion (all in nominal terms). END FYI

- Regarding other aspects of the Congressional resolution—supporting growth with equity, especially in the poorest countries, and coordination with other donors and with recipient country efforts—, A.I.D. strongly agrees. It is A.I.D. policy to allocate its development assistance according to these principles and the President confirmed them when, in deciding to seek an increase in development assistance, he endorsed a strategy that would concentrate development assistance on helping poor people in poor countries, but with some flexibility to reach poor people in middle-income nations as well. A key condition for allocation of aid in both cases would be the recipient's commitment to helping its poor.

SECTION 133 - MINORITY BUSINESS PARTICIPATION: PROGRESS REPORT

Brief Description of the Issue

Section 133 of the International Development and Food Assistance Act of 1977 enacted on August 3, 1977 required A.I.D. to submit a detailed plan for establishment of a minority business section within the Agency.

The Senate Appropriations Committee has also asked to be apprised periodically of new initiatives to increase A.I.D. efforts to involve minority businesses in its foreign assistance activities.

Report of Progress in Implementing Section 133

—An interim response to the Section 133 requirement of a detailed plan within thirty days was transmitted to Congress on September 19, 1977.

The interim response:

1. Indicated that the new minority business section was being established and located within the Office of Equal Opportunity Programs.

2. Listed wide range of functions for the new section, which were outlined in the response.

3. Estimated the administrative costs of establishing the unit at $140,000. Included in this estimate were the costs of salaries and benefits for a three-person central Minority Business Staff and the equivalent of one additional person-year of staff time from the regional bureaus.

4. Stated a need for more time to develop: (a) a time-phased system for expanding minority business participation; (b) a reporting system; and (c) a set of objective criteria for evaluating the qualifications of minority businesses.

—A functional statement for the Minority Business Staff (EOP/MB) has been prepared and cleared in A.I.D.; one secretarial position and two professional positions have been established; and office space has been provided in New State.

—A.I.D. has supported in principle the need for additional funds in FY 1978 for at least a minimum "good faith" level of Section 133 implementation (estimated at $140,000), despite there not having been funds specifically included for such purposes in FY 1978 operating expenses budget.

—Policy statements were issued by the Acting Administrator on January 19, 1978 to all Assistant Administrators, Heads of Offices, and Mission Directors, stating the requirements of Section 133 and stressing:

1. A.I.D.'s commitment to increased minority business participation.

2. The Agency-wide responsibility for efforts to achieve equal contracting opportunity for minority businesses.

The expectation of cooperation and accountability at all levels of the organization.

—Bureaus and major requirements offices have designated liaison/action officers, at the level of deputy office director or above, to work with their bureaus/ offices and with EOP/MB to establish goals and plans for goal attainment.

—An Intra-Agency Advisory Committee on Equal Contracting Opportunity has been established.

—The Noncompetitive Review Board, which is being re-activated to formally act on requests for noncompetitive procurements of $100,000 or more, has been expanded to include EOP/MB participation. EOP/MB has recommended to SER certain measures for strengthening the Board's accountability and for monitoring the impact of the review procedure on contracting opportunities for minority businesses.

—EOP/MB has met with key A.I.D. officials to explain and further generate support for the new minority business function. Included among those with whom such meetings have been held have been deputy assistant administrators, selected office heads, contracting officers and liaison/action officers.

—Meetings have either been held or are scheduled with officials of the Office of Minority Business Enterprise (OMBE), Small Business Administration (SBA), the Export-Import Bank, General Services Administration and the Department of State EEO office (which staffs the State Department's representative to the Interagency Council on Minority Business Enterprise).

—A scope of work has been prepared and funds have been reserved to re-design and update the Contractors' Index to, among other things, improve the quality and accessibility of data on the resources and capabilities of minority businesses which are related to needs in the LDC's. (Other data banks being developed or proposed for development, for example by the Small Business Administration, are likely to be too general to meet A.I.D. needs.)

Problems and Setbacks

Staffing

—Section 133 was enacted at a time when A.I.D.'s operating expenses budget was being cut-back, and no additional funds were authorized or appropriated for implementation. The result has been inadequate staffing of the unit to address what appear to be very pervasive problems throughout the Agency.

There has not been time to fully activate the liaison/action officers and to realize the benefits of their efforts. Nevertheless, it is highly questionable, based on the experience of the unit to date, whether the present level of staffing of the Minority Business Staff is sufficient to make any appreciable or long lasting difference.

—Delays in staffing the new unit: As a result of the re-organization, cutbacks in AID/W ceilings, and problems of communication within the Agency, the unit was not staffed in a timely fashion. An individual was detailed part-time in November

and transferred on January 2, to head the staff; the second of the two professional positions was filled on January 16; and the secretarial position is just being filled.

Interim Response to Congress

The September 19, response was prepared within a rather tight time frame and in the absence of an A.I.D. experience with a minority business unit. It did not take fully into account the difficulties of establishing such a unit under conditions existing in the Agency at the time (i.e., re-organization, reductions in staffing unusual budgetary constraints, role and functional ambiguities, competing Agency objectives, etc.). As a result:

1. Considerable time has been spent in responding to congressional challenges of the adequacy of the plan with respect to such things as organizational arrangements and lines of authority; level of staffing; target groups; and monitoring and accountability. These questions were addressed in your letters on December 9, to Congressman Mitchell and on December 21, to Congressmen Diggs, Burke, Stokes and Collins.

2. The interim response also committed A.I.D. to January 15, 1978 deadlines for:

   —Modifying Agency contract or selection policies and procedures.

   —Developing guidelines for designing projects for awarding portions to minority firms.

   —Developing means to increase minority participation in A.I.D.-financed commodity procurements and host-country contracts.

These deadlines were not realistic, for the reasons indicated above, and could not be met.

Some of the groundwork for moving ahead with these actions is being done. In the meantime, Senator Brooke (through his aide, David Rossiter) and Congressman Diggs, et.al. (through the December 21 letter) were apprised of our inability to meet the January 15, deadlines, even though the deadlines were self-imposed and not congressionally-imposed.

FY 1979 OPERATING EXPENSE INCREASE

Brief description: Request for New Obligational Authority for FY 1979 has increased by $48 million to $261.0 million from $213 million provided in FY 1978.

Brief presentation: The increase of $48 million is primarily for costs of assigning additional personnel to overseas activities ($17.4 million), salary increases mandated by law ($7.3 million), worldwide inflation ($5.7 million), and absorption of previously funded project personnel ($5.1 million).

		TOTAL	OVERSEAS	AID/W
I.	Additional Personnel (Overseas)	$ 18.1	$ 17.4	$ .7
	Salaries & Support Costs	(14.0)	(13.3)	(.7)
	State Department Support	(3.0)	(3.0)	(109 part time)
	Overseas Schools	(1.1)	(1.1)	
II.	Pay Raises	$ 7.3	$ 3.1	$ 4.2
	Step Increases	1.8	.7	1.1
III.	Inflationary (Price Increases)	$ 5.7	$ 5.0	$ .7
	Salaries of Local Employees	(1.5)	(1.5)	(-)
	Rental, Travel, Supplies	(4.2	(3.5)	(.7)
IV.	Absorption of Project Funded Direct Hire Personnel	$ 5.1	$ 4.6	$ .5
	Salaries & Support Costs	(64 persons)	(47 persons)	(17 persons)
V.	Improvement of Accounting System	$ 1.0		$ 1.0
VI.	Other Miscellaneous	$ 3.3	$ 3.3	
	Recoveries and Carry Forwards of Prior Year Funds Not Provided for FY 1979	$ 5.7	$ 5.7	
	TOTAL	$ 48.0	$ 39.8	$ 8.2

RECOVERIES

Brief description: Operating Expenses - Recoveries from prior years.

Brief presentation: The Agency will not utilize funds previously made available as recoveries for FY 1979 operating expense resources.

For FY 1978, the estimated recoveries are $2.9 million.

DIRECT HIRE PERSONNEL

Brief description: Operating Expenses - requiring all direct hire personnel to be funded from operating expenses.

Brief presentation: The Agency has agreed with the Congressional request that all salaries and related benefits for all full time employees be funded from operating expenses beginning with FY 1979. We have included approximately $5 M in our FY 1979 request for operating expenses to fund the salaries, benefits and related costs of these employees.

EXPERTS AND CONSULTANTS

Issue

In FY 1978 Congress reduced AID's request of $1,100,000 for the hiring of experts and consultants, to $700,000 and provision was made that funds not to exceed $100,000 would be available for those consultants that would be retired AID employees.

Background

The International Development and Food Assistance Act of 1977 enacted August 3, 1977, amended Section 626(b) of the Foreign Assistance Act of 1961, as amended, to delete the provision which exempted our experts and consultants from laws governing the simultaneous receipt of compensation and government retired pay or annuity ("double-dipping"). Thus, effective August 3, 1977, foreign service annuitants employed as experts and consultants are covered by Section 872 of the Foreign Service Act of 1946, as amended, which provides that their annuity plus compensation cannot exceed during any calendar year the basic salary they were entitled to receive on the date of retirement. Civil Service annuitants, however, are affected in that their total daily compensation (annuity plus pay) may not exceed the daily rate of compensation authorized by the Agency to be paid to them.

In addition, as noted above, Congress has included in our FY 1978 appropriation bill very specific limitations on our use of experts and consultants; no more than $700,000 may be expended for all consultants, of which not more than $100,000 may be used for AID retirees hired as experts and consultants.

Agency Position

To insure that the Agency does not exceed the specific appropriation levels for experts and consultants, FM has initiated Agency-wide controls which require that each bureau and office obtain advance approval for the specific days they wish each expert or consultant to work.

There are currently 133 experts and consultants on the rolls, of which only 23 are AID retirees. A year ago at this time there were 166 on the rolls, of which 65 were AID retirees.

OFFICIAL ENTERTAINMENT FUNDS

Congressional Perspective

Prior to FY-1976 the amount available for entertainment expenses in the United States had been $25,000.

Appropriations since FY-1975 have been:

FY-1976	FY-1977	FY-1978
$20,000	$20,000	$15,000

Congressional members, and staffers have expressed concern regarding the nature and amounts of these expenditures. The concerns have been evidenced by recommendations to reduce appropriations for Agency entertainment purposes, by a request, that AID report allocations and obligations by individual Bureau and Office to committee staff, and by inquiries requiring very detailed responses - more often than not generating additional questions and negative attitudes.

Current Status

The trend in actual expenditures is down. Obligations for FY-1977 were $9,800. This is due not to a reduced usage requirement, but more to the concern of authorized users of subjecting themselves and the Agency to excessive criticism as indicated above.

This year the Administration is seeking to implement new and improved concepts and approaches to assistance in developing countries. Official entertainment functions facilitate this.

The Agency has revised the regulations to restrict the use of these funds to those functions which further AID program objectives. The Agency estimates a minimum requirement for FY-1979 of $16,000. The increase of $1,000.00 over the previous year represents a 7% inflation factor.

Agency Policy

Legislation

Section 636(a)(6) of the Foreign Assistance Act of 1961, as amended, authorizes the availability of up to $25,000 in any one fiscal year for entertainment expense. Section 109 of the FY-1978 Appropriations Act requires use of excess currencies to the maximum extent possible, in lieu of U.S. dollars. Washington officials travelling to excess currency countries will be so advised.

Regulations

The AID regulation governing the use of these funds is in Handbook No. 19, Chapter 12. The regulation states that "Entertainment funds are used: (1) to entertain foreign nationals, (2) to entertain persons (other than Agency personnel) who have direct and important relation to AID matters or matters of official interest to AID.

General

The Entertainment Fund permits the AID Administrator and senior AID/Washington officers to further the interests of the Foreign Assistance program with senior government officials, private volunteer organizations, and other dignitaries of countries involved in AID programs. It is the only financial resource available directly and expressly for this purpose.

Initial FY-1979 allocations table is attached:

AGENCY FOR INTERNATIONAL DEVELOPMENT

OFFICIAL ENTERTAINMENT EXPENSE FUNDS

	FY-1978 Initial Allocations	FY-1979 Projected Allocations
Office of the Administrator	$ 4,000	$ 4,000
Bureau of Intragovernmental and International Affairs	1,000	1,000
Bureau for Program and Policy Coordination	1,000	1,000
Bureau for Private and Development Cooperation *	2,000	2,000
Bureau for Development Support **	1,600	1,600
Bureau for Program and Management Services	200	200
Bureau for Africa	1,600	1,600
Bureau for Near East	1,000	1,000
Bureau for Asia	1,000	1,000
Bureau for Latin America	1,000	1,000
Unallocated	600	1,600
Total	$15,000	$16,000 1/

* New Bureau A/O 11/77 incorporating FFP, RDP, OLAB, OFDA, ASHA, and PVC

** New Bureau A/O 11/77 incorporating TAB, PHA (except PVC), OIT, Engineering, and Development Information

1/ Reflects an approximate 7% inflation factor to the Agency as a whole, subject to reallocation as required.

NOTE: The Allocation for the Office of the Administrator includes funds for all offices which report directly to the Administrator except those which are headed by Assistant Administrators.

REPRESENTATION ALLOWANCE - FIELD MISSIONS

Congressional Perspective

The Congress on the recommendation of the Senate Appropriations Sub-Committee has reduced the Agency budget request in this area for the past three years.

Current Status

The Agency estimates a minimum requirement of $110,000 for representation funds for FY-1979. This is an increase of 15% to the current limitation of $96,000 and is arrived at as follows:

--7% inflation $7000.

--Increased requirements of new posts and posts with greatly increased programs $7000.

Recent appropriations history follows:

	FY-1976	FY-1977	FY-1978	FY-1979
Agency Request	$107,000	$108,000	$118,000	$110,000
Authorized	91,000	96,000*	96,000	?

Current AID Policy

Section 901 of the Foreign Service Act of 1946, as amended, authorizes Representation allowances to cover items for expenditure by employees whose official positions entail responsibilities for establishing and maintaining relationships of value to the United States in foreign countries.

Section 110, FY-1978 Appropriations Act required AID to use excess foreign currencies to the maximum extent possible, in lieu of U.S. dollars. Missions having excess currencies have been so instructed.

Strict management controls ensure that representation activities are in keeping with the Agency's policy of avoidance of ostentation.

The Agency believes that AID officials should not be out of pocket when providing a prudent level of representation in the furtherance of AID objectives abroad.

* Obligated FY 1977 - $94,400

OFFICIAL RESIDENCE EXPENSE

Congressional Perspective

Since FY-1976, the Congress has limited the amount appropriated for this purpose. Sums made available were as follows:

FY-1976	FY-1977	FY-1978
$103,000	$108,000	$118,000

FY-1979 known requirements are currently estimated at $148,000.

Current Status

In our request for FY-1978 (which was slightly more than a 9% increase over FY-1977) we allowed for wage and price increases and for new and upgraded posts. In late FY-1977 and early FY-1978 three posts have been downgraded and twelve have been upgraded. This means that funds available for FY-1978 are inadequate and allocations to other posts have been decreased to partially accommodate these new posts. (Note: Obligations for FY-1977 were $103,000).

The FY-1979 request is approximately 25% over the FY-1978 appropriation. The 25% includes 7% for inflation ($8300) and 18% ($21,700) to fund the known net of nine posts which have been upgraded plus a sum for an estimated net upgrading for three additional posts.

The Agency has proposed to the Department of State that it increase the amount required to be paid personally by officers eligible to receive this allowance. If our proposal is effected it could increase AID officers' out-of-pocket cost by as much as $37,000 over the current requirement and result in substantial savings to this fund. Any savings could begin only at such time as the regulations are amended.

AID Policy

Legislation

5 U.S.C. 5913 empowered the President to authorize allotment of administrative funds to defray unusual expenses incident to the operation and maintenance of official residences suitable for chief representatives of the U.S. at overseas posts and such other senior officials as the President designates. This authority was delegated to the Secretary of State in Executive Order 10903.

Section 631(b) of the Foreign Assistance Act of 1961, as amended, confirms the entitlement of AID senior representatives overseas to allowances.

Section 108, FY-1978 Appropriations Act required AID to use excess foreign currency to the maximum extent possible in lieu of U.S. dollars. Missions having excess currencies have been so instructed.

Controls over the purpose and use of Official Residence Expenses (ORE) are provided in Chapter 400 of the Standardized Regulations for Government Civilians in Foreign Areas. Under these regulations, specific allocations are made by each agency to cover those unusual expenses which its principal representatives are obliged to incur in the operation and maintenance of suitable official residences.

Regulations

Allowable expenditures under ORE include:

--Household Servants (wages, maintenance, and transportation).

--Household Operation and Maintenance (upkeep, and removal of furnishings, equipment, and supplies; purchase of services such as renovation and redecoration; general house cleaning, laundry, trash removal, window washing; telephone costs which exceed those for one instrument).

--Expendable Household Supplies (consumables such as cleaning supplies, paper, light bulbs, linen, nails, and wire; supplies with value under $10 such as electrical equipment, kitchenware, plumbing supplies, and tools).

Funds are made available for the above expenses, when the annual cost exceeds the amount of usual household expenses which are specified in the Standardized Regulations and which must be borne personally by the incumbent. For AID, this amount ranges from $1,500 to $1,200 per year according to the class or grade of the incumbent's position.

AID Position

The availability of this allowance is of major importance to the proper conduct of AID business overseas. The majority of AID Directors and Representatives are career officers who are not independently wealthy. These officers should not be expected to personally pay the representational costs required to be incurred by virtue of their official position.

While the Agency prefers that no limitation be set on these funds, we have been able to live with the imposition of a limitation. It is especially important, however, that the Congress not impose any specific country identification or other special limitations which would restrict the flexibility needed by the Agency for effective management of the allowance.

LEASING IN EGYPT

ISSUE

The FY 1978 Foreign Assistance and Related Programs Appropriations Act provides that "leasing, purchasing, renovating or furnishings of housing or office space in Cairo, Egypt" must be handled through the Foreign Buildings Office of the Department of State. (Title I, P.L. 95-148)

POLICY

Worldwide, AID is responsibile for leasing AID properties under its own statutory authorities. Leasing policy includes size standards and monetary limits, and the limits on type and cost of allowable renovations. A Mission housing board usually monitors all official USG housing rates and assignments. Mission Directors are delegated leasing authority and ordinarily redelegate the authority to an Executive or General Services Officer, or, when appropriate, a Joint Administrative Officer. For Egypt only, this responsiblity must be exercised through the FBO.

DISCUSSION

This shifted authority in leasing responsibility was prompted by suspected abuses in AID leasing, coupled with the emphasis on Joint State-AID operations. It was necessary for AID to redelegate its leasing authority to FBO, which in turn, redelegated the authority to the Ambassador in Cairo. Ultimately, the redelegation came to the Administrative Counselor who had previously held the authority from AID, so continuity was not broken.

ELIMINATION OF THE ADMINISTRATOR'S DEVELOPMENT SEMINAR

Issue

The Senate version of the 1978 Appropriations Bill prohibited the use of any funds for the Administrator's Development Seminar. The House Bill had no such limitation. In conference committee, a compromise was worked out which limited funds available for the seminar to $125,000 in FY-1978.

Agency Position

The Administrator's Development Seminar was established in August 1976. It was created in order to provide an opportunity for AID's senior executives to exchange ideas and experiences and to study intensively issues posed by the changing concepts of economic development and bilateral aid. At least one of the reasons for the establishment of the seminar was to respond to Congressional concern that AID's senior executives, particularly those in field missions, have an adequate understanding of the concepts and intent of the program changes "mandated" by Congress in 1973. The first seminar was held in November 1976 and two subsequent sessions took place in February and June 1977. In each instance the seminars were held at a motel near Dulles Airport. They lasted fifteen days, including Saturdays and Sundays, with frequent night sessions as well. In general, the seminars held thus far have been very successful. Almost without exception, the participants have found the experience to be stimulating and worthwhile.

During last year's Congressional Presentation process, the Administrator's Development Seminar was criticized during testimony before the Senate Appropriations Committee. The principal focus of the criticism was the cost of the seminars, but there was also some objection to what was regarded as luxurious surroundings for the seminar. (The first seminar was held at the Sheraton Reston Hotel while the other two were at the Dulles Marriott. We don't regard either as "luxurious", but the Sheraton was more ostentatious and somewhat more expensive than the Marriott. It was the first seminar at the Sheraton which apparently drew the principal criticism.) However, in judging the seminar to be too costly, the Senate Committee included costs not generally considered as "training costs." For example, they included expenses such as the salaries of the participants attending the seminar and even the overhead on the salaries. Similarly they included the cost of international travel and per diem of participants coming from overseas, even though in most cases mission directors attending the seminar also came for program consultation and some for home leave.

The House Appropriations Committee did not criticize the seminar. Indeed, Chairman Long, who participated in one of the seminar sessions actively supported continuation of the Administrator's Development Seminar and was instrumental in moderating the Senate's complete prohibition of funding in FY-1978.

We continue to regard the seminars as worthwhile. We are planning to hold one seminar in FY-1978, probably in April. While not agreeing with the Committee's method of cost calculation, we will, nonetheless, use it in staying within the $125,000 limitation set by the Appropriations Act. We have established a special reporting system to ensure that we do not exceed the amount prescribed.

With reference to the future, we plan to review executive development and training requirements and devise an appropriate program for FY-1979 and beyond. Whether it will take the same general approach as the ADS is not clear at this point, but by the end of the fiscal year, we plan to present alternatives for the Administrator's consideration.

FOREIGN SERVICE PERSONNEL IN SENIOR GRADES

Issue

The Report of the Senate Appropriations Committee on the FY 1978 Foreign Assistance Appropriation Bill stated (page 87):

> "In its fiscal year 1973 report -- four years ago -- the Committee stated that AID was 'top heavy and its personnel priorities are in substantial need of re-evaluation'. At that time 53.1 percent of AID's foreign service officers were in the top three pay grades and 6.07 percent in the lower three grades. Efforts to bring balance into this structure have been negligible with 51.5 percent of these foreign service reserve employees still in the top three pay grades....and only 5.99 percent in the lower three pay grades. The Committee considers the Agency's attempts to redress this imbalance as indifferent and we note the promotion of 61 foreign service officers to the top three grades in fiscal year 1977 tends to perpetuate the problem of grade creep.... Policies permitting overgrading should be carefully scrutinized under the system of zero based budgeting for fiscal year 1979."

In addition, Senator Inouye had recently expressed concerns in letters of June 30 and October 10, 1977, regarding AID's promotion policy. Agency responses indicated that we shared his concern.

Agency Position

Agency policy on promotions has been extremely conservative in terms of promotions to classes one through three. There have been no promotions to class one since FY 1973. Since FY 1974 there have been only 17 promotions to class two. Promotions to class three, from FY 1976 through FY 1978 have totaled only 76. The most recent promotion process -- for FY 1978 -- resulted in no promotions to classes one and two, and only 13 to class three. Data available at the time FY 1978 promotions were authorized indicated that after approval of promotions to class three, AID would then have 49+%

of its foreign service officers in the top three classes, roughly comparable to the percentage of positions classified at the top three grades.

In addition to a firm "hold the line" posture on promotions to the top three classes:

-- AID has emphasized new hiring and conversions at middle and lower grades. Only in rare instances have new appointments been made above the class four level.

-- Continued emphasis has been given to the IDI program, which calls for planned hiring of up to 100 new, younger foreign service employees at levels which now do not exceed class seven.

Continuation of these policies, together with expected attrition, will gradually result in a foreign service work force that will have a decreasing percentage of officers in the top three classes.

As we have advised Senator Inouye earlier, the Agency has gone through dramatic readjustment, involving sizable decreases in direct-hire staff. As missions have contracted, numerous mid-level positions formerly filled by AID direct-hire employees have been filled -- and properly so -- with local personnel. This has obviously resulted in complicating our grade distribution. In addition, in smaller missions, there has been a need for experienced generalist personnel; a need which can be met only by experienced individuals above junior grade levels.

The most recent analysis of foreign service employment shows that 49.31% of our FSR staff are at classes three and above. In addition, we now have 8.24% of our FSR employees in the lowest three classes. These figures reflect significant progress.

AGENCY FOR INTERNATIONAL DEVELOPMENT
DISTRIBUTION OF FULL-TIME EMPLOYEES
IN PERMANENT POSITIONS

On Board as of December 31, 1977

	Number of Employees	Percent in Each Grade in Each Pay Schedule	Percent in Each Grade of Agency Total
Executive Appointments			
EX-II ($57,500)	1	07.69	00.02
EX-III ($52,500)	1	07.69	00.02
EX-IV ($50,000)	9	69.23	00.16
EX-V ($47,500)	2	15.39	00.03
Total	13	100.00	00.23
Average Salary, $50,385			
Chiefs of Mission			
FA-02 ($52,500)	1	50.00	00.02
FA-03 ($50,000)	1	50.00	00.02
FA-04 ($47,500)	-	-	-
Total	2	100.00	00.04
Average Salary, $51,250			
Foreign Service Reserve			
FSR-01 ($47,500)	87	04.98	01.54
FSR-02 ($42,114-$47,500)	257	14.70	04.56
FSR-03 ($32,836-$39,406)	518	29.63	09.18
FSR-04 ($26,022-$31,224)	526	30.09	09.33
FSR-05 ($20,983-$25,177)	216	12.36	03.83
FSR-06 ($17,231-$20,675)	75	04.29	01.33
FSR-07 ($14,429-$17,315)	65	03.72	01.15
FSR-08 ($12,336-$14,802)	4	00.23	00.07
Total	1748	100.00	30.99
Average Taxable Income* $36,145			

*Includes post differential

		Number of Employees	Percent in Each Grade by Each Pay Schedule	Percent in Each Grade of Agency Total
Foreign Service Staff				
FSS-01	($32,836-$42,691)	-	-	-
FSS-02	($26,022-$33,825)	-	-	-
FSS-03	($20,983-$27,274)	4	01.78	00.07
FSS-04	($17,231-$22,397)	17	07.56	00.30
FSS-05	($15,417-$20,043)	49	21.78	00.87
FSS-06	($13,802-$17,942)	71	31.56	01.26
FSS-07	($12,361-$16,069)	77	34.22	01.37
FSS-08	($11,076-$14,397)	-	-	-
FSS-09	($ 9,927-$12,906)	7	03.11	00.12
FSS-10	($ 8,902-$11,575)	-	-	-
Total		225	100.00	03.99
Average Taxable Income* $18,383				
*Includes post differential				
Classification Act				
GS-18	($47,500)	1	00.06	00.02
GS-17	($47,500)	4	00.25	00.07
GS-16	($42,423-$47,500)	5	00.32	00.09
GS-15	($36,171-$47,025)	146	09.22	02.59
GS-14	($30,750-$39,975)	185	11.69	03.28
GS-13	($26,022-$33,825)	172	10.87	03.05
GS-12	($21,883-$28,444)	146	09.22	02.59
GS-11	($18,258-$23,739)	105	06.63	01.86
GS-10	($16,618-$21,604)	14	00.88	00.25
GS-09	($15,090-$19,617)	114	07.20	02.02
GS-08	($13,662-$17,757)	65	04.11	01.15
GS-07	($12,336-$16,035)	178	11.25	03.15
GS-06	($11,101-$14,431)	230	14.53	04.08
GS-05	($ 9,959-$12,947)	164	10.36	02.91
GS-04	($ 8,902-$11,575)	40	02.53	00.71
GS-03	($ 7,930-$10,306)	13	00.82	00.23
GS-02	($ 7,035-$ 9,150)	1	00.06	00.02
GS-01	($ 6,219-$ 8,082)	-	-	-
Total		1583	100.00	28.07
Average Salary, $22,374				

Administratively Determined		Number of Employees	Percent in Each Grade by Each Pay Schedule	Percent in Each Grade of Agency Total
AD-18	($47,500)	15	17.05	00.26
AD-17	($47,500)	8	09.09	00.14
AD-16	($42,423-$47,500)	23	26.14	00.41
AD-15	($36,171-$47,025)	18	20.45	00.32
AD-14	($30,750-$39,975)	7	07.95	00.12
AD-13	($26,022-$33,825)	6	06.82	00.11
AD-12	($21,883-$28,444)	4	04.55	00.07
AD-11	($18,258-$23,739)	2	02.27	00.04
AD-10	($16,618-$21,604)	-	-	-
AD-09	($15,090-$19,617)	3	03.41	00.05
AD-08	($13,662-$17,757)	-	-	-
AD-07	($12,336-$16,035)	2	02.27	00.04
AD-06	($11,101-$14,431)	-	-	-
AD-05	($ 9,959-$12,947)	-	-	-
AD-04	($ 8,902-$11,575)	-	-	-
AD-03	($ 7,930-$10,306)	-	-	-
AD-02	($ 7,035-$ 9,150)	-	-	-
AD-01	($ 6,219-$ 8,082)	-	-	-
Total		88	100.00	01.56
Average Salary, $39,967				

Wage Systems				
WI-12	($14,997-$16,558)	2	13.33	00.03
WI-10	($14,019-$15,475)	5	33.33	00.09
WG-06	($12,542-$14,622)	1	06.67	00.02
WG-05	($11,773-$13,749)	7	46.67	00.12
Total		15	100.00	00.26
Average Salary, $14,460				

	Number of Employees	Percent in Each Grade by Each Pay Schedule	Percent in Each Grade of Agency Total
Total U.S. Nationals	3674	-	65.14
AID/W - 2308 62.82%			
USAID - 1366 37.18%			
Average Taxable Income, $29,186			
Average Non-Taxable benefits - excluding allowances for cost of living, quarters, education representation and official residence expences: $2,663			
Total Foreign Nationals (not included in table above)	1966	-	34.86
TOTAL A.I.D.	5640	-	100.00

NOW

AID WASHINGTON vs. OVERSEAS PERSONNEL

Issue

Both Senate and House Committees were critical of the high proportion of direct-hire, U. S. national personnel stationed in Washington (approximately 65%) as opposed to the missions.

Agency Position

The table on the following page shows the distribution of total work force and the distribution of foreign service and other personnel at the end of FY 1977 and projections for FY 1978 and FY 1979. A small increase in the number of foreign service personnel is projected, together with a shift in the overseas/Washington ratio from 2:1 to 3:1. Because attrition must also be taken into account, the increase implies substantial recruitment of new employees, mostly International Development Interns. The three to one ratio appears to be as far as it is feasible to go in shifting a higher proportion to the field and may prove difficult to accomplish, given requirements for rotational assignment opportunities for foreign service personnel and the Agency's need for their experience in Washington.

When non-foreign service personnel in Washington are considered together with the foreign service, a significant shift toward the field is projected, but those in Washington will still constitute 58% of the total in FY 1979.

Figures for the total work force give a more realistic perspective because they include, as the term implies, all of the personnel paid from the Agency's funds to administer and carry out its programs. In addition to Americans in the foreign service and the other AID/Washington, non-foreign service employees, the total work force includes: part-time employees, those in temporary positions, foreign nationals, contractor personnel, and employees of other U. S. Government agencies performing services for AID on a reimbursable basis. This set of figures shows a personnel distribution in FY 1978 and FY 1979 of two overseas for each one in Washington.

AID PERSONNEL DISTRIBUTION

	9/30/77		9/30/78		9/30/79	
	U.S.	O/S	U.S.	O/S	U.S.	O/S
Foreign service personnel						
Number	638	1,342	563	1,450	488	1,550
Percent	32	68	28	72	24	76
Foreign service and non-foreign service personnel						
Number	2,329	1,342	2,079	1,450	2,100	1,550
Percent	63	37	59	41	58	42
Total Work Force						
Number	2,997	5,095	2,844	5,515	2,865	5,868
Percent	37	63	34	66	33	67

FOREIGN SERVICE OFFICER SALARIES

Issue

The Report of the Senate Appropriations Committee on the A.I.D. FY 1978 Appropriations Bill, observed (page 88):

> "(A.I.D.) Foreign Service Officers receive average annual salaries of $31,139. According to a recent General Accounting Office study this amount is $6,021 more than Foreign Service Officers of the Department of State, $3,722 more than Foreign Service Officers of the United States Information Agency and $9,095 more than Foreign Service Officers serving with the Peace Corps."

Agency Position

We are concerned with the maintenance of a reasonable grade and salary structure, and have, as noted in paper on Foreign Service Personnel in Senior Grades, taken actions to:

- -- Severely limit promotions to senior grades
- -- Emphasize foreign service hiring at middle and lower grades
- -- Continue a sizeable International Development Intern program, calling for employment of younger people at junior grades.

The information upon which the Senate Appropriations Committee observation is based was secured from a table prepared by the General Accounting Office. We do not have current, comparative State, USIA, Peace Corps data. However, insofar as A.I.D. is concerned, the average grades and salaries of full-time employees follows:

	As of 12/31/77
FSR	
Number	1755
Average Grade	03.59
Average Salary	$33,873
FSS	
Number	225
Average Grade	06.01
Average Salary	$17,115
GS and Equivalent	
Number	1724
Average Grade	09.86
Average Salary	$23,300
Overall 1/	
Number	3735
Average Salary	$28,029

1/ Including Executive/Presidential appointees, Chiefs of Missions. General Wage Board and Lithographic Employees.

Since data prepared by the General Accounting Office was as of December 31, 1976, and the above information is as of December 31, 1977, average salaries would be expected to increase as a result of the executive pay raise in early 1977 and the general salary increase of 7.5% in October.

We would expect that our average salary levels would exceed that of other agencies for a number of reasons. For example, our foreign service includes, because of the character of our operations, many experienced generalists and technical personnel who plan and manage projects carried out by intermediaries. In Washington, A.I.D. uses GS and AD appointments for senior specialists, whose services in State and USIA would be secured by FSR appointees, FSO's and FSIO's.

CERTAIN AID/W COSTS

Brief description: High Costs of the Office of the Auditor General, Office of Legislative Affairs, Office of Public Affairs, and the Office of the General Counsel in AID/W.

Brief presentation: The Organization Task Force's intensive review of these offices' workforce recuirements resulted in a 22% workforce reduction by September 30, 1978 which will amount to an estimated annual savings of $1.4 million in salary costs during future years.

	AUDITOR GENERAL	LEGISLATIVE AFFAIRS	AFFAIRS	GENERAL COUNSEL	TOTAL
Planned FY 1978 Levels	92	28	29	52	201
Revised FY 1978 Levels	56	23	29	48	156
TOTAL	36 1/	5	0	4	-45
% Reduction	40%	18%	0%	8%	22%

1/ Includes 20 employees of the Office of Security to be transferred to the Department of State.

LIMITATION ON HOUSEHOLD FURNISHINGS

ISSUE

In July 1977, the Senate Committee on Appropriations stated, "16 AID mission directors had government supplied household furnishings and effects in excess of $20,000---five months after a $20,000 limitation was placed on these by the Agency." (S. Rept. No. 95-352, p.88)

AGENCY POLICY

AID Handbook 23, Chapter 5, Section 761.1, issued November 11, 1976 established a limitation of $20,000 on furniture, furnishings and equipment for each Mission Director's official residence. Excesses were to be reduced through attrition, but the requirement was expedited.

DISCUSSION

Early in calendar year 1977, residential inventories of fifteen Mission Directors were reported to be over the limitation of $20,000. The Agency issued instructions requiring expedited compliance with the limitation. All responded that they were in compliance by July 1977. To assure continued compliance with this limitation a cable was dispatched to all missions on January 10, 1978 requesting reconfirmation and current value of inventories. Future compliance will be monitored through annual inventory and certification.

(NOTE: This paper will be updated upon receipt of replies to 1/10/78 message)

SILVERWARE AND GOVERNMENT-OWNED

FURNISHINGS FOR MISSION IN BOGOTA

ISSUE - In July 1977, the Senate Committee on Appropriations stated:

> "AID's Mission Director in Bogota, Colombia, felt the need to purchase $1,716.17 in silver tableware as an addition to the government owned furnishings of his residence. This purchase was included in the inventory of government furnishings of this residence in February of 1977 which totaled $23,656.63. The Committee questions the justification for such an expenditure especially in view of the fact a decision to terminate the bilateral aid program for Colombia had been made in September of 1975." (S. Rept. No. 95-352, p. 88)

AGENCY POLICY

Mission Directors now have a limitation of $20,000.00 for furniture, furnishings, and equipment for their official residence. This limitation was established on November 11, 1976 by AID Handbook 23, Chapter 5, Section 761.1. Section 763 was revised to restrict authorization of table settings (including silver-plated items) to service for 24, and to require AID/W approval of all such purchases.

DISCUSSION

AID's Mission Director in Bogota, Colombia had purchased a substantial amount of government furnishings for his residence, including silverplated tableware.

The inventory value of furniture, furnishings and equipment in the Director's residence exceeded the $20,000 limitation. The level of this inventory was reduced to $19,997.58 as of June 30, 1977. (The reduction was accomplished by removing some items which were determined to be in the category of "personal convenience items;" and silverplate and other non-expendable representational items were shipped to other AID posts.) The total inventory value of items in the residence is presently $19,872.30.

TRAVEL ADVANCES

Brief description: Management and accountability of A.I.D.'s travel has been poor . . . 46 terminated employees had outstanding travel advances totaling $21,724 . . . 420 travel advances totaling $120,095 had been outstanding for one year . . . A.I.D. policies permitted 6 long term trainees to collect $29,782 in subsistance funds in advance, thereby permitting these employees to earn interest in advance of their use of funds.

Brief presentation: The following actions have been taken to strengthen A.I.D.'s Travel Advance procedures:

1. Reconciliation of subsidiary ledgers with General Ledgers accomplished.

2. Automated Travel Advance System installed to provide more timely follow-up and liquidation of advances.

3. Bills for Collection issued to 46 terminated employees requesting refund or submission of travel vouchers to settle outstanding indebtedness.

4. All outstanding advances currently undergoing review and requests are being made to active and terminated travelers to liquidate such advances.

5. Issuance of advances for long-term training now limited to 30-day increments.

CONSOLIDATION OF ADMINISTRATIVE SUPPORT FUNCTIONS WITH STATE

The Issue - In July 1977, the Senate Committee on Appropriations stated:

> "Traditionally AID has resisted consolidation of administrative support functions of its overseas missions with similar functions in support of Department of State posts in the same city. Operations that could be consolidated include motor pools, general services, payroll, warehousing, travel and procurement. It has been estimated that in Tunisia alone an annual savings of $200,000 and a reduction of two United States and nine local employees could take place if duplicating functions were eliminated. If such consolidations were ordered for all AID missions, savings of up to $7.5 million could occur. We hope that new cnnsolidation studies which have recently been announced will be fully supported by the new officials of the Agency." (S. Rept. No. 95-352, pp. 88-89)

AID Policy

AID intends to consolidate administrative operations with the Department of State whenever it is determined on the basis of joint analysis that consolidation would be cost-effective and more efficient than separate arrangements in meeting its program support requirements.

The Assumed Savings

The assumed savings of $7.5 million was quoted from an IGA report on Tunisia and Morocco. It was developed by expanding certain assumptions from that report and one on the Philippines to a worldwide figure. Unfortunately, the assumptions were faulty and the "potential economies" are highly unrealistic:

- IGA suggested elimination of some 99 worldwide AID management positions through consolidation. However, of these, 20 covered AID people in State positions in existing joint support operations, 32 were management and executive officers responsible for AID functions other than the services to be provided by State, and most of the remaining 47 would be required by State in their expanded operation.

- IGA's proposed savings through State services in the Philippines failed to consider significant Host Country financial support (e.g., $483,000 covering residential lease costs for USAID direct-hire employees) which under existing bilateral agreements would not be available to an Embassy account. Loss of these funds would not be offset by projected savings under consolidated arrangements. Accordingly, consolidation has not been pursued.

Action on Tunisia Report

During a follow-up management study in Tunisia, some of the IGA recommendations were found to have merit. Action has been taken to consolidate those functions where economy and/or efficiency will result.

Current Action and Trends

AID is participating with the Department of State and USIA in an Interagency Steering Group which was established to consider consolidation of the administrative support functions of the three agencies, first in Washington and then overseas. In the meantime, we are effecting consolidation of administrative services overseas on a case-by-case basis where specific reviews demonstrate this is appropriate. (During the past year, five new JAOs have been established.) To this end, AID has developed a detailed listing of both specific and general support requirements along with a format for an Interagency Support Agreement, and is negotiating with State on their adoption and procedures for implementation. Further consolidation actions overseas will be explored based up studies and recommendations from Ambassadors and AID Mission Directors.

In Washington we are exploring consolidation opportunities on a function-by-function basis across the full range of administrative services. Completed studies indicate that consolidation of State, AID and USIA security services and computer operations would result in staff savings and reduced costs for our three agencies. Steps are being taken now to implement consolidation decisions in these areas. The studies of other functions -- training, communications, travel and transportation, directives and forms control -- are nearing completion. The remaining functional studies will be completed shortly thereafter. As a result of these studies, we expect to consolidate our separate operations in those functional areas where consolidation is cost-effective and where there are assurances that our programs will be effectively supported.

FURNISHED VILLA FOR AID MISSION DIRECTOR IN EGYPT

USAID leased a residence of 3,389 net square feet for the Cairo Director at an annual rental of $37,800 and made some $2,500 in occupancy preparation expenditures.

ISSUE:

Does the house leased exceed, in cost or luxury, that which would be authorized for others in similar positions? Were there any violations of AID policies?

POLICY:

AID Handbook 23, Chapter 5, Section 720 et. seq., governs here. Missions may execute leases up to $25,000 annual rents, spend $1,500 on preparation costs, but the standard for a Mission Director is 3,050 square feet of net usable space. All of the foregoing regulations may be waived by the Agency.

BACKGROUND:

Prior to the arrival of the present Director, the AID chief was in single status and living in a three-bedroom apartment. With the upgrading of the Mission, the naming of a Director, and the great expansion of the program, there was a concomitant requirement for increased Mission representation. The new Director, with four dependents, could not undertake social/business obligations in the apartment, nor could meeting those obligations be deferred much longer.

After looking for adequate housing for five months, the Mission reported finding an adequate unit. This was on January 28, 1977. The unit was reported to exceed slightly AID space standards, but to be on a par with Embassy senior officer housing, specifically, the Econ and Admin Counselors' homes. The owners' asking price was $43,200 p.a., USAID's counter suggestion was $32,400. Rent was considered reasonable in light of other recent local rentals. Alternatives were mentioned but they were not good ones. The Director sought Agency consideration of reaction to such expenditures in the U.S., but could see no timely alternative to picking up the lease on the house.

On 1 February, the Mission sent in a follow-up message iterating the lack of alternatives and citing other offers received by the owner. AID replied immediately but asked for clarification of certain points, that is, the exact square footage and extent of needed renovations.

Two days later, the information was given. Square footage was reported to be 3,389, using the prescribed AID measuring system. The 339 square feet over the standard is slightly under 10 percent. The house was reported as

nine years old and in good condition. Installation of air conditioners and heat, related electrical work, some plumbing for the laundry, a sink for the kitchen and painting were estimated to cost $2,500.

The Ambassador sent an appeal to AID on the 8th of February urging timely action as no other units were available. He pointed out that the house was in no way out of line with that provided other senior officers and that the price was not out of line in Cairo. Further, he said he would have suggested that the then residence of the Ambassador would have been appropriate for the AID Director, but that delays in preparing the new Ambassadorial residence precluded using it for the Director.

The same day, the Agency concurred in leasing the house as requested and authorized an exception to the rental limitation and expenditures up to $2,500 for renovations. They suggested that there be a lease/purchase arrangement, but that was not possible.

SUMMARY:

The Mission complied fully with the requirements of AID regulations and acted in concert with AID/W in leasing the house. FYI--the word "villa" merely implies a wall-surrounded house, which is common in the Cairo area. Furniture was ~~not~~ included with the house. None of the owners are presently associated with the Egyptian government. It is also possible that greater flexibility in authorization to use FBO controlled housing might have solved the Director's housing problem more easily.

MORE TIME SPENT BY U.S. DIRECT HIRES OVERSEAS IN SURROUNDING COUNTRYSIDE AND LANGUAGE TRAINING

The Issue - In June 1977, the House Committee on Appropriations stated:

> "..U.S. direct hire personnel..should be out in the villages, insuring the proper implementation of all U.S. assisted projects...The committee..believes more field work needs to be accomplished in order to keep in touch with development needs and potential problems...
>
> "..AID personnel stationed overseas should be proficient in the language of the country in which they are located in order to grasp the problems of the people we are trying to help." (H. Rept. No. 95-417, p. 36)

AID Policy

- To locate responsibility and authority as close as possible to the point where development efforts are planned and carried out. Actual location of direct hire employees within a particular country will depend upon the circumstances in each case such as the nature and purpose of a program or project, host country capabilities, and feasibility of field operations. (In most circumstances, direct hire employees are required to be officed in capital cities although they are required to make frequent and extensive trips to sites. Contract employees serve at project sites.)

- To the maximum possible extent, language training will be provided to all employees whose positions require it.

Field Support

- Important considerations in any plan to locate U.S. employees in rural areas outside the capital or other cities are the need to assure the provision of essential support - both administrative and logistical, and the commitment of additional resources and funds for such support. In recent years, Agency policy on such support has emphasized maximum self- sufficiency for directly-financed personnel, and host country support for project-funded and indirectly-financed personnel. This policy was based upon generally improved living standards and availability of support services within most host countries. It also reflected Agency efforts to maintain an appropriate life style as well as reduced levels of operating expense funds. Under the New Directions, and renewed emphasis on development assistance within the poorest and least developed countries, our concepts of field support must be reexamined.

- In rugged and inaccessable areas, housing and transportation become serious problems, along with necessities such as food, fuel, potable water, electrical power, supplies and equipment. Even for field trips of short duration, logistics must be planned and provided. For long term assignments, lack of medical services and family amenities such as education facilities result in separation of families. Conditions will vary from country to country and within countries so that each case must be handled according to the particular set of circumstances. However, considerations must be given to the fact that field operations do require additional resources and additional funding to be successful.

Language Training

- Recognizing the need for greater language capability among foreign service personnel, AID has taken a number of new steps toward this end in 1977 and has additional measures under study. Considerable progress has been made in recent years. Each AID position overseas has been evaluated by the AID missions and those which require language capability are designated as to the specific language and level required. In 1972, 34 percent of the positions in countries where English is not the primary language were designated as language-essential, and 43 percent of the employees in these positions had the required level of proficiency. In 1977 these percentages had climbed to 43 and 74, respectively. The number of positions designated as language-essential is rising rapidly, and this trend is expected to continue. This will probably result in a drop in the percentage of such positions filled by employees who meet the language requirements during 1978 and 1979, since the training and assignment of language-proficient personnel lags behind the changes in position requirements.

The following policies were adopted during the past year:

1. All foreign service employees assigned to Washington are tested for language aptitude, and those with sufficiently high scores who do not have language proficiency are encouraged to take language training during their Washington assignment.

2. All employees assigned to French, Spanish and Portugese speaking countries are authorized up to eight weeks of language training even though proficiency is not required for their positions.

3. Civil Service employees for whose occupational specialties there is a requirement in the foreign service and who indicate an interest in joining the foreign service are allowed to participate in language classes.

4. International Development Interns (IDI's) are required to reach the FSI S-2 level in a foreign language before receiving their second promotion.

INTEGRITY OF APPROPRIATION ACCOUNTS

Issue: The FY 1978 Appropriations Act places new restrictions on the use of unobligated and deobligated funds from prior years. It limits the use of these funds to the same appropriation account and the same terms, conditions and limitations as those under which funds were originally provided. The use of these funds is affected as follows:

1. The use of unobligated funds (funds made available in the prior fiscal year which could not be obligated prior to September 30, 1977) provides A.I.D. with the necessary fiscal management tools to ensure that resources remain available until policy and program issues are resolved. The continued use of these funds is important for the A.I.D. program because, for example, the obligation of funds for FY 1977 projects in Nicaragua were delayed pending resolution of human rights issues. Also, rural electrification projects in Honduras, Guatemala, and Indonesia were delayed pending resolution of differences between A.I.D. and the Congress on the consistency of these sorts of activities with the intent of the "new directions".

2. Deobligation of prior year funds. The ability to deobligate funds from prior year projects and obligate them for current year programs permits the Agency to reduce its request for appropriations by the amount of estimated deobligations and provides incentive for continuous review of the A.I.D. pipeline. However, in practice, this authority is difficult to administer because of Congressional notification requirements, the need to maintain separate accounting documents for use of deobligated funds, and the new restriction enacted by the FY 1978 Appropriations Act which has been interpreted to require that "earmarked" funds that are deobligated may only be used for the purpose for which earmarked (e.g. deobligated funds earmarked for Israel may only be used in Israel).

A.I.D. is not requesting authority to reobligate funds deobligated in FY 1979. By abandoning use of the deobligation - reobligation authority, A.I.D. can avoid the suggestion that "back door" financing is used to inflate the foreign aid program. Except for an estimated $4 million in reimbursements from other countries and other U.S. Government agencies, the appropriation request and the program request for FY 1979 are identical.

Need for Transfer Authority. A.I.D. agrees with and supports Congress' desire to maintain the integrity of appropriation accounts. However, A.I.D. cannot relinquish the authority in the FAA to transfer small amounts of money between appropriation accounts. The transfer authority is essential to efficient budget management because our program depends heavily on actions by other governments and other federal agencies. In addition, A.I.D. needs flexibility to adjust the levels for regional, country and project budgets to ensure that available funds are efficiently and effectively used.

It is particularly important to have the flexibility to cover unanticipated Operating Expenses during the operating year.

TERMS OF A.I.D. LOANS

U.S. loan terms to developing countries are now determined by their stage of development and such other factors as the level and rate of growth of per-capita income, the balance of payments current-account situation, export growth trends and prospects, foreign-exchange reserves, foreign-debt servicing obligations, prospects for capital imports from other donors or in private capital markets, and U.S. economic and political interests in the country.

Background: Through Policy Determination (PD) 66 of April 22, 1976, AID decided that in FY 1977 it would apply a two-tier loan term structure for both Security Supporting Assistance and Development Assistance loans to reflect the differences in economic circumstances among developing countries. Assistance of these types would be available on traditional terms of 40 years maturity, 10 years grace with 2 percent interest during the grace period and 3 percent thereafter for qualifying countries, and intermediate loan terms of 25 years maturity, 5 years grace and 5 percent interest throughout the life of the loan for countries which have made substantial economic progress with continued favorable prospects but with continuing needs for development assistance on soft terms.

The Congress, however, specified in the 1977 Appropriations Act that of the loan funds made available $210 million was to be repayable in 40 years, $60 million in 30 years, and $30 million in 20 years. Interest rate levels were not mentioned. A.I.D. was unsuccessful in persuading Congress that such rigid quotas for loans would adversely affect some poorer countries and that the A.I.D. PD-66 approach, based on pertinent economic and political considerations, would more effectively promote the objectives of the Foreign Assistance Act.

FY 1978 Situation: The Appropriations Act for FY 1978 increased the amount of development loans which must be repaid in 20 and 30 years. It stipulates of the funds appropriated under the Act to carry out the provisions of Sec. 103-106 of the FAA, $310.5 million shall be used for loans, of which $75 million of funds made available shall be for loans repayable within 40 years, $87 million within 30 years, and $148.5 million within 20 years. The total amount of loans during FY 78 to be at shorter maturities, $235.5 million, resulted from the carryover from FY 1977 to FY 1978 of $27.4 million specified for 30 year loans which the Agency was unable to obligate. The total of loans that must be at shorter maturities is $262.9 million, a sharp increase from the $90 million level required by the Appropriations Act for 1977.

The FY 1978 quotas compel the Agency to impose 20 or 30 year maturities on a large number of LDCs whose economic situation and prospects justify more generous terms.

Procedures for Allocating Harder Loans: Per capita GNP is the primary criterion for ranking loan recipients for allocating harder loans. Per capita GNP is widely accepted as the most reliable single indicator of a country's overall economic strength, productive capacity, and ability to utilize and service capital flows on less concessional terms. Additionally, the Agency uses other quantitative criteria, including two on debt-servicing capability, as a means of identifying countries for which harder loan terms might be appropriate:

(a) The Growth Rate in Per Capita GNP

A satisfactory growth rate sustained over a long period of time indicates a strong, dynamic economy with a good prospect for continued advancement.

(b) The Ratio of Reserves to Imports of Goods and Services

This measure of a country's foreign exchange position indicates an ability to finance borrowings on somewhat harder terms.

(c) The Ratio of Current Account Surplus to Import of Goods and Services

This criterion can be used to determine whether a particular country is an exporter of capital, in which case it should be given harder terms regardless of per capita income.

Agency Position: The Agency continues to believe that the Congressional quotas are arbitrary as well as too large. These allocations thus require AID to impose hard terms on some relatively poor countries with almost no flexibility to make adjustments for countries which may be adversely affected by the hardening of loan terms. Every effort should be made to persuade the Congress to provide AID with loan funds without quotas for harder terms or to modify the current approach so that harder loan terms can be set only where appropriate. Problems created by the quotas are:

1) Effect on U.S. efforts to move countries towards "growth with equity" policies and projects. Harder loan terms would not be appropriate to the economic circumstances of many LDCs, and would set back our efforts to persuade them to use AID and other funds for projects in family planning, health, education, rural development, and other areas which benefit the poor majority more directly and immediately.

2) Effect on Recipient Countries. Shorter loan maturities, as provided by the Senate version, exacerbate the repayment problems of developing countries. Almost all non-oil exporting countries have had serious dollar (i.e., foreign-exchange) shortages which were raised to near-crisis proportions by oil-price rises in 1973. Such shortages almost always accompany development and inhibit the ability of countries to provide growth with equity to their citizens.

3) Impact on U.S. Relations. Under the Congress' allocation system few A.I.D. recipients can receive loans on 40 year terms. Even A.I.D.'s 40 year loans are less concessional than those of IDA and other bi-lateral donors. The hardening of loan terms by quotas could be interpreted, particularly by poorer countries, as an indiscriminate disregard of their needs and as a further reduction in the U.S. commitment to development.

Negotiating harder loan terms under the Congress' allocation system established by Congress will be difficult, as demonstrated by A.I.D.'s inability to obligate almost one-half ($27.4 million) of the amount reserved by the Congress for our FY 1977 lending with 30 year maturities.

Attachment:
AID FY 1978 Development Loan Program

Attachment I

A.I.D. DEVELOPMENT ASSISTANCE

Loan Program in FY 1978 Operational Year Budget
($ Millions)

Development Assistance Recipient	Per Capita GNP 1975 Prices	Size of Loan Program	Minimum Requirement
Panama	1060	20.0	
Costa Rica	910	6.5	
Peru	810	20.5	
Tunisia	760	7.0	
Dominican Republic	720	10.0	
Nicaragua	720	14.1	
Guatemala	650	14.3	
Paraguay	570	10.0	
Guyana	560	5.6	
Caribbean Regional	n.a.	14.5	
El Salvador	450	4.7	
Philippines	370	44.8	
Subtotal at 20 years (10 years grace)		172.0	148.5
Liberia	410	2.5	
Thailand	350	5.5	
Honduras	350	15.0	
Bolivia	320	19.2	
Cameroon	270	7.5	
Kenya	220	10.0	
Indonesia	180	61.2	
Subtotal at 30 years (10 years grace)		120.9	114.4
Subtotal, 20-30 years		(292.9)	(262.9)
Sri Lanka	150	19.3	
India	150	58.0	
Pakistan	140	43.0	
Entente States	n.a.	2.0	
Subtotal at 40 years (10 years grace)		122.3	75.0
TOTAL		415.2	

FY77-78-79

TITLE I

AGENCY FOR INTERNATIONAL DEVELOPMENT

P.L. 480 TITLE I SALES PROGRAMS

(000/MT $ MILLION)

COUNTRY	FY 1977 Actual $	FY 1978 Estimated $	FY 1979 PROPOSAL Total $	Wheat/Wheat Flour $	Wheat/Wheat Flour MT	Rice $	Rice MT	Other Grains $	Other Grains MT	Vegoil $	Vegoil MT	Total Food $	Total Food MT	Non-Food $
550 or less PCI														
Afghanistan	-	5.5	-	-	-	-	-	-	-	-	-	-	-	-
Bangladesh	44.8	47.4	45.9	16.1	150	-	-	-	-	15.0	30	31.1	180	15.8
Bolivia	-	8.8	10.7	10.7	100	-	-	-	-	-	-	10.7	100	-
Egypt	197.0	170.0	188.6	170.0	1500	-	-	18.6	200	-	-	188.6	1700	-
Guinea	3.0	5.5	5.4	1.3	10	3.0	10	-	-	1.1	2	5.4	22	-
Guyana	-	2.1	2.0	0.5	5	-	-	-	-	1.1	2	1.6	7	0.4
Haiti	11.1	10.5	11.0	4.3	40	3.0	10	0.9	10	2.8	5	11.0	65	-
Honduras	-	1.6	1.6	1.6	15	-	-	-	-	-	-	1.6	15	-
India	41.8	27.8	30.9	-	-	-	-	-	-	30.9	70	30.9	70	-
Indonesia	125.7	118.2	106.0	16.0	150	30.0	300	-		-	-	106.0	450	-
Morocco	9.6	11.0	10.7	10.7	100	-	-	-	-	-	-	10.7	100	-
Pakistan	51.4	57.6	52.3	21.4	200	-	-	-	-	30.9	70	52.3	270	-
Philippines	12.5	13.3	19.2	8.0	35	-	-	1.9	20	-	-	9.9	55	9.3
Senegal	-	8.1	6.5	-	-	6.5	20	-	-	-	-	6.5	20	-
Sierra Leone	0.8	1.4	3.0	1.1	10	-	-	1.9	20	-	-	3.0	30	-
Somalia	-	7.0	6.1	2.7	25	1.5	5	1.9	20	-	-	6.1	50	-
Sri Lanka	36.3	31.4	16.8	16.8	133	-	-	-	-	-	-	16.8	133	-
Sudan	4.8	11.0	10.7	10.7	100	-	-	-	-	-	-	10.7	100	-
Tanzania	7.6	6.5	3.9	-	-	3.0	10	0.9	10	-	-	3.9	20	-
Zaire	4.3	18.0	24.0	2.2	20	9.0	30	0.9	10	-	-	12.1	60	11.9
Zambia	4.6	4.4	4.3	2.1	20	-	-	-	-	2.2	4	4.3	24	-
SUBTOTAL	555.3	567.1	559.6	296.2	2613	116.0	385	27.0	290	84.0	183	533.2	3471 (76.1%)	36.4
Over 550 PCI														
Ghana	-	-	6.5	2.1	20	3.0	10	1.4	15	-	-	6.5	45	-
Israel	11.2	7.2	5.4	5.4	50	-	-	-	-	-	-	5.4	50	-
Jamaica	2.6	10.0	10.0	5.4	50	-	-	4.6	50	-	-	10.0	100	-
Jordan	8.7	5.5	5.4	5.4	50	-	-	-	-	-	-	5.4	50	-
Korea	67.8	58.8	56.0	37.5	350	-	-	-	-	-	-	37.5	350	[illegible]
Lebanon	4.8	7.7	-	-	-	-	-	-		-				-
Peru	-	20.0	10.0	7.5	70	-	-	-	-	2.5	5	10.0	75	-
Portugal	61.6	40.0	40.0	10.7	100	9.0	30	11.0	118	-	-	30.7	248	9.3
Syria	16.0	14.0	17.9	6.0	48	6.0	20	-	-	2.8	5	14.8	73	3.1
Tunisia	8.6	11.2	10.7	10.7	100	-	-	-	-	-	-	10.7	100	-
SUBTOTAL	181.3	174.4	161.9	90.7	838	18.0	60	17.0	183	5.3	10	131.0	1091 (23.9%)	12.4
Allocated	736.6	741.5	721.5	386.9	3451	134.0	445	44.0	473	89.3	193	664.2	4562	48.8
Unallocated	-	58.5	63.5	51.5	481	12.0	40	-	-	-	-	63.5	521	-
TOTALS	739.6	800.0	785.0	438.4	3932	146.0	485	44.0	473	89.3	193	717.7	5,083	67.1
	75.5	76.1	94.3											

NOTE: 1. FY 1977 amounts represent value of shipments as of 11/4/77.
2. FY 1978 and 1979 dollar figures are based on current price projections. FY 1979 proposed allocations are illustrative and subject to change contingent upon commodity availability, prices, and future program needs.

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PL 480 II SUMMARY
(BY COUNTRY)

THOUSAND DOLLARS

REGION/COUNTRY	FY 1977 ACTUAL TOTAL	VOLAGS	WFP	G/G	FY 1978 ESTIMATED TOTAL	VOLAGS	WFP	G/G	FY 1979 PROPOSED TOTAL	VOLAGS	WFP	G/G
LATIN AMERICA cont.												
Nicaragua	296	-	296	-	154	-	154	-	22	-	22	-
Panama	2,355	2,355	-	-	1,807	1,807	-	-	1,565	1,565	-	-
Paraguay	196	-	196	-	149	-	149	-	75	-	75	-
Peru	5,099	3,102	1,074	923	4,990	3,267	1,305	418	6,020	4,150	1,758	112
AFRICA - TOTAL	64,844	30,322	16,636	17,886	70,607	28,995	20,967	20,645	57,660	33,582	20,533	3,545
Angola	196	-	196	-	3,704	-	-	3,704	-	-	-	-
Benin	581	213	368	-	627	261	366	-	606	242	364	-
Botswana	2,268	-	2,268	-	2,814	-	2,814	-	2,575	-	2,575	-
Burundi	1,061	706	355	-	1,395	855	540	-	1,992	1,657	335	-
Cameroon	702	698	4	-	1,052	602	450	-	1,012	746	266	-
Cape Verde Islands	2,391	-	702	1,689	1,507	-	72	1,435	2,711	-	439	2,272
Central African Empire	60	-	60	-	298	-	298	-	473	-	473	-
Chad	4,223	643	907	2,673	847	347	500	-	763	430	333	-
Congo	859	-	859	-	423	-	423	-	920	-	920	-
Djibouti	-	-	-	-	972	-	-	972	-	-	-	-
Ethiopia	4,686	2,592	1,705	389	3,883	2,920	963	-	5,028	2,853	2,175	-
Gabon	-	-	-	-	119	-	119	-	41	-	41	-
Gambia	672	169	128	375	598	247	194	157	656	534	122	-
Ghana	5,995	4,164	765	1,066	3,160	2,311	849	-	3,333	2,747	586	-
Guinea	143	-	143	-	139	-	139	-	85	-	85	-
Guinea-Bissau	1,170	-	-	1,170	1,169	-	-	1,169	-	-	-	-
Ivory Coast	61	-	61	-	219	-	219	-	155	-	155	-
Kenya	1,540	1,540	-	-	1,246	1,246	-	-	2,064	2,064	-	-
Lesotho	4,273	2,940	1,333	-	3,342	2,378	964	-	3,606	2,445	1,161	-
Liberia	34	-	34	-	129	-	129	-	93	-	93	-
Madagascar	978	926	52	-	1,107	1,097	10	-	654	633	21	-
Malawi	400	-	400	-	939	-	939	-	542	-	542	-
Mali	38	-	38	-	1,102	-	1,102	-	645	-	645	-
Mauritania	1,664	596	813	255	1,429	667	334	428	717	599	118	-

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PL 480 T[illegible] II SUMMARY
(B[illegible]TRY)

THOUSAND DOLLARS

REGION/COUNTRY	FY 1977 ACTUAL TOTAL	VOLAGS	WFP	G/G	FY 1978 ESTIMATED TOTAL	VOLAGS	WFP	G/G	FY 1979 PROPOSED TOTAL	VOLAGS	WFP	G/G
AFRICA cont.												
Mauritius	126	-	126	-	158	-	158	-	920	-	920	-
Mozambique	3,723	-	747	2,976	6,230	-	918	5,312	442	-	442	-
Niger	225	-	225	-	4,044	3,867	177	-	4,174	4,016	158	-
Nigeria	-	-	-	-	373	-	373	-	-	-	-	-
Rwanda	1,250	798	181	271	1,204	926	278	-	1,067	867	200	-
Sao Tome & Principe	61	-	61	-	54	-	54	-	145	-	145	-
Senegal	2,948	2,698	250	-	5,358	3,269	1,234	855	3,904	3,204	700	-
Seychelles	129	129	-	-	113	113	-	-	123	123	-	-
Sierra Leone	1,092	996	96	-	1,275	1,210	65	-	1,838	1,515	323	-
Somali Republic	575	-	575	-	6,233	-	494	5,739	334	-	334	-
Sudan	1,836	307	1,529	-	3,287	404	2,883	-	3,812	543	3,269	-
Swaziland	107	-	107	-	535	-	535	-	226	-	226	-
Tanzania	8,354	3,466	218	4,670	4,212	3,043	295	874	4,904	2,656	975	1,273
Togo	2,349	825	776	748	2,203	1,084	1,119	-	3,101	2,504	597	-
Upper Volta	7,940	5,916	420	1,604	2,850	2,148	702	-	3,751	3,204	547	-
Zambia	134	-	134	-	258	-	258	-	248	-	248	-
ASIA - TOTAL	170,016	135,488	19,536	14,992	152,129	134,004	18,125	-	151,862	138,449	13,413	-
Bangladesh	17,337	10,034	7,303	-	16,577	10,181	6,396	-	11,851	10,853	998	-
British Solomon Islands	-	-	-	-	152	-	152	-	-	-	-	-
Fiji Islands	-	-	-	-	88	-	88	-	-	-	-	-
India	103,930	96,894	7,036	-	94,071	88,377	5,694	-	99,337	92,198	7,139	-
Indonesia	6,644	2,827	3,817	-	5,106	4,259	847	-	6,570	3,690	2,880	-
Nepal	6[illegible]4	-	894	-	2,030	-	2,030	-	483	-	483	-
Pakistan	227	262	-	-35 c/	1,887	264	1,623	-	1,133	528	605	-
Philippines	37,212	21,998	187	15,027	28,274	27,650	624	-	27,721	27,065	656	-
Singapore	43	-	43	-	63	-	63	-	107	-	107	-
Sri Lanka	3,729	3,473	256	-	3,881	3,273	608	-	4,660	4,115	545	-
EUROPE - TOTAL	434	-	-	434	-	-	-	-	-	-	-	-
Romania	434	-	-	434	-	-	-	-	-	-	-	-

c/ Carry-over/adjustment from FY 1976/TQ.

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PL 480 TITLE [illegible]MMARY
(BY COU[illegible]

THOUSAND DOLLARS

REGION/COUNTRY	FY 1977 ACTUAL TOTAL	VOLAGS	WFP	G/G	FY 1978 ESTIMATED TOTAL	VOLAGS	WFP	G/G	FY 1979 PROPOSED TOTAL	VOLAGS	WFP	G/G
NEAR EAST - TOTAL	53,693	34,718	18,975	-	49,817	34,442	15,375	-	50,067	32,350	17,717	-
Afghanistan	669	-	669	-	639	-	639	-	1,166	-	1,166	-
Algeria	6,129	-	6,129	-	3,260	-	3,260	-	2,278	-	2,278	-
Bhutan	155	-	155	-	110	-	110	-	183	-	183	-
Cyprus	-	-	-	-	573	-	573	-	531	-	531	-
Egypt	11,958	6,807	5,151	-	14,835	12,642	2,193	-	18,067	14,995	3,072	-
Gaza	1,654	1,654	-	-	1,055	1,055	-	-	1,217	1,217	-	-
Jordan	1,685	296	1,389	-	2,023	334	1,689	-	3,397	410	2,987	-
Jordan West Bank	1,511	1,511	-	-	1,735	1,735	-	-	1,397	1,397	-	-
Lebanon	4,016	3,287	729	-	883	-	883	-	655	-	655	-
Maldive Islands	-	-	-	-	22	-	22	-	-	-	-	-
Morocco	15,955	15,955	-	-	13,281	13,048	233	-	9,599	9,599	-	-
Syria	3,846	-	3,846	-	3,224	-	3,224	-	6,024	-	6,024	-
Tunisia	5,338	4,819	519	-	6,011	5,006	1,005	-	2,928	2,558	370	-
Turkey	196	-	196	-	552	-	552	-	132	-	132	-
Yemen	581	389	192	-	1,614	622	992	-	2,493	2,174	319	-
LATIN AMERICA - TOTAL	72,993	63,747	7,948	1,298	45,258	37,106	7,734	418	43,914	35,153	8,649	112
Barbados	152	-	152	-	39	-	39	-	104	-	104	-
Bolivia	6,885	5,867	643	375	7,035	6,441	594	-	6,501	5,469	1,032	-
Brazil	1,046	-	1,046	-	1,847	-	1,847	-	1,234	-	1,234	-
Chile	17,952	17,952	-	-	5,513	5,513	-	-	4,857	4,857	-	-
Colombia	5,156	4,102	1,054	-	4,162	2,720	1,442	-	1,138	-	1,138	-
Costa Rica	3,902	3,579	323	-	278	-	278	-	275	-	275	-
Dominican Republic	9,850	9,850	-	-	3,943	3,943	-	-	4,955	4,955	-	-
Ecuador	1,095	679	416	-	1,169	784	385	-	1,341	858	483	-
El Salvador	2,479	1,417	1,062	-	1,694	1,091	603	-	2,064	1,157	907	-
Guatemala	4,655	4,552	103	-	4,708	4,656	52	-	5,536	5,418	118	-
Guyana	7	-	7	-	67	-	67	-	25	-	25	-
Haiti	8,998	8,065	933	-	4,844	4,495	349	-	5,050	4,175	875	-
Honduras	2,866	2,227	639	-	2,800	2,389	411	-	3,129	2,549	580	-
Jamaica	4	-	4	-	59	-	59	-	23	-	23	-

PROHIBITION OF P.L. 480 SALES OR DONATIONS TO NORTH VIETNAM

Issue: The HIRC report on H.R. 6714 states that some members of the Committee encouraged State to notify Congress if it felt that repeal of Section 411 of P.L. 480, which prohibits sales or donations to North Vietnam, would be helpful in normalizing relations with Vietnam.

A.I.D.'s Policy: State/A.I.D. favor an initiative by the HIRC to repeal Section 411 because it would be a positive sign to Vietnam and would probably have a favorable impact on efforts to establish normal diplomatic relations. Such an initiative by the Executive Branch would be more likely to stir up Congressional controversy. In the event that Section 411 were repealed and if we believed that food assistance to Vietnam were appropriate, we would seek Congressional support before taking any action.

REPORTS TO CONGRESS ON DEVIATIONS FROM THE 75/25 REQUIREMENT

Issue: Section 111 of P.L. 480 requires that at least 75 percent of Title I food aid be allocated and agreed to be delivered to countries which meet the poverty criterion of the IDA -- currently $550 annual per capita income.

If the President certifies to the Congress that food assistance is required for humanitarian food purposes such as emergencies or disasters in an "above $550" country or if countries in the "75 percent" category cannot use the food effectively because of significantly changed circumstances, the initial allocations may be changed.

A.I.D.'s Policy: It is A.I.D.'s firm intention that at least 75 percent of Title I food aid be allocated to countries which meet the poverty criterion of the IDA.

The initial FY 1978 allocations provided 75.3 percent of food aid for countries at or below the IDA poverty criterion. This percentage did not change in the allocations submitted on December 30, 1977.

HUMAN RIGHTS - P.L. 480 TITLE I

Issues: Section 112 of P.L. 480 is similar to Section 116 of the FAA in that no Title I sales may be made to countries which engage in a consistent pattern of gross violations of human rights unless a determination is made that the commodities or sales proceeds will be used to directly benefit needy people.

The Senate Agriculture Committee or the HIRC may require written information demonstrating that a Title I agreement with a gross violator will directly benefit the needy.

A complete report on the steps taken to carry out Section 112 must be included in the annual presentation of planned P.L. 480 programming.

A.I.D.'s Policy: As of mid-January, no determinations have been made that a "Title I" country is a gross violator of human rights. An inter-agency governmental task force chaired by the Deputy Secretary of State has determined that 6 countries -- Guinea, Bangladesh, Indonesia, Korea, Zaire and Somalia -- for which Title I agreements were under consideration, have serious human rights problems.

In such instances we require that the commodities or the sales proceeds be used to directly benefit the needy. A brief description of the manner in which the needy will benefit either by the use of commodities or local currency projects is incorporated in the Title I agreement which also requires semi-annual reports on such uses.

Examples of Country Specific Programs:

Indonesia

-- Indonesians have agreed that the proceeds of the agreement would go for irrigation and market roads projects which would directly benefit the rural poor.

Bangladesh

-- An amount of wheat equal to the Title I quantity provided under the agreement shall be utilized in the modified ration system to benefit the rural poor. An amount of cotton equal to the Title I amount will be used in the cottage industry to provide inexpensive cloth and employment of rural poor.

Guinea

-- Under terms of the agreement, Guinea will use the proceeds to reach the rural needy through irrigation projects and the establishment of regional faculties of agronomy directed to advising small farmers.

Korea

-- The agreement will itemize uses of the proceeds to benefit the needy in the agricultural sector.

Zaire

-- When the agreement is negotiated, it will specify uses of the proceeds which will benefit the needy.

Somalia

-- When the agreement is negotiated, it will specify uses of the proceeds which will benefit the needy.

On-Going Activities and Future Plans: Although changes in the P.L. 480 legislation, including human rights and assuring that adequate storage facilities are available, caused some initial delays in authorizing Title I negotiations, Title I programming is now proceeding normally.

A determination with reference to the human rights situation in countries for which Title I agreements are proposed will be made as soon as they are ready for negotiation.

PRIORITY FOR FOOD AND FIBER IN P.L. 480 TITLE I ALLOCATIONS

Issue: Section 204 of the International Development and Food Assistance Act of 1977 added a new Section 113 to P.L. 480 requiring that in allocating Title I funds priority be given to financing sales of food and fiber.

This was substituted for an amendment prohibiting Title I sales of tobacco (Title II donations of tobacco or products thereof have been prohibited for some time).

A.I.D. Policy: A.I.D. is cooperating with USDA and other agencies responsible for P.L. 480 Title I programing in carrying out this requirement.

Trends in Funding Levels: A comparison of FY 1977 and 1978 Title I programing indicates that priority was given to food and fiber. The FY 1978 P.L. 480 Title I allocations submitted to the Congress on December 30, 1977 totaling $800 million included $788.3 million for food and fiber and $11.7 million for tobacco. In FY 1977, Title I shipments totaled $736.6 million including $690.7 million of food and fiber and $45.9 million of tobacco.

On-Going Activities and Future Plans: For FY 1979, the planned program for Title I totaling $785 million includes $773 million of food and fiber and $12.0 million of tobacco.

FINANCING OF HIGH-PROTEIN BLENDED AND FORTIFIED FOOD UNDER TITLE I

Issue: Section 114 of P.L. 480 added by the International Development and Food Assistance Act of 1977, provides for the provision of high-protein, blended, or fortified food under Title I. It also provides that, if recipient countries provide assurance that the benefits will be passed to the individuals receiving the food and if such countries have a reasonable potential for transition to becoming commercial purchasers of such food, then the costs associated with the processing, enrichment and fortification of blended foods may be waived.

A.I.D.'s Policy: Since the intent of this amendment is to provide the basis for a transition from Title II programming to the use of blended foods in Title I, use of such commodities in selected Title I programs will provide an additional source of nutrition and may help to complement other feeding and nutritional activities in a particular country.

On-Going Activities and Future Plans: A.I.D. has drafted guidance to be sent to the field on the implementation of this amendment. It is anticipated that the message will be finalized within the next two weeks.

P.L. 480 TITLE II MINIMUM DISTRIBUTION

Issue: Section 206 of the International Development and Food Assistance Act of 1977 increased the minimum amount which must be distributed under Title II of P.L. 480 for FYs 1978 through 1980 to 1.6 million metric tons of which at least 1.3 million tons must be distributed through nonprofit voluntary agencies and the World Food Program (WFP). The minimum amounts will be increased by 50,000 tons in FY 1981 and 1982 to a total of 1.7 million tons with a subminimum of 1.4 million tons.

The minimum amounts for FYs 1976 and 1977 were 1.3 million tons and 1.0 million tons respectively. The increases were adopted to strengthen the floor for Title II humanitarian grant programs. The HIRC made it clear that the Executive Branch should not treat the minimum as a ceiling.

A.I.D.'s Policy: A.I.D. will assure that at least the minimum amounts will be allocated as required by the legislation. While we expect that these amounts will be shipped during the same fiscal year, we cannot give an absolute assurance that this will occur since it might be necessary to delay or withhold planned shipments if storage or other unforeseen problems arise. For example, in FY 1976 1.3 million tons were allocated but shipments totaled only 1 million tons primarily because wheat shipments to Bangladesh were not needed and WFP reduced its requests for shipments against the U.S. pledge. For FY 1977, however, shipments totaled 1,432 million tons including 1,285 million tons to the voluntary agencies and WFP.

Ongoing Activities and Future Plans: For FY 1978, A.I.D. has allocated 1,649 million tons of food aid through Title II, including 1.3 million tons to private voluntary agencies and WFP. Approximately 350,000 tons is available for government-to-government and emergency/disaster relief.

In May 1977 the U.S. pledged 125,000 tons of food to the UN-sponsored International Emergency Food Reserve of 500,000 tons. As of mid-January, over 100,000 tons has been committed against this pledge, principally to the drought-stricken areas of Sahelian Africa.

In October, the U.S. announced that it would pledge $200 million towards WFP's CYs 1979-80 target. For CYs 1977-78, our pledge was $188 million. The assured supplies for Title II provides an opportunity for multi-year program planning with U.S. voluntary agencies. New initiatives, such as an oilseed production project in India and a grain reserve program in Mauritania can be considered without reducing other activities.

P.L. 480 Title II Distribution Priorities

Issue: The International Development and Food Assistance Act of 1977 amended Title II of P.L. 480 requiring that, "to the extent feasible," (1) Title II food projects should be directed to community and self help activities: (2) indigenous workers be employed to provide information on nutrition and to conduct food distribution programs in the most remote villages: (3) that priority in Title II pre-school programs be given to those suffering from malnutrition and (4) that priority be given to the poorest regions of countries.

A.I.D. Policy: These requirements are fully consistent with current Agency guidelines dealing with the implementation of P.L. 480 Title II programs.

Current Activities and Future Plans: In most P.L. 480 Title II programs the use of indigenous workers in poorer regions is an essential component of successful program management. In many project activities, indigenous workers such as para-medical personnel, visting doctors and locally trained workers undertake additional activities such as community development projects and the dissimination of nutrition information.

The Maternal and Child Health category of feeding is already the highest priority in our Title II program. Within that category priority is automatically given to those suffering from malnutrition and the majority of all maternal and child health activities are targeted to malnourished pre-school children.

The requirement of this amendment and its implementation have been fully discussed with Title II program sponsors including voluntary agencies and the World Food Program. We foresee no difficulty in continued compliance with this requirement.

Sales of Title II Commodities

Issue: Section 206 of P.L. 480 provides that except to meet famine or other urgent or extraordinary relief requirements, food donated to other governments may be sold within the country only if certain conditions are met. Previously, one condition was that funds generated from such sales could be used only for purposes specified in Section 103 of the FAA (agriculture, rural development and nutrition). Section 210 of the International Development and Food Assistance Act of 1977 amends Section 206 so that they can be used only to increase the effectiveness of Title II food distribution programs, including increasing the availability of food to the neediest individuals.

A.I.D.'s Policy: Basically, there is a presumption against any sale of donated food. Sales of food under the disaster or extraordinary relief exception is rare and is only allowed for unusual circumstances such as when costs of internal transportation can't be otherwise paid.

For sales covered by Section 206, AID regulations track the statute and the new amendment has been taken into account.

On-Going Activities and Future Plans: No "Section 206" sales have been authorized so far in FY 1978. To the extent that the budget allows, A.I.D. is prepared to consider proposals, including providing commodities for sale to help LDCs develop indigenous nutritious foods. High-protein blended and fortified foods may also be provided for sale particularly through government outlets reaching low-income families.

Reporting Requirements -- Implementation of P.L. 480 Title III Food for Development Programs

Issue: Section 306 of P.L. 480 requires that governments participating in Title III Food for Development programs submit to the President comprehensive annual reports on the activities and progress achieved. The first report is due one year after the initial delivery of commodities.

Section 307 requires an annual review of Title III agreements in those instances in which sales proceeds have not been disbursed for agreed purposes during the preceding year.

A.I.D.'s Policy: A.I.D. Missions will, of course, assist participating governments in preparing the required reports, including modification and improvement in the Title III program.

A.I.D. will take a major role in reviewing progress achieved under Title III. While sales proceeds should be disbursed for agreed purposes as soon as possible, other factors, such as the adherance of a government to pursuing important policy changes, may be more important in appraising progress achieved.

On-Going Activities and Future Plans: We do not anticipate that any reports during FY 1978 will be required.

P.L. 480 Title III Legislation -- Waiver of Certain Requirements

Issue: Section 302(2) of Title III of P.L. 480 provides that if there are an insufficient number of agricultural and rural development projects which qualify for Title III, the minimum amounts established for the program may be waived. Reports to the Congress of such waivers must state the reasons for the lack of acceptable projects and describe USG efforts to assist eligible countries in identifying projects.

Section 304(c) provides that in the case of relatively less developed countries listed by UNCTAD, certain requirements of Title III (e.g., submission of a multi-year proposal, non-replacement of any portion of the development budget of the participating country) may be waived. Such waivers and the reasons, therefore, must be included in the annual P.L. 480 report.

A.I.D.'s Policy: A.I.D. Missions in countries eligible for Title III (annual per capita income of $550 or less) are working intensively to help them develop multi-year proposals. Every effort is being made to reach the FY 1978 minimum (approximately $40 million).

The waiver authority for UNCTAD countries will be used selectively and only if soundly justified.

Ongoing Activities and Future Plans: As of mid-January, no Title III agreements have been signed. A $1.5 million program for Honduras has been approved (but not yet signed) and the A.I.D. Mission is working out details of the two-year effort designed to develop a sound marketing institute to improve/repair existing storage facilities and reduce risks to farmers by guaranteeing a minimum price for their grain. Interagency approval has been given to proceed with the development of a Title III Basic Village Service Program in Egypt (involving estimated $25 million in FY 1978) designed to improve local development planning and implementation of rural development activities, including agriculture. A 5-year Title III proposal for Haiti (estimated at $20-25 million annually) is under consideration by A.I.D. and other agencies concerned with P.L. 480.

We have proceeded with Title I agreements to help needy countries in immediate need of food aid. It may be possible to convert some part of these agreements into Title III if proposals can be developed and approved before all of the commodities have been financed.

A.I.D. Missions generally require approval in principle of Title III proposals before they can assist governments to determine the kinds of commitments--policy changes, new or expanded programs to benefit the poor--which they can undertake. Some agencies hesitate to approve a tentative proposal in principle on the grounds that this is tantamount to a commitment for final approval of a program which may fall short of their expectations.

Formulation of multi-year proposals in the specific detail required by the legislation, as well as determining that the additionality criteria will be met, requires a considerable effort by LDC governments and A.I.D. Missions. Thus, it may be some time before Title III gains real momentum.

For the future, there is a possibility that a country may not need the Title III commodities during one of the years covered by the multi-year agreement. Nevertheless, countries will need external resources to enable them to carry out their development commitments. In such instances, consideration will be given to substituting other P.L. 480 commodities or if that is not feasible, to providing A.I.D. funds to fill the gap.

Appraisal of Adequacy of Storage Facilities for P.L. 480 Commodities and Possible Disincentive of P.L. 480 Shipments

Issue: Section 212 of the International Development and Food Assistance Act of 1977 amended Section 401 of P.L. 480 to require the Secretary of Agriculture to determine, prior to financing P.L. 480 shipments, that (1) adequate storage facilities are available in the recipient country and (2) the distribution of P.L. 480 commodities will not result in a substantial disincentive to production in the recipient country.

A.I.D.'s Policy: In the case of Title I/III, the Secretary of Agriculture makes the above determinations on the basis of information supplied by A.I.D. Missions and Embassies. So far in FY 1978, no negative determinations have been made.

In the case of Title II, we have issued guidance to our field staff, the voluntary agencies and the World Food Program on providing appropriate information dealing with adequancy of storage facilities and possible disincentive. This information is then used by the Secretary of Agriculture to make the required determination. There have also been no negative determinations on Title II programs thus far in FY 1978.

On-Going Activities and Future Plans: Currently, the requirements of this legislation are considered prior to making decisions on commodity programming and shipments. Future planning will also take these requirements into account as a regular part of the P.L. 480 program planning process.

FACILITIES TO AID CONSUMPTION AND DISTRIBUTION OF U.S. FARM COMMODITIES

Issue: The Conference Committee on H.R. 6714 stated its intention that P.L. 480 Title I agreements provide for an early payment in local currencies to be made available to USDA to improve storage, handling, distribution and other facilities to assist in the consumption and distribution of agricultural commodities and reduce waste and spoilage.

Expansion of storage facilities and improvement of marketing facilities should also be financed under Section 103 of the FAA.

A.I.D.'s Policy: Although many Title I agreements provide for early payment of local currencies, USDA has not requested that funds be made available for improving storage, etc.

Since 1976, A.I.D. has placed much greater emphasis on reducing post-harvest losses including expansion of storage facilities and systems.

On-Going Activities and Future Plans: From FYs 1966 to 1976 these activities involved some eight-one separate projects in which food loss reduction was either a central objective or a significant component of the project.

Total A.I.D. expenditures for reducing post-harvest food losses or improved marketing processes have increased from approximately $1.7 million in FY 1976 to a proposed level of $8.5 million in FY 1978. In addition, the marketing component of loans has increased from about $4.8 million in 1976 to almost $15.0 million proposed in 1978. (Not included in these latter figures are Security Supporting Assistance loan of $44.3 million to Egypt for grain storage authorized in FY 1977). A.I.D. expenditures included $635,000 in 1976 for major research activities dealing nearly completely with reduction of post-harvest losses. This is expected to rise to about $1.4 million in FY 1978. Also, under the Food for Peace program, A.I.D. has conducted a series of food storage seminars throughout the world. These seminars are designed to promote improved storage and handling of dood commodities and train indigenous personnel in the proper techniques necessary to attain these objectives. The seminars will continue in FY 1978 and FY 1979.

P.L. 480 Reporting Requirements--
Global Assessment

Issue: Section 213 of the International Development and Food Assistance Act of 1977 amended subsections 408(b) and (c) of P.L. 480 to require (1) a global assessment of food production and needs and planned programing under Title I not later than September 30 of each year and (2) quarterly reports on the status of Title I planned programing for the current fiscal year.

AID's Policy: The Department of Agriculture's Economic Research Service has assumed primary responsibility for preparing the global assessment of food production and needs. In addition, planned programing of Title I will be submitted as required.

Quarterly reports on the status of Title I planned programing for the current fiscal year are submitted by the Secretary of Agriculture to the President of the Senate and the Speaker of the House. AID provides copies to the Chairmen of the Committee on Foreign Relations and the Committee on International Relations.

On-Going Activities and Future Plans: Same as above.

Five Year Program Evaluation Reports - P.L. 480 Titles II and III

Issue: Section 213 of the International Development and Food Assistance Act of 1977 added a requirement to Section 408 of P.L. 480 that not later than October 1, 1978, and at the end of each five-year interval thereafter, the President shall submit to the Congress a comparative cross-country evaluation of Title II and Title III programs.

A.I.D.'s Policy: Evaluation of food assistance activities is most important and the legislative requirement for such evaluation is fully consistent with A.I.D.'s efforts to closely relate food aid with other forms of development assistance.

On-Going Activities and Future Plans: The Agency has already developed (with contractor assistance) a methodology to undertake the evaluations required for the Title II program. That methodology will be tested and utilized when the first two evaluations (Bolivia and Sri Lanka) are conducted this spring. It is expected that a cross section of Title II programs will be evaluated by the October 1 deadline.

It is not likely that any Title III Food for Development programs will be at a sufficiently advanced stage to permit a meaningful evaluation by October 1, 1978. However, we do plan to conduct such evaluations as soon as feasible.

STUDY OF PAYMENT OF P.L. 480 OCEAN FREIGHT DIFFERENTIALS

Issue: Section 214 of the International Development and Food Assistance Act of 1977 provides that a comprehensive study be conducted of the payment of ocean freight differentials on P.L. 480 shipments. The study shall include recommendations for changes in the method of reimbursement which is now financed by CCC and must be completed by February 3, 1978.

A.I.D. Policy: We have expressed the view, with reference to the A.I.D. program, that it would be preferable to separate the payment of the U.S. flag differential from program considerations--i.e., that the Maritime Commission should finance the differential. As a matter of principle, we take the same view with reference to P.L. 480. However, the study is concerned only with P.L. 480 which is financed by appropriations to the Department of Agriculture and it is doubtful that A.I.D. will exert much influence on the recommendations. As noted above, the report is due on February 3; consequently, nothing would be gained by expressing any disagreement with the recommendations if they differ from the views expressed above.

Ongoing Activities and Future Plans: The study is under way under the direction of OMB in consultation with the Department of Agriculture, Commerce, Treasury, Federal Maritime Commission and A.I.D. OMB expects to submit the report by the due date.

WHAT MOVES HAVE BEEN MADE TO PROMOTE THE APPLICATION OF "NEW DIRECTIONS" POLICY GUIDELINES TO THE DEVELOPMENT & IMPLEMENTATION OF SSA PROGRAMS?

Basic political purposes have first claim on Supporting Assistance but in most cases these goals are satisfied or even advanced by applying the policies of the 'new directions". Programs in Egypt, Syria and Jordan are already engaged in activities which have a direct impact on the needs of the poor but in the FY 1979 country reviews and in the guidelines for FY 1980, the field missions are urged to continue to increase the proportions of the programs devoted to bringing improved health, agricultural production and educational benefits to the needy.

Examples:

Egypt: Technical assistance is helping the rural areas in the form of developing delivery systems for health benefits, small scale mechanization of agriculture, social work training, improved use of water and family planning. Many of these projects are served by the larger development projects that contribute to the welfare of the population such as financing the purchase of buses, building grain storage faci ities and water supply and sewerage facilities.

The study of U.S. economic assistance to Egypt called for by Section 9 of the International Security Assistance Act of 1977 will deal directly with the basic human needs of the Egyptian people. The FY 1979 program will also take actions to stimulate the private sector which will increase employment and provide new opportunities for the rural poor.

Jordan: Jordan is paying particular attention to social and economic inequities in its development strategy. In FY 1979, projects will improve services involving potable water and sewers which will improve life for the urban poor. Health workers will be trained to bring primary health care to both rural and urban poor. New technologies are being brought to the small farmer which should give him higher yields. Residents of small rural

villages in the Jordan Valley will benefit from the new schools, health clinics, credit availabilities, etc., which will come through a U.S. financed project for village development.

Syria: The Syrian Government is enthusiastically expanding government programs for providing basic services to the poor. Half the people in Syria derive their livelihoods from agriculture and productivity is low, and living conditions in the rural areas are poor. The A.I.D. program in FY 1979, responding to Syrian initiatives, will concentrate on rural electrification, agricultural credit, rural services and the input of farm machinery and irrigation systems. On-going activities for the development of health services and in the field of manpower training will continue.

HOUSE AND SENATE HAVE DEMONSTRATED CONCERN THAT SSA FUNDS NOT BE USED IN A WAY THAT MAY AID DIRECTLY OR INDIRECTLY A GOVERNMENT TO REPRESS THE LEGITIMATE RIGHTS OF ITS POPULATION

Section 502B provides that the United States should disassociate itself from and shall not provide security assistance to any country whose government engages in a consistent pattern of gross violations of internationally recognized human rights. Furthermore, an annual report is required to accompany the Security Assistance Congressional Presentation Document on the status of human rights in each country for which Security Assistance is proposed. Security Supporting Assistance is included in this report, along with military assistance grants and foreign military sales credits.

The Department of State is charged with monitoring the practices of a government with regard to human rights, and it is the responsibility of the United States ambassador to express U.S. concern when there is a need to do so.

At the present time, no government of a country receiving Security Supporting Assistance is considered to be in gross violation of human rights. However, the mechanism is in place to consider the issue at different points in the budget cycle review and throughout the year. A.I.D. field missions, as well as the Washington regional officers, are charged to follow human rights developments closely and to suggest programs that might contribute to a better understanding and practice of the principles of freedom and justice.

The Under Secretary of State for Security Assistance supervises the review of proposed military and economic supporting assistance programs in preparation for making budget recommendations to the Secretary of State to forward to the President through OMB, and NSC. At this time, the subject of human rights is discussed thoroughly with regard to the recipient country. A representative of the Assistant Secretary for Human Rights and Humanitarian Affairs (D/HA) participates in these

sessions, and the conclusions either reflect the group's consensus that gross violation is not present, or that extraordinary circumstances exist which necessitate a continuation of Security Assistance, and it is in the United States' interest to do so. The latter provision is statutory.

[FYI: There is as yet no organized system for reviewing security assistance human rights, as is the case with the Christopher Working Group and senior committee which examines, case by case, Development Assistance economic aid projects. A.I.D. has expressed its concern on this matter to Under Secretary Benson.]

USE OF SSA FOR BASE RIGHTS

What is A.I.D.'s Policy?

In the past, A.I.D. has acquiesced in the provision of economic aid in the form of Security Supporting Assistance as part of packages involving the recipients' provision of military facilities to the United States. The money has been used for economic or social purposes, a cultural, educational program in Spain; technical advisers for development in Bahrain; response to a request for development aid in Malta. However, with the exception of the Spanish-treaty, these programs ended in 1978.

A.I.D. has always made its position clear. A.I.D. does not believe it should administer a program where assistance is offered in return for military facilities. It has asked for a presidential determination, and that decisions in any cases pending be suspended until the matter has been resolved by the President.

It bases its position on the following principles:

- Supporting Assistance is economic aid and should be used in circumstances where alleviation of an economic related crisis will serve U.S. political interests.

- The costs and benefits of related requirements should be kept in a single budget account. U.S. military facilities abroad are a function of U.S. defense and should be examined within the Department of Defense budget.

- If funded in the international affairs budget as a part of economic Supporting Assistance, money for military purposes may be appropriated at the expense of economic purposes bilaterally or through international financial institutions.

- It is anomalous for the A.I.D. Administrator to defend before the Congress and to administer a program that is intended to meet military objectives, and one in which he does not participate in the planning.

- In countries where there is an ongoing development assistance program, the availability of money for bases undermines whatever leverage the United States might have in negotiating and implementing a development assistance strategy directed at problems of the poor majority.

USE OF SSA FOR CASH GRANTS

Under ordinary circumstances, A.I.D. is not enthusiastic about Cash Grants as a method of transferring economic supporting assistance funds. It lessens the direct relationship between the aid input and the economic purpose for which the resources are provided. With cash payments it is harder to insure that the funds are in fact used for the purposes they were intended.

However, the basic reasons for such aid, political exigencies such as those in Israel and Jordan, sometimes override program considerations. Israel prefers the freer form of economic help because it is more compatible with the free market policies the Israeli government seeks to implement. Under the Commodity Import Program (CIP) mechanisms to monitor the use of funds are needed. These require a degree of Government intervention in the private sector and can cause undesirable delays in implementation.

In the case of Jordan, there is a continuing civilian budget deficit which the Government of Jordan believes cannot be met by domestic financing or through a CIP. Further, Jordan believes budget support (cash grant) from the United States provides a measure of independence (FYI - from Arab donors) that is crucial. However, both State and A.I.D., in Washington and in Amman, believe eventual phasing out of U.S. budget support is essential if Jordan is ever to apply the remedial actions and self-discipline to get its fiscal house in order. The only area of disagreement is over the timing. A.I.D. would have chosen to eliminate budget support in FY 1979, the year when we are asking substantially increased amounts for large scale Capital projects in Jordan, i.e., a potash production plant and a multi-year project to irrigate the Jordan Valley. Jordan has sizeable foreign exchange reserves and might be called upon to spend more of its own resources on development.

However, State feels that in view of the current developments in the Middle East, now is not the time to cut budget support out completely but to continue its scaled reduction, in manageable increments, and avoid generating what would be interpreted as a highly negative signal by the King.

These two are the only Cash Grants in the FY 1979 program of Supporting Assistance..

MILITARY/ECONOMIC COORDINATION AND 620(s)

/Section 620(s) of the FAA, as amended, requires the President to consider an economic aid recipients defense expenditures before he makes available economic assistance or a PL 480 Food Sale/

Does LDC expenditure on defense deter economic and social growth?

- There is no evidence that it does

- Defense expenditures may stimulate growth, says Emil Benoit after examining 44 LDCs in "Defense and Economic Growth in Developing Countries":

- by the import of skills that also benefit civilian production and management;

- by the provision of roads, airfields, communication networks built for military reasons but shared with civilians;

- by production within military sector of close substitutes for civilian goods and services (food, shelter, medical care) which reduce the burden on the civilian economy, permitting more investment;

- by the modernization of attitudes, the opening up of minds to new management and technical ideas and the promotion of fuller use of resources.

What is AID's attitude?

- AID is not convinced that military efforts are an unalloyed blessing.

- LDC resources should go for optimum social advantage.

- Defense budgets should receive only the minimum amounts needed for realistic defense requirements.

What does AID do?

- AID plays an active role in the inter-agency coordination of military and economic assistance when the effect of DOD MAP/FMS programs on recipient economies is considered.

- 620(s) is cited as a factor in counseling prudent planning of resources.

However, AID has found:

- no rule of thumb to determine when a country is spending "too much" on defense;

- each country's special concerns, characteristics, and environment must be examined separately;

- that governments consider security as first priority and their perception of their own defense needs will prevail;

- economic aid levels are not sufficient to change military intentions;

- the withholding of economic aid could have a negative effect on needy people without reducing defense expenditures. It could exacerbate internal instability, thus triggering an increase in military preparations.

What are some examples of AID activities in this area?

Section 620(s) Report - On April 8, 1977, the A.I.D. Administrator reported to the Congress, as required under Section 620(s): that prospects for peace in the Middle East seemed brighter but that Israel, Jordan and Syria continued to spend considerably on defense because they needed to feel secure before taking what whey consider risks for that peace; Portugal's defense expenditures dropped by 10%; Certain African countries such as Chad, Ethiopia, Kenya, Upper Volta and Mali increased military costs to meet perceived threats but Tanzania and Burundi defense budgets dropped; that Peru is a high defense spender in Latin America but low in global comparisons and Bolivia is paying its soldiers more with a consequent rise in military expenditures. Philippine defense expenditures were attributed to the need to combat Communist and Muslim insurgencies. None of these circumstances was deemed of such consequence as to require suspension of economic aid.

Evaluation of the Economic Impact of Arms Transfers	- On May 19, 1977, the President issued a directive on the limitation on the transfer of conventional arms which included a requirement to assess the impact of the transfer on the economies of U.S. economic aid recipients.
Participation in Security Assistance Budget Process	- The A.I.D. Administrator sits on the Arms Export Control Board which advises the Secretary of State on Security Assistance Programs and Budgets.

SECTION 533 - ZIMBABWE DEVELOPMENT FUND

Description of and Response to the Issues

1. Nature of the Zimbabwe Development Fund

The United States and Great Britain are committed to pursuing settlement proposals initially published on September 1, 1977, which provide a workable plan for the creation of an independent, economically viable Zimbabwe.

The provision for a Zimbabwe Development Fund is an integral element of this peace initiative to achieve a negotiated political settlement in Rhodesia. The objective is an independent Zimbabwe under majority rule.

Congress has indicated in Section 533(d) of FAA of 1961, as amended, its intent to authorize an appropriation for U.S. participation in the Zimbabwe Development Fund when such action is indicated by progress to an internationally recognized settlement.

2. Purpose of Fund

The Fund is expected to support (a) balanced economic and social development; (b) expansion of economic opportunities for the African majority; and (c) basic economic security for all sections of the population so that they might contribute to the future development of the country.

The Fund, when established, is expected to total perhaps $1.0 to $1.5 billion. We will seek contributions from a large number of donors. Contributions would be made over approximately a 5-year period with commitments and disbursements made over a longer period of time. The U.S. share is envisaged to be about 40 percent of the total, up to a maximum of $520 million, and would be conditional on contributions from the U.K. as specified in the British White Paper on a Rhodesian settlement and on equitable support by other donors. The Fund would be expected to respond to requests from the Zimbabwe Government in support of specific proposals for development; for example, agriculture, land reform, education, manpower training and appropriate social and economic infrastructure.

The Fund's resources will be for use in Zimbabwe although projects based in Zimbabwe of a regional nature also may be undertaken if they are supported by the nations concerned.

The Fund is not a "buy out" for white settlers. It will not compensate persons for losses sustained as a consequence of the transition to independence or finance directly the discharge of internal or external liabilities which will properly fall on the new Government of Zimbabwe.

3. Participation - Foreign and U.S.

A number of countries have responded favorably to the preliminary invitation to participate in the establishment of the Zimbabwe Development Fund. They, like the U.S., are awaiting further progress on a political solution before making specific financial commitments. The U.S. contribution to the Fund is expected to be sought from Congress, when appropriate, through a special appropriations request. The President's FY-1979 budget does not contain a request for the Fund.

SECTION 533 - SOUTHERN AFRICA FUNDS FOR SSA USED TO THE EXTENT PRACTICABLE IN ACCORD WITH "NEW DIRECTIONS" POLICIES

Description of issues

1. The Conference Report on the International Security Assistance Act of 1977 states that "To the extent practicable...assistance should be furnished to meet New Directions objectives."

2. The HIRC report states that, insofar as practicable, security supporting assistance programs in Southern Africa should be responsive to the guidelines expressed in the New Directions.

3. Section 533(a) (3) of the FAA mandates that assistance under the Southern Africa Special Requirements Fund be used to meet the new directions policies to the extent practicable.

Response to the Issues

1. Projects to be funded through Security Supporting Assistance funds have been selected on the basis of the impact of the project's implementation on the basic human needs of the majority in the country. SSA projects in fiscal year 1978 are intended to: (a) increase agricultural production; (b) increase manpower capability; (c) expand cooperatives and small farmer agricultural credit opportunities; (d) extend services to rural populations; (e) promote economic diversification; and (e) abate drain on national development budgets caused by the presence of refugees.

2. In Botswana, for example, a total of approximately $12.2 million is to be obligated for projects such as agricultural training and planning, health services and manpower development. Additionally, funds will be obligated to assist Botswana cope with the adverse impact on its development budget caused by the country's confrontation with Rhodesia and its effort to reduce its economic reliance on South Africa.

3. Lesotho presents a unique problem. An enclave within the Republic of South Africa, there are sections in the interior and southern part of the country that are almost inaccessible. To travel from Maseru, the capital, to the southern part of Lesotho, requires an arduous journey through mountainous terrain, or use of all weather roads in the Republic of South Africa to re-enter Lesotho at the point of destination. Not only does the need to travel through South Africa to reach other points of Lesotho strain traditional concepts of sovereignty but it also inhibits Lesotho's economic development.

To counter this problem A.I.D. plans to help construct a southern perimeter road to provide a dependable link between the west, south and southeast sections of lesotho. The road will open the way for rural development; it will make regular distribution of public services possible; it will remove at least one barrier to the development of agriculture and trade. The cost of this road is approximately $25 million.

4. The $30 million loan for Zambia in fiscal year 1978 will finance the import of U.S. commodities required for economic diversification and improvement of the rural sector now under way. The bulk of the funds will be used for the purchase of agricultural machinery, spare parts, animal feed and fertilizer from the United States.

5. Regionally, we shall increase training programs for Zimbabweans, Namibians, exiles from the Republic of South Africa and selected South Africans, still living in the Republic. The latter will be selected by the State Department and USIS.

6. A.I.D. also has reserved funds for refugee support. These funds will be divided among international and private U.S. organizations skilled at attending to refugee needs. Projects to be undertaken by A.I.D. in this category have taken into account the findings and recommendations of the refugee survey team fielded by A.I.D. in 1977.

SECTION 533 - THE SOUTHERN AFRICAN STUDY - ANALYSIS OF DEVELOPMENT NEEDS

Description of and Response to the Issue

1. The International Security Assistance Act of 1977 added Section 533(b) to the Foreign Assistance Act of 1961, as amended, providing for the preparation of a comprehensive analysis of the development needs of Southern Africa to enable the Congress to determine what contribution United States foreign assistance can make. The Committee of Conference noted that close cooperation of the State Department and A.I.D. with the collaboration of leading African scholars and nationals from Southern Africa is vital to the success of the project.

2. The preparation of the comprehensive analysis has been undertaken by a core group of A.I.D. personnel working under the guidance of a joint AID/STATE coordinating committee. The core group is in the process of consulting leading African scholars and Southern Africa specialists. The Director of the Office of Southern African Affairs in A.I.D. has travelled through Southern Africa discussing the project with country leaders. These consultations and discussions are incident to research work that will be performed by African nationals as well as other experts

3. The core group is making a major effort to coordinate U.S. and African analytical work with the work of other donors, public and private, because of the wealth of data scattered among various donors. Participants in these discussions include the Development Directorate of the European Community, United Nations officials and officers of the World Bank.

4. The comprehensive analysis will result in (a) development strategy papers for the nine countries of the region; (b) appraisal of the major sectors of each country's economy such as agriculture, transport, health delivery and manpower training; and (c) papers outlining the trade and economic links within the region. These data will be the basis of future development assistance projects in the region.

SECTION 533 - PROHIBITION OF USE OF SOUTHERN AFRICA FUNDS FOR MOZAMBIQUE, ANGOLA, TANZANIA AND ZAMBIA

Description of and Response to the Issue

1. The International Security Assistance Act of 1977 added a new Section 533 to the Foreign Assistance Act of 1961, as amended, prohibiting use of the Special Requirements Fund (Security Supporting Assistance) for Mozambique, Angola, Tanzania and Zambia. Section 533 allows a presidential waiver if the President determines that furnishing assistance would further U.S. foreign policy interests.

2. Only Zambia of the prohibited countries is programmed to receive Special Requirements Funds in FY 1978, a loan of $30 million for commodity imports. This Security Supporting Assistance is in keeping with the following statement on page 24 of the Conference Report on the International Security Assistance Act of 1977:

> "...Furthermore, although no funds have been specifically earmarked for Zambia, in either the overall security supporting assistance program authorization or the Southern African Special Requirements Funds, the Committee of Conference intends that up to $30 million of the overall program funds be spent on Zambia." H.R. Rep. 95-503, 95th Cong., 1st Sess. (1977).

3. The justification for the waiver is set forth in the following points. Zambia occupies a key geographic and political position in Southern Africa. As a frontline state, Zambia has a major role in efforts aimed at a peaceful solution to majority rule in Southern Rhodesia (Zimbabwe) and Namibia. Zambia has experienced severe economic problems by adhering strictly to UN sanctions imposed by the UN against Southern Rhodesia. These have been compounded by a sharp and continuing decline in world copper prices, Zambia's main export. The significant economic dislocations have created a substantial need for increased capital and development assistance for Zambia.

United States foreign policy in Southern Africa is to support self-determination, majority rule, equal rights and human dignity for all people of the region. It is United States policy that the region have an opportunity to establish the foundations for economic growth and to become a full-fledged participant in the evolving international economic system.

The economic stability of Zambia is extremely important in contributing to the economic stability of Southern Africa, which reflects the basic United States concerns and objectives. The proposed loan for FY 1978 will have a direct bearing on helping the country meet its critical economic needs and move towards implementing its plans for increasing agricultural production and rural development. The projected loan would be used to finance U.S. land clearing equipment, farm machinery and spare parts, fertilizers, and raw materials for local industries. All commodities purchased with these loan funds are on the positive list of imports.

4. Prior to executing this loan we will need to fulfill two statutory requirements:

(1) In accordance with FAA Section 533(c)(2) the President must report to Congress that he has waived prohibition of Special Requirements Fund assistance to Zambia since the furnishing of this assistance will further the foreign policy interests of the United States.

(2) In accordance with FAA Section 533(a)(4) notify the Speaker of the House of Representatives and the Chairman of the Committee on Foreign Relations of the Senate of the intended expenditure.

AID TO ETHIOPIA

A.I.D. Assistance	FY 78		FY 79		Change	
	$	%	$	%	$	%
			($ millions)			
Food and Nutrition	13.956	93	9.35	86	-4.6	-33
Education/Human Resources	.800	6	1.15	11	+ .35	+44
Population Planning	.200	1	30	3	+ .10	+50
Total	14.956	100	10.80	100	-4.15	-28

I. General Issue

The Senate Appropriations Committee (SAC) has stated it is not convinced U.S. assistance can meet development objectives in Ethiopia given the current political situation.

A.I.D. Policy

A.I.D.'s policy in Ethiopia is to direct assistance efforts toward those activities directly benefiting rural poor. Ethiopia is one of the world's twenty-eight poorest countries, and the Ethiopian government is carrying out its announced intention to emphasize helping its rural poor. Although there are serious questions about violations of civil and political rights in Ethiopia, the Government has made considerable progress in achieving basic economic human rights, including more equitable land distribution and the establishment and support of peasant associations. It has increased development efforts in agriculture, health and education. The human rights situation is monitored closely by State. Representations are made at the highest levels whenever necessary expressing our concerns over infringements of civil liberties.

II. Rural Roads Issue

The Senate Appropriations Committee expressed concern about the proposed Ethiopian Rural Roads project. Serious questions about rights violations, violence in general, the increasing anti-Western tone of the Government, and the political instability in the country were listed as the factors of most concern. Concern was also expressed because the Project requires large infrastructure investment with a major capital commitment and that the roads might be used by the military in support of the war effort. The SAC believes the current situation in Ethiopia is too unstable to justify the commitment envisioned by this project.

A.I.D. Policy

Although A.I.D. dropped FY 78 funding for the project because of SAC objections, we are resubmitting the project in the FY 79 CP. The FY 79 level is lower than that of FY 78, but the program demonstrates A.I.D.'s continued interest in assisting one of the world's poorest countries and our belief that our programs

can be implemented there. The roads project will assist Ethiopia's rural poor in marketing their agricultural production and obtaining access to improve the medical care, and education and is, therefore, included as part of the total program.

III. Drought Funds Issue

The SAC raised objections to the use of $2 million to finance the purchase of trucks to help improve the distribution of drought assistance to rural areas in Ethiopia on the grounds the trucks would be used to further military objectives by Ethiopia. The SAC also objected to the lack of notification prior to the signing of the grant on December 21, 1977. The action was viewed as an attempt to circumvent the intent of Congress resulting from the deletion of funds for the Rural Roads project.

A.I.D. Policy

There was no statutory requirement to notify Congress prior to the obligation/reprogramming of these funds.

This is a disaster relief effort. The funds for this grant are from the OFDA ($1.35 million) and from the reprogramming of residual funds ($.65 million) from a previous A.I.D. project, Ethiopia Recovery and Rehabilitation Program. These disaster relief funds are to help meet the drought relief and recovery needs which continue in Ethiopia. The reprogramming of the funds represents a valuable and appropriate use of the money consistent with the intent and overall purpose of the original appropriation to deal with Ethiopia's emergency conditions, to alleviate human suffering, and to facilitate the recovery of those affected by the prolonged drought.

The most critical concern in implementing relief and rehabilitation activities is the problem of transport and distribution of emergency supplies. The specific need for trucks was endorsed by the United Nations Disaster Relief Office as a priority for Ethiopia. This need was concurred in locally by both the International Committee for the Red Cross and the World Food Program representatives. Approximately 120,000 MT of food are scheduled to arrive by early Spring of 1978 at the port of Assab. Food supplements from UNICEF are available in-country for diversion to emergency needs. It is anticipated that medicines, tents, and blankets will be provided by the ICRC. These supplies are needed to assist the concentrations of people gathered in hastily erected and poorly supplied relief camps. These camps contain perhaps as many as 350,000 Ethiopian's forced to flee their homes either because of famine or war.

The critical impediment to the prompt distribution and use of the supplies is the problem of transport which worsened with the closure of the Addis-Djibouti railroad and the escalating need for trucks to transport military supplies. Relief efforts by the ICRC in the Ogaden, the WFP in Wollo/Tigre, and USAID's food for work program in Gondar are hampered by transport problems. The trucks purchased as a result of the grant will be controlled by the UN in Addis. The

EPMG stated these trucks will not be diverted for military use and the UNDP is establishing a system to insure the proper use of these funds.

IV. Presidential Determination-Ethiopia Issue

Sec. 620(b), FAA, provides that "no assistance shall be furnished under this Act to the Government of any country unless the President determines that such country is not dominated or controlled by the international Communist movement."

A.I.D. Policy

Ethiopia is not considered to be dominated or controlled by the international Communist movement. The current government is intensely nationalistic and has announced it follows a policy of non-alignment in foreign affairs. The EPMG proclaimed at the time of its coup that the revolution was a social revolution against the evils of Emperor's imperial government. The aim of the revolution is the improvement of the lives of the poor majority of Ethiopians who were ignored by the previous feudal elite. Since seizing power the EPMG has worked to expand government services to the poor and to provide them with the opportunities e.g. education and better health care, necessary to improve their condition.

SOMALIA: RELATIONSHIP TO ETHIOPIA

Issue: Under Section 620(i) of the FAA "No assistance shall be provided---to any country which the President determines is engaging in or preparing for aggressive military efforts which---are directed against any country receiving assistance under this or any other Act---". The Western Somali Liberation Front and Ethiopia have been in conflict in the Ogaden region of southeastern Ethiopia for some years. Ethiopia has accused the Government of Somalia of aggression while Somalia states the combatants involved are those of the Western Somali Liberation Front, not the Government of Somalia.

Policy: AID has requested State to consider the U.S. position on this sensitive question. In the interim the following generally outlines the situation.

Some two to three million ethnic Somalis reside in the Ogaden region (with many of these nomadic people moving back and forth across international boundaries at will) as compared to about three-and-a-half million in Somalia itself.

The U.S. recognizes the territorial integrity of Ethiopia and has and is urging both sides to cease fighting and resolve the dispute through peaceful means. We have also endorsed the efforts and initiatives of other nations and international groups such as the Organization of African Unity in this effort.

In the meantime, we are maintaining an even-handed posture towards both countries, with one element of our policy being to offer emergency relief assistance to all concerned.

AID Funding Levels: Resumption of the U.S. assistance program to Somalia, which was suspended in 1971, is under discussion. Assuming satisfactory resolution of the Section 620(i) aggression problem, some $4 million will be requested in FY 1978 for implementation of an Agricultural Research, Training and Extension program. This request will be submitted to Congress for approval. A $5.7 million (plus ocean freight) PL 480 Title II program will provide relief to refugees from the Ogaden fighting and also to persons afflicted by the severe drought in 1974 who are now in resettlement programs. A new Title I program will be negotiated to finance the purchase of foodgrains for the general population; the Title I program will also generate badly needed local currency to help finance joint USAID/Somalia development programs in agriculture and health.

SOMALIA: THE HUMAN RIGHTS ISSUE

Issue: There are questions of human rights violations by Somalia.

Background: Our (AID) review of the case of Somalia shows that on balance Somalia does not exhibit a consistent pattern of gross violations of human rights. There are no indications of torture or inhuman punishment occuring there. The Government appears to prefer social and political rehabilitation to punishment though an exception was the execution in January 1975 of ten Somali religious leaders for their opposition to the Government's decision to afford equal rights to women. Somali leadership has imposed a high degree of political regimentation with no political opposition permitted though the Government seems to pride itself on the relative lack of coercion needed to bring about its political program. The Government is seriously interested in the problems of economic development and has made a clear commitment in talent and resources to programs to ameliorate the condition of the poor. It is believed likely that with the expulsion of the large number of Soviet civil and military advisors the Somali attitude toward individual freedom will undergo some positive modification. The Government has a vigorous program for increasing public pariticpation in political and economic development and appears to enjoy quite broad public support.

Policy: The Department of State is in the process of preparing a comprehensive review of the human rights issue in a number of countries, including Somalia, from which we expect recommendations for action where deemed necessary will be forthcoming.

AID Funding Levels: Resumption of the U.S. assistance program to Somalia, which was suspended in 1971, is under discussion. Assuming satisfactory resolution of the Section 620(i) human rights problem, some $4 million will be requested in FY 1978 for implementation of an Agricultural Research, Training and Extension program. This request will be submitted to Congress for approval. A $5.7 million (plus ocean freight) PL 480 Title II program will provide relief to refugees from the Ogaden fighting and also to persons afflicted by the severe drought in 1974 who are now in resettlement programs. A new Title I program will be negotiated to finance the purchase of foodgrains for the general population; the Title I program will also generate badly needed local currency to help finance joint USAID/Somalia development programs in agriculture and health.

GHANA - DIVERSIONS OF PL 480 COMMODITIES

During 1977 A.I.D. provided 15,000 tons of grain to Ghana for drought victims in the Northern and Upper Regions. The Government of Ghana was responsible for administering the distribution of 10,000 tons of the emergency food and the Catholic Relief Service handled the remainder of 5,000 tons. This was in addition to 9,857 tons of PL 480 commodities CRS distributed under its regular food programs. AID auditors have reviewed both the GOG and CRS programs and reported that large amounts of food cannot be accounted for as distributed to the intended recipients. The auditors review of the GOG administered program — shipments received in Ghana, and movement in regional staging points, and the distribution records in 3 of 14 affected districts — disclosed that 1,442 tons were either unaccounted for or distributed to recipients not approved by A.I.D. It is believed that a country wide review would disclose even greater losses. The audit of CRS (both emergency and regular programs indicated that inventory losses at port and in shipments to up-country distribution points totalled 7,478 metric tons.

AUDIT RECOMMENDATIONS AND ACTIONS TAKEN:

Government Program

(1) To urge the GOG to completely investigate and affix responsibility for improper distribution prior to releasing of 2,500 tons still in storage.

— the GOG has dismissed four senior officials associated with the program, a number of lower levels employees have been jailed, issues to district chiefs have been stopped and District officials have been ordered to supervise distribution. The GOG internal audit staff is working with the emergency food committees in the regions to reconcile records and affix responsibility for diversions. The 2,500 tons is being held in the warehouses per the Administrators instructions.

(2) To assist the GOG establish an adequate accounting system for PL 480 commodities.

— the GOG and AID Mission have been working to revise and tighten shipping and distribution systems and documentation. An AID/W Food for Peace specialist is on her way to Accra to review these steps.

CRS Program

(1) AID should bill CRS $2,998,088, the value of the unaccounted commodities. The billing could be reduced by the amount CRS subsequently account for.

— The AFR Bureau and FFP believe this is an impractical recommendation as it stands. CRS New York at our urging has sent an experienced CRS field administrator to Ghana to work with the CRS staff to reconcile receipt and distribution records and more accurately pinpoint losses/diversions. The FFP/W specialist and USAID will supervise this reconciliation effort. The Internal Inspection Staff is also going to Ghana to review the entire problem.

(2) — CRS and the GOG should have a bilateral agreement which sets forth each party's responsibilities for commodities brought in by CRS.

— We will aid in the negotiation of such an agreement before authorizing any additional commodities for CRS/Ghana. This is particularly important because statal agencies are responsible for moving much of the CRS administered food.

Summary

Embassy Accra believes the GOG is seriously trying to clean-up the situation and set-up a much tighter distribution system. It also believes the GOG will soon ask for additional food aid to meet shortages expected this spring. We are doing what we can to determine the true extent of the diversions in last years program, and we will work with both the GOG and CRS to tighten up controls, including assigning a full time FFP officer to the USAID. It remains to be seen however whether or not the levying of financial claims against either party is warranted or realistic.

Attachments:

Audit Reports

CONGRESSIONAL INTEREST IN SUDAN PROGRAM STRATEGY

Issue: The HIRC added $5 million to the FY 1978 authorization Bill to initiate a program in Sudan that would deal with the processes and structures that cause and sustain poverty, rather than simply treating the symptoms of poverty. The program strategy would (a) seek to improve the physical means of production, (b) increase the farmer's incentives to produce, and (c) enable farmers to market surplus production advantageously. (In the FY 1978 CP, AID did not request funds for Sudan, but did indicate, as a shelf project, the possible need of $5 to 10 million in FY 1978). Congressman Bonker, of the HIRC, is the sponsor of this authorization increase.

Discussion: The AID program will assist the Government of Sudan (GOS) in refocusing its development efforts on the rural poor by addressing key problems which limit productivity and thereby sustain poverty in traditional rural areas. Alleviating these problems (including the lack of trained manpower to plan, carry out, and evaluate projects) will be a difficult and long-term process because of the size of the country (largest in Africa), the diverse eco-climate zones and social milieu, and the Government's historical preference for capital-intensive production projects. AID will work closely with the GOS and other donors to determine priority problems and ways of involving the rural poor in solving their problems. AID-supported projects will focus on developing appropriate, alternative production techniques which will be tested for their technical, economic, and cultural acceptability. This would ensure that small-scale producers have the necessary incentives to adapt proven techniques. The program will be initiated in FY 1978 with several agricultural development projects, a rural health systems delivery project, and two private voluntary agencies activities. The program will be expanded in FY 1979 with the addition of a village level agricultural production activity and possibly other assistance in rural development and manpower training.

One example of these (proposed) projects includes an (FY 1978) joint AID-World Bank agricultural research project in western Sudan to develop effective means of reducing environmental degredation (desert-creep) and increasing agricultural production in this arid/semi-arid area. A complementary project (in FY 1979) also in the west will provide a means of extensive, village-level field testing of research results. Another (FY 1978) project will support a joint effort by UNDP and Sweden to reopen one of the few agricultural training

institutes in the South which was ravaged during the 17 year civil war. From this effort, AID's involvement in the South (the poorest region of the country) may expand to support agricultural research and multi-purpose agricultural centers. Students at the training institute will participate in the research effort and will extend this information and other production services to small-scale producers through the multi-purpose agricultural centers.

Concurrent with these research, training and production projects, AID proposes to support in FY 1978 and FY 1979 activities which will (a) improve the capabilities of key indigenous institutions to analyze the technical, social and economic aspects of relevant development issues and to interact with national and local level policy making and planning agencies, (b) test methods of social organization for rural development, and (c) improve the delivery of preventive primary health care and nutrition services to traditional rural areas.

CENTRAL AFRICAN EMPIRE - CURTAILMENT OF A.I.D. ASSISTANCE

I. Issue: The human rights situation in the Central African Empire (CAE) raises serious questions as to the current and planned levels of U.S. assistance to the CAE.

II. Background: During the Senate's consideration of the 1977 Authorization Act, Senator Helms unsuccessfully attempted to introduce an amendment which would have prohibited any further assistance to the CAE. However, as a result of Senator Helms' concerns Senator Humphrey in a letter to the A.I.D. Administrator, dated June 17, 1977, questioned the appropriateness of continued U.S. assistance to the CAE in light of their human rights record. On July 14, 1977 an American and a British journalist were jailed in the CAE without consular access and mistreated. On July 25, 1977 a Peace Corps Volunteer was detained in the CAE and mistreated. These events led to the review of U.S.-CAE relations noted below. The lavish and expensive coronation of Emperor Bokassa in December 1977 has also resulted in numerous public inquiries concerning U.S. assistance to the CAE.

III. A.I.D.'s Policy: Based upon an across-the-board A.I.D./State Department review of U.S.-CAE relations, decisions were reached to cancel planned future U.S. assistance to CAE as well as to curtail the current on-going A.I.D. program. It was agreed to monitor carefully the observance of human rights in the CAE and evaluate its implications for the A.I.D. program on a continuing basis.

IV. Aid Being Discontinued:

A. Eight new projects proposed for FY 1979 financing have been cancelled.

B. No funds for obligation in FY 1979 have been requested in the FY 1979 Congressional Presentation for new or on-going bilateral technical assistance projects in the CAE.

C. Assignment of an A.I.D. officer to Bangui, the capital of the CAE, has been cancelled.

D. The $500,000 obligation in FY 1976 for the Rural Village Wells project will be expended and the project completed in FY 1978.

E. The $118,000 obligation in FY 1977 for the Fish Culture Extension project will be expended and the project completed in FY 1978.

F. In FY 1978 $40,000 will be obligated for the Seed Production Center project to complete funding for this project as planned and as shown in the FY 1978 Congressional Presentation.

G. In FY 1978 $435,000 will be obligated for the Ouham Province Rural Health project as shown in the FY 1978 Congressional Presentation. However the planned obligation of $665,000 in FY 1979 has been cancelled and project implementation will be modified accordingly.

V. Continuing Aid

A. The U.S. will continue to support a World Food Program feeding program for approximately 46,000 children. The estimated cost of this program is $298,000 in FY 1978 and $473,000 in FY 1979.

B. A modest self-help project program managed by the U.S. Embassy in Bangui will continue. An amount of $90,000 has been budgeted for FY 1978.

C. Small amounts of assistance will be provided to the CAE under various A.I.D. African regional projects. An example of this is measles vaccine provided under the regional Strengthening Health Delivery Systems project.

LESOTHO AIRPORT

Description of and Response to the Issue

1. The House Report of the Committee of Conference (September 21, 1976) indicated that A.I.D. should conduct a study of the feasibility of supporting the construction of a new airport in Lesotho. An interim report was submitted in January 1978 indicating that a final report would be prepared upon completion of the engineering study now being financed by the Abu Dhabi Fund. The airport cost, estimated at between $20 million and $30 million, should be more precisely determined by the Abu Dhabi engineering study which is scheduled for completion in December 1978. The cost-benefit data as well as the circumstances described in the following paragraph and the availability of sufficient SSA funds will be evaluated in deciding A.I.D.'s participation as a contributor. The airport is not among our priority items for Lesotho. The Government of Lesotho has asked for U.S. Government contribution as a symbolic gesture. A.I.D. and some members of Congress believe that there should be a U.S. contribution to the project.

2. Lesotho's only scheduled international air service consists of three flights per week to and from Johannesburg by South African Airways. Small turbo-prop aircraft must be used because Lesotho's runway is short. The topography precludes extension of the runway, which would be required to accommodate larger aircraft capable of providing non-stop service to more distant points such as Lusaka or Blantyre. (Non-stop service could be provided to Gaborone, Mbabane and Maputo, if demand warranted, by improving the existing airport.) Pointing out that international routing through Johannesburg creates problems for many private and official travellers, the GOL has been attempting since 1976 to generate U.S. interest in contributing to a new international airport.

Resumption of Aid to India

Issue: Why and how are we planning to resume bilateral development assistance to India?

The FAA of 1977 requests the President to commit up to $60 million to assist India with foreign exchange costs incurred in construction of grain storage facilities or other food and nutrition purposes. The authorizing committees have urged the President to consider favorably the resumption of development assistance to India, citing:

-- the recent reestablishment of democratic principles and restoration of political freedoms in India;

-- the new Indian Government stress on more rapid development based on rural-led employment-oriented strategy to increase agricultural production and small-scale industry; and

-- the new GOI emphasis on the need to decentralize decision-making to the village level and to provide more effective support for small farmers.

The HIRC concluded: "All of these policies designed to meet the basic needs of the people of India are fully consistent with recent development assistance legislation" (emphasis added). (HIRC Report, p. 20)

The HAC, however, required prior notification, because AID had not proposed an India program at the time of the FY 78 committee hearings, and stated its intention, "before approving the resumption of any aid to India, to conduct extensive hearings with the objective of obtaining assurances that the new government in India has, at long last, accepted a real commitment to help its poor. Such a commitment would be evidenced by an unmistakable shift away from development of nuclear explosives and from large fundings of military and heavy industrial programs toward village development and projects aimed at small landholder cultivation." (emphasis added). (HAC Report, pg. 15)

A.I.D. Policy: We are proposing an India development assistance program in FY 1978, in response to Congressional initiatives and concerns and after carefully evaluating Indian Government priorities.

1. The new Indian Government has a commitment to help its poor. For example:

1/25/78

-- the national budget for agriculture has increased 43% in 1977;

-- irrigated land is to be increased by 4 million hectares annually, which is double the current rate of increase;

-- the central government malaria control budget has been doubled in recent years to over $100 million;

-- the foodgrain storage and distribution system has been expanded;

-- import procedures on basic commodities have been liberalized.

Furthermore, some of the economic targets recently announced by the new ruling Janata party are:

- to decentralize and strengthen planning at the grass roots;

- to increase rate of GNP growth from present 3.5% to 7% in five years;

- to increase the share of agriculture and rural development to 40% of public investment;

- to institute a new 15 year irrigation plan, increase research in high yielding seeds and strengthen cooperatives;

- to effect land reform provisions in two to three years;

- to create more job opportunities in rural areas through public works and small industry development;

- to expand cottage industries through a package of credit, quality control, marketing network and other provisions.

2. Current programs: Proposed A.I.D. and P.L. 480 programs in FYs 78 and 79 will support the new government's policies to increase agricultural production and rural employment and will help India address the critical health problems of wide-spread malnutrition and strong resurgence of malaria.

In FY 1978 A.I.D. is proposing 3 projects, which are now under design. We will, of course, notify the Congressional Committees before committing any funds, since no program was included for India in the FY 78 C.P.

a. Malaria Control, $30 million loan, from the Health account.

b. Gujarat Medium Irrigation, $28 million loan, from the Food and Nutrition account.

c. Applications of Science and Technology to Rural Development, $2 million grant, from Section 106.

In FY 1979 A.I.D. is planning 2 projects:

a. Malaria Control, $32 million loan from the Health account.

b. Rural Electrification, $58 million loan from the Food and Nutrition account.

P.L. 480 assistance is continuing at substantial levels during FYs 78 and 79: $28-30 million in Title I vegetable oil, $94-112 million in Title II nutritional foods distributed by volags.

3. Future plans: We are sending out a special study team to prepare a long term strategy for U.S. development assistance to India. This effort is consistent with HIRC's guidance that "the ultimate shape of any new program must emerge...from a review of the needs and priorities established by the new Indian Government." (HIRC Report, pg. 21)

4. In accordance with the specifics of the FAA requests, which are:

Sec. 103 (h) "Of the funds authorized to be appropriated by this section for the fiscal year 1978, the President is requested to commit up to $60,000,000 for the purposes of assisting India with foreign exchange costs incurred in connection with the construction of grain storage facilities or other purposes specified in this section." (emphasis added)

A.I.D. has responded as follows:

a. Of the funds authorized to be appropriated under Section 103 and other sections for the fiscal year 1978, the Agency is planning to commit $60,000,000 for the purposes of assisting India with both foreign exchange and local currency costs incurred in connection with malaria control, irrigation, and rural development purposes of these sections; and

b. A.I.D. is planning to finance a grain storage project but is waiting until FY 1980 because GOI management and engineering resources will be fully committed until late 1980 on a similar project financed by the International Development Association. This project will require financing of local costs as well as foreign exchange costs.

5. President Carter, in his January 2 speech to the Indian Parliament, said: "The new direction of your Government coincides with our own view that development priorities should emphasize meeting basic human needs. We want to learn from you and to work with you however we can." After speaking about the possibilities for cooperation in grain storage, international food reserves, and agriculture research, the President concluded: "Prime Minister Desai and I may now instruct our Governments to focus on these matters and come up with specific proposals within the next few months."

Attachment: Questions and Answers on India

QUESTIONS AND ANSWERS ON INDIA

1. Question: What is India's policy toward development of nuclear explosives?

   Answer: Since coming to office in March of 1977, Prime Minister Morarji Desai has stated on numerous occasions that his government sees no need for conducting nuclear explosions. He has reaffirmed also the peaceful character of India's nuclear program and pledged that no nuclear weapons will be developed.

   At the same time, the Indians have continued to resist publicly signing the Non-Proliferation Treaty and adopting full-scope safeguards for their indigenously developed facilities — but not for those built with foreign aid such as Tarapur, which is fully safeguarded. These questions were taken up by President Carter and Prime Minister Desai in their recent talks and there now exists a better basis for cooperation on specific aspects of the nuclear problem.

2. Question: How much does India spend on defense compared with development programs?

   Answer: Between 1974 and 1977, India's defense budget increased 30% while its development budget increased 57%.

   — GOI defense expenditures in the Indian Fiscal Year 1977 are budgeted at $3.3 billion or about 18% of total budget.

   — GOI development expenditures in FY 1977 are budgeted at $10.6 billion or about 57% of total budget.

3. Question: What U.S. assistance has been given India after cyclones struck the southern states of Tamil Nadu and Andhra Pradesh on November 12, 19, and 22-23, killing an estimated 20,000 people and leaving 2,000,000 homeless?

   Answer: Thus far about $1.9 million in P.L. 480 Title II food commodities and $4.9 million in disaster assistance grants have been provided through CARE,CRS, CWS/LWR, and LICROSS (International Red Cross). AID's office of Foreign Disaster Assistance and our Embassy in India are working with the volags and the local Indian authorities to assess requirements, if any, for additional disaster assistance.

4. Question: What is the status of India's loan repayments on past U.S. aid loans?

   Answer: From 1968 through 1974 U.S. loan service payments from India were rescheduled annually to ease the burden they placed on the Indian economy. The recent improvement in India's economy has made it unnecessary to continue rescheduling. India has continued its debt repayments on schedule to the U.S. and other foreign creditors. In 1977 these payments totalled about $840 million, including about $150 million made to the U.S.

PROHIBITION OF GLENN AMENDMENT (SECTION 670, FOREIGN ASSISTANCE ACT) AGAINST PROVIDING ECONOMIC ASSISTANCE TO COUNTRIES DELIVERING OR RECEIVING NUCLEAR REPROCESSING EQUIPMENT, MATERIALS OR TECHNOLOGY

ISSUE: Pakistan has a contractual agreement to purchase a nuclear reprocessing plant from France.

-- If equipment for that plant is transferred to Pakistan, the Glenn Amendment requires A.I.D. to suspend new economic assistance (except PL 480 food aid) to Pakistan.

A.I.D. POLICY: We are reviewing our economic assistance programs for Pakistan and have deferred action on some programs while the review is underway. (See Tab A for FY 1977 funds deferred and FY 1978 funds being deferred.)

-- IF ASKED: The review has been underway for several months.

-- I cannot speculate how long the review process might take, but the outcome will depend in part on Government of Pakistan actions.

-- The Government of Pakistan is aware of our review, and we are in regular contact with them.

-- During the review, aid in the pipeline is continuing.

-- IF ASKED: Pending completion of the review, no new aid programs are being inaugurated.

-- We recently signed a PL 480 Title I agreement for $57.6 million with Pakistan.

-- IF ASKED: I will have to refer you to my State Department colleagues on any questions about the status of the French-Pakistani agreement.

TAB A

USAID/Pakistan Program

FY 1977 Funds Deferred

Loans	$44,000,000
Grants	3,353,000
Total	$47,353,000

FY 1978 Funds Being Deferred

Loans	$43,700,000
Grants	8,105,000
Total	$51,805,000

CYPRUS

WHY THE ADMINISTRATION
IS REQUESTING ONLY $5 MILLION FOR FY 79

Issue:

The Administration is proposing a $5 million program for Cyprus to demonstrate continued U.S. concern for the people of Cyprus and the active interest we have in promoting a just and lasting settlement on the island. The A.I.D. program will be administered by the United Nations High Commission for Refugees (UNHCR) in consultation with the U.S. Embassy in Nicosia. Funds will be divided on a population basis with 19.05% for the Turkish Cypriot north and 80.95% for the Greek Cypriot south. Programs are expected to continue activities similar to those funded in prior years in housing, vocational education, agricultural development and limited food support. The substantial economic progress Cyprus has made makes a larger program unnecessary.

Background:

Between FY 75 and FY 78 the U.S. will have contributed $87.5 million in refugee assistance for Cyprus. It was the conclusion of the Executive Branch in FY 78 that the Cypriot economy had recovered sufficiently to enable residual refugee needs to be met without external assistance. Nevertheless, Congress authorized and appropriated $15 million in FY 78 funds. This followed Congressional action in FY 77 to increase the appropriation from $10 million requested by the Executive Branch to $17.5 million. The attitude in Congress as expressed by Senators Kennedy and Sarbanes and Representative Brademas has been that there are continuing refugee requirements in Cyprus, the U.S. has a certain responsibility for the problem, and a failure to appropriate funds would be regarded by the Governments of Cyprus and Greece as a negative indication of U.S. interest. While it may be expected that the Government of Cyprus will appeal to the USG and make representations to Congress for a higher level of U.S. assistance, we do not believe that a larger amount of U.S. aid can be justified.

Significant progress continues to be made in Cyprus. In the south, enough dwellings have been built to house the people who remain in tents and temporary shelters. Construction has also begun on an additional 1,873 units (funded from the FY 78 U.S. contribution to the UNHCR) to house others presently in unsatisfactory quarters. The food and cash allowance programs in the south are expected to expire in December 1977. Economic growth has returned to pre-1974 rates. Real GNP grew at a 14.9% rate in 1976 and an estimated 10.5% in 1977 bringing per capita income to an estimated $1,725. Unemployment has dropped from a 1974 high of over 28% to less than 4% and labor shortages now exist in several skill areas. Tourism in 1977 nearly equalled the 1973 level for the whole island. Foreign exchange reserves have risen to $356 million by August 1977 compared to $321 million for the whole island at the end of 1973.

In the north there is little data on economic conditions. Living standards are well below those of the south -- one estimate places GNP at $600 in 1977. Yet production and exports are rising, most infrastructural needs have been met (including village water and electrification) and displaced people, for the most part, are settled and employed. Progress is being made despite shortages of technical, entreprenurial and managerial skills and a lack of foreign exchange.

PORTUGAL - FY 78 BALANCE OF PAYMENTS ASSISTANCE

$300 million in FY 78 funds was appropriated for balance of payment loan assistance to Portugal as part of an urgent multi-nation program. It has not yet been signed. State and Treasury are responsible for negotiating the substantive terms for this loan and for monitoring Portuguese performance. The loan agreement was in negotiation when the Soares government fell in December 1977. Negotiations are expected to resume when a new government is formed.

The terms of the proposed loan agreement provide a cash transfer of $200 million upon IMF assurance that the Government of Portugal (GOP) is negotiating a standby agreement. (GOP-IMF discussions are also in suspense while a new government is being formed.) The remaining $100 million will be disbursed after agreement is reached with the IMF.

Several other lenders in the multi-nation program (Norway, United Kingdom, Venezuela, Switzerland, and Canada) have negotiated loan agreements with Portugal and some funds under these loans have been disbursed. The Portuguese economic situation is critical. There continues to be a need for the U.S. loan.

Aside from a PL 480 Title I program, no A.I.D. assistance is programmed for Portugal in FY 79. It is expected that future balance of payments help will be available from the IMF, European lenders, and non-concessional U.S. sources such as EX-IM and CCC.

INTER-AGENCY TASK FORCE REVIEW OF THE EGYPT PROGRAM

Section 9 of the International Security Assistance Act of 1978 directs the Secretary of State to convene a special Inter-agency Task Force to review and prepare a study on the Security Supporting Assistance program for Egypt. The study was to suggest alternatives to the AID program to Egypt and consider the possibility of emphasizing programs designed to enhance the opportunities in the Egyptian private business and agriculture sectors with special emphasis on low-cost approaches to emphasize development. This should lead to the development of a plan for the future use of U.S. assistance along with suggestions, as necessary, for revising legislation and for changes in staff requirements. The final report should be completed on time to be forwarded to Congress by February 15, 1978.

The Secretary delegated responsibility for preparing this study to the Administrator of AID and a Task Force was established in the fall of 1977 including representatives of State, AID, OMB, USDA and Treasury.

A number of specific studies have been undertaken under the Task Force's policy guidance, including a team of businessmen to review opportunities for promoting the development of Egypt's small business sector and a team from USDA to review Egypt's agricultural sector development and opportunities for utilizing low-cost appropriate technology. Another team has studied the possibilities of stimulating the growth of Egypt's industrial sector. Egyptian officials have been brought into this review and have participated in the development of information to be included in the final report.

EGYPT GRANT LOAN SPLIT

The conference committee report on the International Security Assistance Act of 1978 stated that it was the committee's intent that the U.S. consider providing a greater percentage of the Security Supporting program to Egypt on a grant rather than loan basis. This was the result of a House desire to treat Egypt and Israel even handedly. In fact earlier House legislation had set a grant portion at "not less than 60%." This intent of the authorizing committees was effectively voided by the appropriations act which established a grant ceiling too low to permit the 60% grant level and loan terms which hardened the terms for Egypt.

We have quietly supported efforts to ease the terms for Egypt. We vigorously opposed the grant ceiling and harder loan terms imposed by the appropriations act as arbitrary actions incompatable with the economic conditions in the countries and purposes of Security Supporting Assistance.

Since the reestablishment of our economic assistance program in Egypt in FY 1975, we have provided funds on a grant basis for:

1. Projects to replace or rehabilitate facilities that had been damaged or destroyed by war (usually in the Suez Canal area).

2. Technical assistance activities.

3. Capital projects that impact directly on basic human needs.

We believe that projects that do not meet the above criteria should continue to be funded on a loan basis but on our most concessional terms. The economic discipline that loan financing encourages we believe is constructive since the Egyptian Government is compelled to sort through competing demands and determine priorities and define with greater precision the source of funding for critically needed projects. The soft terms on which AID funds are made available should ensure that loan repayments to the U.S. will not be a significant burden on Egypt's foreign exchange in the near future.

A breakout of AID loan/grant funding to date and proposed is as follows:

Grant/Loan Split by Fiscal Years ($millions)

	FY 74	FY 75	FY 76/TQ	FY 77	FY 78(est)	FY 79 (prj)
Grant	$8.5	$ 58.5 (23%)	$215.9 (27%)	$ 86.3 (12%)	$104.7 (14%)	$167 (22%)
Loan	-	194.3 (77%)	579.0 (73%)	613.0 (88%)	646.0 (36%)	583 (78%)
Total	$8.5	$252.8	$794.9	$699.3	$750.7	$750.0

CARIBBEAN GROUP FOR COOPERATION IN ECONOMIC DEVELOPMENT

Genesis of Caribbean Group

At a special World Bank Conference on Economic Development in the Caribbean, held on December 14-15, 1977, agreement was reached to establish a Caribbean Group for Cooperation in Economic Development. The Caribbean Group will be multilateral at both ends - with many donors and many recipients. At the December Conference, there was representation from twenty-nine countries and sixteen international institutions.

Structure and Objectives of the Caribbean Group

The World Bank, with close collaboration and direct participation of the Caribbean Development Bank, Inter-American Development Bank and International Monetary Fund, is in process of organizing the Group. The first formal meeting of the Group is expected to be held in May. The work of the Group will be directed towards the following general objectives.

1. Mobilization of additional multilateral and bilateral technical and financial assistance;

2. Mobilization of indigenous resources;

3. Better coordination among donors and recipients in order to ensure the most effective use of external resources; and

4. The development of greater cooperation among Caribbean countries.

Particular attention is to be given initially to those countries experiencing serious fiscal and balance of payments difficulties.

Much of the work of the Group is expected to be accomplished through a system of sub-groups. These sub-groups will be formed both on a geographic basis (individual countries or groups of countries) and on a functional basis (agriculture, transportation, and industrial development) to deal with problems common to the several countries of the area.

The Caribbean Setting and U.S. Interests

The Caribbean is a microcosm of the developing world located on our doorstep. It is a variegated group of 23 political entities at different stages of development. Most of these countries are plagued with deep-seated economic problems which reflect themselves in stagnant agriculture, high rates of unemployment, and critical balance of payments and budgetary shortfalls.

U.S. interests in the Caribbean are substantial. These include close geographic proximity, growing ethnic ties, growing economic interdependence and humanitarian considerations. The Caribbean countries generally share our democratic traditions and human rights ideals.

Assistance Needs of Caribbean Countries

The external assistance requirements of Caribbean countries are substantial and include both short term balance of payments and budget support needs and assistance for longer term structural reforms necessary to assure growth with equity. Although the U.S. will attempt to provide support for short term needs through PL-480 and, in exceptional cases, Security Supporting Assistance as in Jamaica during FY 78, our primary efforts will be directed to longer term economic and social development and the strengthening of regional economic cooperation. Effective support to Caribbean development will require pursuit of an expanded basic human needs strategy, with emphasis on expanding productive employment in both rural and urban areas as the critical link in reducing poverty and increasing access of the poor majority to other basic human needs -- food, health, education and shelter.

For FY 79, AID is proposing an increase of about 30% in development assistance resources for the Caribbean; from $61 million budgeted in FY 78 to $82 million planned for FY 79.

WHY AID TO PANAMA GIVEN THE INCOME PANAMA WILL GET THROUGH TREATY ARRANGEMENTS?

The Treaties' economic provisions include payment to Panama of the following sums from Canal revenues:

-- An annual payment of 30 cents per Panama Canal ton transiting the Canal.

-- A fixed sum of $10 million per annum; a second lump sum of $10 million to reimburse Panama for police, fire and sanitation services rendered to the Panama Canal Commission; and up to an additional $10 million per year to the extent Canal revenues exceed expenditures.

-- This should yield initially $50-$60 million per annum. All of the funds will be from Canal revenues not appropriated funds.

In an ancillary agreement, the United States has pledged its best efforts to arrange a program of loans, guarantees and credits as follows:

-- $200 million in Export Import Bank loans, loan guarantees and insurance;

-- $75 million in Housing Investment Guarantees;

-- $20 million in Overseas Private Investment Corporation Guarantees;

-- $50 million in foreign military sales credits over ten years to assist Panama meet its Canal defense obligations.

Issue: With all this money coming in through treaty arrangements, why do we need to put in AID money?

Talking Points:

-- Although Panama is relatively well-developed, as illustrated by its $1,290 per capita income, wide differences in income distribution exist. Rural per capita income is only one-third the urban. And urban slums are growing at a rapid rate as people leave the depressed rural areas. Unemployment is on the rise (official Panamanian figures are 7-9%. Actual are probably much higher.)

-- After a decade of growth rates averaging 8% per year, the rate fell to 3.5% in 1974. It was less than 1% in 1977. It doesn't look much better for 1978. Reasons for the decline are many, but one of the primary ones is the

uncertainty created by the Canal issue and the impact this has had on potential investors.

-- To keep the economy from falling even more rapidly, the government borrowed from abroad. Although its credit rating is still good, Panama does face a strong debt servicing problem. We do not know what plans Panama has for the anticipated income from the Canal Treaties, but clearly the funds will not be a bonanza. Hard economic decisions will have to be made.

-- Insofar as the economic well-being of Panama is vital to its ability to effectively participate in the operation, maintenance and defense of the Canal, it is in our interest to assist Panama in its economic development.

-- The current government's economic development policies and programs have always been geared to helping the poorest segment of its population. Because this corresponds to AID's mandate, we have been able to contribute to the country's development goals. We have no indication that Panama intends to change these goals, but our willingness to help in their achievement will serve to foster their undertaking.

AID Programs:

-- In education, concentrate on developing curriculum and technical training systems relevant to Panama's development needs.

-- In agriculture, develop cooperatives, marketing facilities, and integrated rural development systems.

-- Develop integrated rural health delivery systems.

-- Help finance low income housing and slum upgrading efforts.

During FY 1978 and 1979 AID efforts will be expanded to include:

-- The development of market towns, watershed management activities, rural access roads and additional integrated rural development projects.

The education and low income housing programs are working out exceptionally well but substantial progress is also being registered in the other areas as well.

ANNEX A

Development Assistance	1946 Thru FY 1976	FY 1977 Actual	FY 1978 Estimated	FY 1979 Proposed
AID Loans	172.40	12.20	20.00	15.00
AID Grants	64.30	.83	82	1.05
Sub Total AID	236.70	13.03	20.82	16.05
Public Law 480 Title II	16.30	2.40	1.80	1.56
Housing Investment Guarantees	26.20	17.40	5.20	25.00
Total AID Administered Assistance	279.20	32.83	27.82	42.61

CURRENT STATUS OF JAMAICA PROGRAM AND FY 1979 REQUEST

CURRENT PROGRAM STATUS

Because of the severe setback to the Jamaican economy during 1977, the United States agreed to provide a package of $63 million in assistance covering FYs 1977 and 1978.

A.I.D. together with assistance from the International Monetary Fund (IMF), the World Bank, Canada, the U.K., the European Economic Community (EEC), Venezuela, and other countries, is committed to help Jamaica overcome its current economic problems. (See Annex A "Current Status of Jamaican Economy").

A.I.D. development loans and grants, Food for Peace, and Housing Guaranty activities under the package were planned with the dual objectives of helping to provide immediate balance-of-payment assistance and to initiate long-term economic improvement. (See Annex B "Current Status of A.I.D.'s Assistance Package".)

A.I.D. and the Government of Jamaica (GOJ) have agreed jointly to develop projects utilizing the $31.5 million in counterpart funding generated by the programs under the package. These funds will be used to provide the GOJ's contribution to rural-oriented projects. Joint programming of counterpart funds is a method of assuring adequate budgetary support for A.I.D. and other long-term development projects at a time when the GOJ is curtailing activities due to its economic difficulties, and to meet fiscal restrictions imposed by the IMF Standby Agreement.

The GOJ failed to meet the December performance targets imposed under the IMF Standby. The failure in part resulted from a shortfall in external assistance (both special balance of payments assistance and regular bilateral and multilateral development assistance disbursements were below the amounts projected) and in part because of GOJ difficulties in meeting the revenue and expenditure targets of the program. The GOJ and IMF have agreed to enter new negotiations for a program under the Extended Fund Facility--this will provide a three-year period for stabilization efforts. This weekend the Jamaicans announced a new devaluation of both the dual exchange rates and took other measures designed to assist their stabilization efforts.

FY 1979 ASSISTANCE REQUEST

A.I.D.'s activities in FY 1979 total $21.8 million in assistance wholly oriented toward Jamaica's long-term development. A.I.D. initially proposed a $10 million SSA-funded Commodity Import Program (C.I.P.) to continue help to the GOJ in remedying Jamaica's balance-of-payments problems. However, this was eliminated by OMB in the budgetary review process. In addition to the $21.8 million in Development Assistance, we are proposing the continuation of the P.L. 480 Title I program at a level of $10.5 million. This program will again assist in relieving Jamaica's balance-of-payments burden and will make additional counterpart available to support long-term development programs. A.I.D. also plans to undertake the second part of its Housing Investment Guaranty program at a level of $15.0 million.

A.I.D.'s FY 1979 Development Assistance Program is directed mainly at improving food production and nutrition. Approximately $20.5 million will be for agricultural development, including a $16 million Agricultural Sector Loan to support small farmers owning less than 5 acres, and provide credit, expand the marketing system, including rural road construction, and enlarge and improve the extension service. A.I.D. is proposing a $3 million loan to increase inland fish production in Jamaica as a follow-on to a modest grant pilot project which terminates in FY 78. The pilot project has shown the potential for increasing fish production and the proposed loan will support further research activities in aquaculture, and provide partial funding for some 2,500 acres of fish ponds throughout the country. A.I.D. is also proposing grant assistance in agricultural planning to strengthen the capacity of the GOJ to formulate agricultural policy and to design and evaluate rurally-oriented projects. Six hundred thousand dollars ($600,000) in grant funding is also being proposed in grant assistance for consultants and training under the combined loan-grant Integrated Rural Development project which began in late FY 77. Further, $1.3 million is programmed for four ongoing grant projects in population planning, health, education and human resources, and selected development activities.

A.I.D. believes that Jamaica is one of the few functioning democracies in the developing world devoted to the goals of economic and social justice with a fundamental respect for human rights. Since Jamaica needs our assistance it is in our interest to provide effective support.

Annex A: "Current Status of the Jamaican Economy"
Annex B: "Status-AID Package Assistance to Jamaica"

Current Status of the Jamaican Economy

1. Serious Problems in Recent Years

   a. Declining GNP.

   b. Unemployment at least 25%; more serious among the youth and women.

   c. Balance of Payments crisis with record $200 million deficit in 1976.

   d. Inflation ranged between 10 and 15%.

   e. Stagnating agriculture.

   f. Capital flights and migration of skilled human resources.

   g. Virtual elimination of foreign exchange reserves.

   h. Serious crime.

   i. Until recently, decline in tourism.

2. Self-Help Results in 1977 were Mixed and Grave Problems Remain

   a. IMF Standby arranged for $65 million with tight targets.

   b. Major belt tightening on imports and recovery of alumina, sugar and other exports virtually eliminated trade deficit--but pressure on the capital account caused in large part by shortfalls in external assistance and the need to maintain capital outflows, e.g. to service debts ($138 million) maintained serious pressure on balance of payments.

   c. Tax reform -- sharp rise in gasoline tax and increase in tax rates on higher income categories.

   d. Government expenditures restrained.

   e. Limited success in holding down wages.

   f. Food production up; continued land reform.

g. Unemployment still very severe.

3. New GOJ Economic Measures

On January 13, the GOJ announced a devaluation of some 10%, increases in gasoline prices and other measures to cushion the impact of the exchange rate adjustment on the poor.e.g. increase minimum wage. It was also revealed that Jamaica did not meet all of its IMF targets, and thus will not be able to draw down all of the IMF standby. Negotiations are now underway to work out new targets new conditions and new funding arrangements, under the Funds's Extended Credit Facility.

4. External Assistance

Jamaica was quite successful in obtaining foreign assistance for 1977/78.

a. Estimated disbursements are in millions of dollars:

1977 - $143 1978 - $178

b. The U.S. accounted for an important proportion of new bilateral and IFI loans, but a small percentage of actual disbursements. Other donors included the World Bank, IDB, Trinidad and Tobago, Venezuela, Canada, IMF, Holland, EEC, Norway.

c. Foreign private investment has virtually ceased because of the balance of payments crisis and uncertainty as to the role of the private sector.

5. Jamaica appears determined to deal with its short term problems and its long run development requirements. It can succeed IF:

a. Its 5 year Development Plan, now in final draft, can be implemented.

b. It can reasonably meet new IMF targets and conditions.

c. Substantial external assistance can be sustained.

d. It succeeds in restoring domestic and external confidence in the legitimate role of the private sector -- which the GOJ appears to wish to do.

Status-AID Package
Assistance to Jamaica

I. The Package $000,000

		FY '77	FY '78	Total
1.	PL-480 Title I	12.0	10.0	22.0
2.	Development Loans	15.1	9.5*	24.6
3.	Development Grants	0.7	1.0*	1.7
4.	Housing Guaranty	15.0	-	15.0
		42.8	20.5	63.3

* Security Supporting Assistance of which grant portion is expected to be increased to $1.5 million.

II. Status FY '77 Program

1. PL-480 Title I $12.0-

Agreement signed August 77
All deliveries expected by end of Feb. '78

2. Development Loans

a. $13.0 Integrated Rural Development

Authorized September 29, 1977
Signing expected by January 31, 1978

b. $2.1 Rural Education

Authorized August 15, 1977
Signed September, 1977

3. Development Grants $0.7

Item is FY '77 Population - obligated in FY '77

4. Housing Guaranty $15.0

Negotiations completed.
Agreement expected to be signed o/a Feb. 28 '78

III. Status FY '78 Programs

1. SSA Commodity Import Loan $9.5

Authorized November 30 '77
Signed December 18 '77
Special letter credit issued December 30, 1977
Full amount credited to GOJ's CY '77 account.

2. <u>PL-480 Title I</u> $10.0

GOJ has submitted application for $2.0 million School Feeding program Nov '77

Application for $10.0 million expected late Feb. or early March following present discussions.

GOJ seeking total of $12.0 million.

ISC will not review until all FY '77 deliveries completed.

3. <u>SSA Development Grants</u> $1.0
Notification to Congress required for changes/ increases.

RURAL INFRASTRUCTURE: A.I.D. POLICY

I. Congressional Attitudes

The Senate Appropriations Committee and Senator Inouye in particular have taken the view that:

-- Infrastructure investment such as rural roads and rural electrification should be financed by the international financial institutions and not by A.I.D.

-- Such projects, if financed at all by A.I.D., should be financed through Section 106 funding, not through Food and Nutrition appropriations.

-- During 1977 Senator Inouye specifically objected to proposed projects in Honduras, Guatemala, the Philippines, and Indonesia for rural electrification and to a proposed road and bridge construction project in Tunisia. Objections to the Philippines and Tunisia loans were later withdrawn, but the other projects continue to be held up.

-- A minority on the SAC disagrees with the position of Senator Inouye and issued a minority report stating that A.I.D. should support rural infrastructure projects which benefit the rural poor such as farm-to-market roads or distribution systems for water and electricity.

-- Senator De Concini recently took a look at rural electrification projects in Central America and we are hopeful the SAC may change its position on this issue after review of his findings.

II. A.I.D. Views

A. A.I.D.'s Authority:

-- Development of small scale rural infrastructure is specifically authorized in the Foreign Assistance Act and is an essential element of the Congressional directive to A.I.D. to directly benefit the rural poor.

-- Section 103 of the FAA authorizes funding for rural develment and Section 103(c) specifically refers to activities "to increase the productivity and income of the rural poor,

through such means as ... expansion of local or small-scale rural infrastructure and utilities such as farm-to-market roads, land improvement, energy, and storage facilities ..."

-- Section 106 authorizes assistance for activities " to the extent that such activities are not authorized by Sections 103, 104, and 105 ..." The rural infrastructure projects which have been at issue are therefore appropriately funded under Section 103, not 106.

B. Importance of Rural Infrastructure:

-- Provision of access roads, potable and irrigation water, water control facilities and distribution mechanisms for electric power is in many cases crucial as a prerequisite to the attainment of our objectives of increased food production and income for small farmers as well as improved nutrition, health and access to social services for poor people in rural areas. For example, access to farm inputs, technical knowledge, markets, irrigation water and water control mechanisms, as well as other services is essential to increase agricultural productivity. Power distribution allows processing of production for storage and increased employment through establishment of rural enterprises.

C. A.I.D. vs. IFI financing:

-- The World Bank and other donors often finance major, capital intensive infrastructure projects such as dams, power-generating plants and trunk highways, while A.I.D.'s provision of small scale facilities (such as farm-to-market roads, secondary irrigation canals, and rural electrification distribution facilities) complements their efforts by making benefits of the larger projects accessible to the poor rural dweller.

-- In general the IFIs have stressed "bankable" projects with assured high rates of return, but A.I.D.'s experience can encourage other donors to enter into some of these smaller scale activities once feasibility is demonstrated. For example, in the Philippines, the World Bank will finance future expansions of the rural electrification system which A.I.D. began. A.I.D.'s experience has shown that in many cases small scale projects can also yield very high returns.

-- Technical assistance in the creation of institutional arrangements needed to ensure that poor people benefit from the physical facilities (such as water user associations and rural electric cooperatives) is an area in which the U.S. has more expertise than other donors. Participation of other donors in electrification programs is in some cases predicated on U.S. assistance in this crucial area. In Indonesia, for example, Canadian, Dutch, and World Bank financing of an electrification program is dependent on U.S. participation.

III. Future Programs

-- Rural Infrastructure will continue to account for a significant portion of A.I.D.'s development efforts. $ in infrastructure projects are included in the FY 1979 request.

-- A.I.D. policy is to provide assistance when,

- rural infrastructure development is crucial to efforts to reach the rural poor;
- program requirements exceed available local and national financial and technical resources;
- adequate assistance is not available from other donors.

-- In supporting rural infrastructure development A.I.D. is emphasizing,

- experimentation with alternative construction and maintenance techniques in order to encourage the adoption of appropriate technologies and labor-intensive methods;
- development of institutions and personnel capable of planning and carrying out local, regional and national programs;
- rural infrastructure components of integrated or regional agricultural and rural development programs.

LIGHT CAPITAL/APPROPRIATE TECHNOLOGY

Issue: There has been some confusion as to how appropriate technology should be defined.

Appropriate or light capital technology cannot be reduced to a simple definition or formula. It is not a question of gadgets, but one of economic and social impact in specific situations. Appropriate technology relates not only to tools and equipment for food production, but also to health delivery systems, educational methods, and management techniques. Appropriate technologies affect, in addition to profits, the status of women, environment, culture, and employment and incomes of poor persons.

The following definition seems appropriate:

> Appropriate technologies are those technologies which require low capital per worker (labor intensive), are usually efficient on a small scale, are easily serviced and maintained, do not require high levels of education or training to operate, and utilize locally available resources. In short, technologies which are appropriate to the environment of developing countries, where capital is in short supply and labor is abundant. The definition of capital is not limited to equipment and machinery but also includes investments in "human capital", e.g., education, training, etc.

AID Policy: AID policy on appropriate technology is stated in the Foreign Assistance legislation in the provisions dealing with appropriate technology and in the "New Directions" which direct AID to concentrate on activities which reach down to the poor majority. In its development program, AID is placing emphasis on projects which are more labor intensive, utilize simple but effective technologies and activities which develop the capacities of the developing countries to plan, design, implement and evaluate their development programs to assure that these programs effectively reach the poor majority with the most appropriate technologies.

Program examples: (in $000)

Pakistan

Village Level Food Processing (391-0417)

The Appropriate Technology Development Organization of the Pakistan Planning Commission is responsible for this project being carried out by a U.S. contractor. The purpose of the project is to establish social, economic and engineering criteria and to identify appropriate small scale processing technology. (FY 78= 300)

Centrally Funded

Under an AID contract the International Rice Research Insitute (IRRI) is conducting two sub-projects in Thailand and Pakistan which distribute small scale agricultural machinery designed at the Institute. Under this project assistance is provided to local engineers, manufacturers and dealers to ensure that adequate servicing of the machinery is provided.

Rwanda

Farm Hand Tools (696-0103)

Under this project AID is assisting in the rehabilitation of a former blacksmith training center. The purpose of the project is to train local blacksmiths in the production of small farm hand tools and under the project technical services and equipment will be provided for the training center.
FY 77=0 FY 78=240 FY 79=0

Guatemala

Rural Enterprise Development (520-0245)

"To establish an integrated capital and technical assistance program for the creation and expansion of small rural enterprises, with primary emphasis on artisan and small industry projects, utilizing local agricultural products and raw materials. The immediate beneficiaries will be 3,000 small scale entrepreneurs and family handicraft producers whose enterprises are assisted with loans under this project."
FY 77=0 FY 78=265 FY 79=235

Haiti

Appropriate Technology (521-0095)

Through the provision of technical assistance this project will strengthen a local government institution's ability to identify, site-adapt, and introduce simple improved technological prototypes appropriate to the needs of Haitis poor. The project activities will be aimed at identifying and adapting technologies such as windmills for electricity and pumping , solar energy for cooking, and the production of locally made simple tools and equipment.
FY 78=623 FY 79=490 FY 80=219

APPROPRIATE TECHNOLOGY INTERNATIONAL (A.T.I.):

A.T.I. has still not become operational since its incorporation in December 1976. The reasons appear to be that the A.T.I. Board has been very slow in organizing. The Board did not request an immediate planning grant in 1976 and did not have key staff to develop policy to run the institute. It has taken the board

many months to find an executive director; this has also delayed operations. The Board has been preoccupied with reaffirmation of its independence rather than making the organization operational.

A.I.D. hoped that a private organization would be able to quickly implement appropriate technology projects in developing countries, but unfortunately this has not been the case.

UNIVERSITIES OF DISTRICT OF COLUMBIA

PILOT PROGRAM FOR UNITED STATES AND LATIN AMERICA

ISSUE

Georgetown University has lobbied in Congress for their proposal supporting linkage of Georgetown University and other D.C. universities with universities in developing nations of Latin America.

Result: The House Foreign Operations Subcommittee Report, No. 95-416 of June 15, 1977, under chairmanship of Congressman Long of Maryland, states:

> "The Committee requests the Agency for International Development to examine the feasibility of working with a university in the District of Columbia as a center for establishing a pilot program of cooperation between the U.S. and Latin America. The pilot program would develop a relationship between participating D.C. universities and universities in selected Latin American countries."

The Senate Foreign Operations Committee Report, No. 95-352 of July 18, 1977, states:

> "The Committee received testimony in support of the development of Indigenous Technical Assistance Centers at several Latin American universities by universities in the District of Columbia . . . The Committee urges A.I.D. to review this proposal; however, we would not want to restrict sponsoring universities to those in the District of Columbia and should note that we have tended to discourage the creation of new entities to dispense foreign assistance."

A.I.D. POLICY

On June 16, 1977 Mr. Nooter, on behalf of Governor Gilligan, wrote Father Healy, President of Georgetown University, that A.I.D. had provided a grant to the National Association of State Universities and Land Grant Colleges, acting for six major associations of post-secondary institutions in the United States, to carry out a study entitled, "International Linkages in Higher Education," to determine the extent and manner in which institutions of higher education in the United States could be of assistance to sister

institutions in lesser developed countries in their process of resolving development problems. He further advised Georgetown University that their proposal could be the type of project the Study Group may consider. The Regional Bureaus and DSB have taken the position with a number of such proposals that A.I.D. would defer their consideration until the International Linkages Study recommendations are received.

ON GOING ACTIVITIES AND FUTURE PLANS

The International Linkages in Higher Education Study group, under chairmanship of Fred Harrington (Harrington made at a statement before the House Subcommittee regarding the study in June, 1977) has completed their world-wide field investigation. A.I.D.'s Research and Development Committee (RSD) has held frequent meetings with the Study Team and expects to receive their final report in late February, 1978. Subsequent to receiving the Linkages Report, A.I.D.'s R&D Committee will prepare recommendations for the Administrator's consideration. The "Georgetown Proposal" can then be reviewed in reference to those recommendations.

Meanwhile, representatives of the Latin American Bureau, including Assistant Administrator Valdez have met frequently with Georgetown University representatives (Revs. Collins, Bradley and George) to review A.I.D.'s current programs to determine if there might be congruence between Georgetown University's interests and those of A.I.D. as represented by our current programs. The next meeting is scheduled for January 24.

ADDITIONAL PERTINENT INFORMATION

More specifically, the International Linkages in Higher Education Study assesses the role of American higher education institutions both on campus and overseas, and emphasizes ways in which American institutions can collaborate with their LDC counterparts to contribute more effectively to the development process through research, training and exchange. This focus is the result of A.I.D.'s interest and from the fact that we receive increasing numbers of requests for American academic services from LDC governments and institutions.

4. AID REORGANIZATION: OVERVIEW

A substantial part of our first year has been spent on putting our house in order. We have conducted a reorganization of A.I.D. aimed at enabling us to be more responsive to the "New Directions" mandate of Congress. We have set in motion four courses of action: 1) restructuring of organizational units; 2) reform of personnel administration; 3) better management of finance, budgeting and logistical support; and 4) simplifying procedures for creating and approving projects and programs. At the same time we have had to face the consequences of very restricted operating expenses which have forced us to cut back our personnel levels. I want to set out briefly the changes we have made.

1) Restructuring the Organization

We have aimed at a leaner organization with fewer units and less reporting to me. Offices and bureaus in Washington are being consolidated with staff reductions to reflect this change. Specifically:

-- Four offices which previously reported to the Administrator and an office which promotes private and voluntary organizations have been consolidated in a Bureau for Private and Development Cooperation. The Bureau will provide a single point of contact for Private and Voluntary Organizations and the programs these organizations most frequently deal with in A.I.D./Washington.

-- Central technical back-stopping has been consolidated in one Bureau, the Bureau for Development Support, bringing together activities previously conducted in four bureaus. At the same time we are decentralizing to the geographic bureaus some technical staff to provide closer support for our programs. The bureau will also bring a greater focus on dissemination of the tremendous amount of technical information we have assembled over the years. I should also note that as a by-product of creating this Bureau we have been able to decentralize some of the activities which formerly had been managed centrally.

-- Two policy related offices, Women in Development and our Environmental Coordinator, have been integrated into the Policy Bureau.

-- The bureau charged with administrative and logistical support has been more than halved in size by breaking out some central programs and by my decision to have Personnel and our Agency Controller report directly to me.

2) Reforming Personnel Administration

A.I.D. has two personnel systems, Civil Service and Foreign Service, and had an overly large personnel establishment. Both factors prevented

management from easily assigning people where they were most needed. To remedy this we have:

-- Brought in a team of personnel professionals to tightly manage the personnel operations;

-- Cut back our central personnel staff by about one-fourth, that is, by about 40 people;

-- Introduced a system of long-term personnel forecasting;

-- Made it much easier to transfer between Civil Service and Foreign Service systems; and

-- Examined every office in Washington to find ways to reduce personnel here while at the same time looking for ways to place needed skills in field positions closer to the action.

3) Improving Management of Finance, Budgeting and Logistical Support

We have taken steps to reduce the number of employees involved in management support while cutting out unnecessary expenses and simplifying the way administrative support is organized. We have:

-- Completed a major study of Agency administrative support and adopted many of its recommendations;

-- Consolidated some administrative operations with the Department of State, for example operation of computers;

-- Taken steps to better relate budgeting and control of operating expense and program funds;

-- Determined that we will take several steps to simplify Agency accounting operations; and

-- Eliminated a fairly large number of jobs in the management and administrative support area.

At the same time we have taken steps to reduce operating expenses (e.g. reducing by half the number of copying machines in A.I.D./Washington), and have tightened up on overseas living expenses.

4) Simplifying Program Procedures

Last year I advised Congress that I felt we were strangled in paperwork. As part of our management and organization reforms we have tackled this problem, too. We have:

-- Eliminated one-third of the documentation necessary for justifying projects and programs;

-- Simplified our long-term planning system and fully incorporated it into our budgeting system;

-- Decentralized approval authority for small projects to field missions; and

-- Undertaken a thorough review of all our delegations of authority with the aim of decentralizing as much as possible.

In sum, we have already taken major steps to streamline the organization and make it a more effective management unit. Our efforts will continue.

4.a) CREATION OF DS AND PDC

As part of our reorganization we felt it was necessary to consolidate units in order to manage along cleaner lines and to enable units with similar tasks to work more closely together. We have created two new bureaus to replace two older bureaus and 4 independent offices, and to manage programs handled by two other surviving bureaus.

Bureau for Development Support

This bureau consolidates technical and other support activities which previously had been managed by the now abolished Bureau for Technical Assistance, as well as the Office of Population (formerly in the now abolished Bureau for Private and Humanitarian Assistance), certain information systems formerly in the Bureau for Program and Policy Coordination, and all central programs (Housing, Training and Engineering) formerly in the Bureau for Program and Mangement Services.

As part of its creation we examined carefully whether any centralized support activities could be decentralized and we have started this process by decentralizing some programs and staffs.

The new Bureau will be organized into three major technical clusters; Food and Nutrition; Development Technology, and Human Resources Development. As an Office of Agriculture, and Office of BIFAD Liaison, an Office of Nutrition and an Office of Rural Development. It is our hope that in grouping such offices together there will be a greater deal of productive interchange between units and that the quality of the development support offered by the Bureau will be greatly enhanced. The Bureau will also contain a special unit charged with the dissemination of technical information (which itself represents a consolidation of several services) and a Development Administration staff which will be of help both to the Bureau and to the rest of the Agency.

Bureau for Private and Development Cooperation

This Bureau consolidates four offices which had reported directly to the Administrator: Food for Peace, Reimbursable Development Programs, Labor Affairs, and American Schools and Hospitals Abroad. In addition, the Office of Private and Voluntary Cooperation is a part of the Bureau.

The strength of the Bureau is that it brings together the main programs which have close dealings with Private and Voluntary Organizations and thus will provide a coordinated point of contact for such organizations. In addition there should be certain savings in overhead and these important programs will be able to operate with less Front Office involvement.

Finally, we think the previously separate components of this Bureau will benefit by working together and that program effectiveness and innovation will increase as a result of this organizational change.

4.b) "DOWNGRADING" OF FOOD FOR PEACE

Some have assumed that the Office of Food for Peace has been downgraded because formerly it was an independent office reporting to the Administrator and now it is part of the new Bureau for Private and Development Cooperation.

The Office has not been downgraded in terms of its authorities and powers. They remain the same. What we have tried to do is increase its effectiveness by:

-- Placing it alongside other offices extensive contacts with Private and Voluntary Organizations.

-- Improving its relations with regional bureaus and missions through a variety of steps aimed at integrating food and financial assistance at the budget, programming and operating levels to a greater extent than previously.

I am sensitive to the charge some have leveled that we have downgraded the office. That is not the case and the head of the Office of Food for Peace, Kay Bitterman, and I agree that should the need arise she continues to have full access to me on whatever she deems to be important.

4.c) "DOWNGRADING" THE OFFICE OF POPULATION

Some have charged that by shifting the Office of Population from the former Bureau of Private and Humanitarian Assistance to the new Bureau for Development Support and by attempting to decentralize central programs to the extent practical, we are trying to "downgrade" the Office of Population. I don't know why people come to that conclusion, but a well-organized group of interested people seem to feel this is the case.

In reality, we are trying to heighten the effectiveness of the Agency's population activities. We have done this by laterally transferring the office to the new Bureau for Development Support and by placing it in a cluster where sister offices can be of support to it. The cluster contains the Offices of Health, Training, Education and Population. We expect all these offices to benefit from their closer association.

In addition, we have decentralized to the regional bureaus the country-specific portion of the population portfolio where this made sense to enable more direct management of specific activities. We have also created a few positions in each regional bureau to be concerned with population matters. We expect this to increase population activities in the regions without diminishing in any way central capacity to backstop country programs or to manage its own interregional activities.

From a purely bureaucratic point of view, it is true that the central Office of Population has a smaller budget than it had in the past, but from a substantive point of view it should be clear that we are enhancing and expanding the Agency's overall population activities. Any other reading of our actions would be false.

4.d) REDUCTION IN FORCE?

The press has already concluded that A.I.D. will fire one out of every six employees. That is not the case.

In fact we are not sure whether or to what extent we will need a reduction in force. I am committed to reducing the direct hire Washington staff to about 2000 by the end of this fiscal year. I am also committed to building up the field staff to the level needed for an effective program. I do not expect that this will involve a large build-up. Overall we will have a reduction of direct hire employment.

The reason for this shift in personnel is that our studies indicate that we can operate more effectively with slightly less staff and with a changed staff composition. This we will do regardless of other factors. We are being pushed, however, by a very tight operating expense appropriation which has made life difficult. At the moment we feel we may have to institute a RIF in order to come within funds available for FY 1978. But our attrition rate has been higher than expected and it may well be that a RIF will be unnecessary. My own estimate is that a few mini-RIF's will be necessary in job categories where we may have some surplus staff.

SER BUREAU MANAGEMENT STUDY

The Administrator's Organization Task Force examined the SER Bureau and identified a number of opportunities to improve operating efficiency, reduce expenses, lower staff requirements and furnish more authority to program managers.

It first determined that activities which are not management support oriented might better be relocated elsewhere. They included: American Schools and Hospitals Abroad (ASHA), Housing (H), Engineering (ENGR), Participant Training (IT) and International Narcotics Control (INC). Relocation within AID of the first four of these activities was accomplished. INC had already been transferred to the Department of State.

The Task Force determined that a more comprehensive examination of budgeting and management service functions was required and Coopers & Lybrand was selected from bidders and conducted a study excluding the Office of Personnel and Manpower during September and October.

The main problem areas and opportunities for improvement were presented and the following decisions were made to:

1. Have the Controller report directly to the Administrator.

2. Consolidate work force planning and operating expense budgeting in the Controller's Office.

3. Develop a new integrated general accounting system.

4. Negotiate consolidation of similar management support activities with the Department of State which could result in 144 AID position transfers (see attachments).

5. Reorganize the Office of Data Management to encourage long-term planning and evaluation and to emphasize development activities by separating development and maintenance personnel.

6. Establish a SER Bureau on board personnel ceiling of 304. This is a reduction of 157 positions from October 31, 1977 on board strength of 461 (see Attachment II).

Attachments:
I and II

DEPARTMENT OF STATE CONSOLIDATION

Office/Branch	Total FTEPP	Transfer to State: High Probability	Transfer to State: Possible
Printing and Reproduction Branch - SER	11	11	
Travel and Transportation Division - SER	21	21	
Communications and Records Management Division - SER	55	51	
Distribution Branch - SER	7	7	
Real Property Management Branch - SER	4	4	
Administrative Purchasing - SER	6	6	
Office Services Branch - SER	2	2	
Computer Center Division - SER	22	22	
Data Management - SER	60		55
General Services Division - SER	16		16
Training Division - SER	31		23
Payroll Branch - SER	8		8
Directives and Forms Control - SER	7		7
Security Office - AG	20	20	
TOTAL	270	144	109

Attachment II

SER BUREAU

SUMMARY OF DIRECT HIRE OFFICE STAFF

Office	On Board 10/30/77	On Board 9/30/78
AA	8	9
System Coordination	3	0
Narcotics Control	2	0
Management Planning	34	15
Commodity Management	64	62
Contract Management	116	110
Management Operations	152	49
Data Management	82	56
EMS	0	3
TOTAL	461	304

	Total Reductions	State Consolidation	Other
AA/SER	157	124 1/	33

1/ Security adds an additional 20 to make a total 144 highly probable transfers to State.

AID's ROLE IN FORMULATING AND IMPLEMENTING U.S. DEVELOPMENT THROUGH IFI'S

AID helps formulate and implement U.S. development policy through the IFI's 1/ mainly by staff, policy, and management contact directly with the IFI's themselves and by participation in interagency decision-making groups within the U.S. Government, especially the State-chaired group on human rights, and the Treasury-chaired NAC (National Advisory Council), in which AID has no vote but participates actively and exercises its influence through State's vote. Treasury has the predominant role in formal U.S. policy control and execution re the IFI's, and the Secretary of the Treasury instructs the U.S. Executive Directors.

AID conveys its development views and concerns to IFI staff and management in its continuing contact with them on our respective programs and policies for specific countries, in functional areas (e.g., nutrition), and on overall concerns (e.g., basic human needs and women in development). An example of more formal coordination is the AID/IBRD two-day meeting in February to discuss overall concerns such as basic human needs as well as our respective assistance programs and policies in individual countries.

a. Human Rights. Among the variety of policy instruments the Administration can use to pursue its human rights objectives are bilateral assistance and votes on IFI lending. In pursuing its human rights objectives, the U.S. wants to see its large appropriations for foreign assistance programs used in ways consistent with policy, as the U.S. public and Congress expect. AID is a major participant in the Interagency Group on Human Rights and Foreign Assistance which formulates general policy guidelines on the subject and recommends the U.S. position on specific IFI projects as well as on bilateral assistance projects.

Under current law, the U.S. Executive Directors of the IBRD, IDA, ADB, AFDF and IDB must now oppose (abstain or vote "no") IFI projects for countries which "engage in a consistent pattern of gross violations of internationally recognized human rights" and which "provide refuge to individuals committing acts of international terrorism by hijacking aircraft" unless the projects "will meet the basic human needs" of the citizens in the recipient country. In addition, pursuant to the Administration's policy of using its voice and vote in the IFI's to advance the cause of human rights, and to seek to channel assistance to countries other than those which violate human rights, it may oppose loans to countries with serious human rights problems, even if the country is not considered to be engaged in a consistent pattern of gross violations. In 1977 the U.S. opposed a number of loans in the IFI's (voted "no" on 7 and abstained on 12).

1/ IBRD, IDA, ADB, AFDF, IDB

b. Basic Human Needs. It is our view that bilateral and multilateral donors should support and encourage developing country efforts to meet the basic human needs of their people. Toward that end we have:

-- discussed informally conceptual and operational problems associated with a basic human needs approach with IFI personnel, both at the staff and policy levels (Governor Gilligan and President McNamara have discussed these issues).

-- Attempted to orient the World Bank's Study on Development Issues (also called the World Development Budget and the World Development Program) toward basic human needs issues to increase understanding of the processes for reaching growth and equity objectives, improve LDC policy formulation processes and harmonize bilateral and multilateral programs.

It should be noted that the World Bank is very much out front in the effort to reorient assistance efforts toward a concerted BHN approach.

c. "U.S. helps Vorster get loan from IMF." Washington Post, December 24, 1977.

-- No new loans or drawdowns were approved by the IMF for South Africa in 1977. There were routine 1977 drawdowns on drawings authorized in 1976 (with no Executive Director voting against) by the IMF Board, on which the U.S. Executive Director has a 20% vote.

-- The IMF does not provide development assistance. Its decisions are made on the basis of economic and financial criteria, toward the IMF's objective of a stable and smoothly operating international economic system. U.S. positions in the Board are within this internationally agreed concept.

-- U.S. positions in the IMF are the responsibility of the Secretary of the Treasury, after receiving recommendations by the NAC.

d. Appropriate Technology. AID has worked with the World Bank especially on various aspects of the application of appropriate technology.

-- Appropriate technology is to be discussed in the World Bank-AID meetings in mid-February.

-- AID has joined with other donors in finance and support of the IBRD-conducted long-range Study of the Substitution of Labor and Equipment in Civil Construction, with field work in India, Indonesia,

Kenya and Honduras. It has focused on the productivity of labor-intensive methods and measures which would enhance labor output, through improved tools and small equipment, work organization, wage incentives and health and nutrition of the work force.

-- in January 1977, AID hosted a seminar with Bank officials on modifying procurement procedures to eliminate bias against labor-utilizing construction technology.

e. Women in Development. AID participated in preparation of the instructions to the U.S. Executive Directors of the IFI's to encourage and promote the integration of women into national economies and into policy-making positions within the organizations. AID maintains close contact with the World Bank's women in development staff, and World Bank officials participate in AID conferences on women in development.

ASSISTANCE TO MIDDLE INCOME COUNTRIES

Issue: AID Policy: Kinds and Amounts of Assistance for Middle Income Countries

Questions have been raised about AID's policy for the more advanced LDCs, especially those with per capita income well above the $500 per capita level.

Background: As a result of the New Directions mandate, reduced fund availabilities, and the success of its previous programs in the MICs, AID has concentrated its development assistance on the poorer countries. Despite phaseout of programs in a number of countries, programs have continued in several more advanced countries because of a growing recognition that (1) despite their relatively high income levels they both need and want continued U.S. bilateral assistance; (2) it is in the U.S. interest to provide it.

This trend poses the issue of what criteria AID should apply in deciding to continue programs in middle-income countries. A large proportion of MIC populations still suffer from deep poverty and from serious income and welfare inequities that are not likely to disappear quickly even with continued rapid economic growth. Many MICs can make effective use of development assistance and additional AID programs there could be very productive.

AID Policy

Continuation of U.S. assistance efforts are therefore "justified" on the following basis:

-- Although these countries have relatively high per capita incomes, they have large amounts of very poor people.

-- The U.S. aid program concentrates on the basic human needs of the poorer parts of the population in line with its general New Directions policy;

-- Since these countries are less in need of concessional resources and can do much for themselves by reallocating an increasing share of their own resources to meeting basic human needs, AID assistance will be governed by the following criteria:

a. The function of assistance is not primarily to transfer resources but to stimulate pilot/demonstration efforts to

help design and establish policies and institutions and train people for basic human needs programs in rural development, basic health and educational services, etc.

b. As a basic condition or self-help element, the recipient countries will be allocating or increasing the allocation of major budget resources to such programs and purposes -- far in excess of aid amounts.

c. The programs are planned with a limited time horizon, e.g., five to seven years, related to the time needed to make the necessary policy, budgeting, and institutional changes and put planned systems into operation.

d. Aid is provided on relatively harder terms in recognition of the middle-income countries' actual or expanding income/resource base.

e. Since the MICs may have much greater staff and institutional capacity to plan and implement programs they may assume greater responsibility for detailed planning and implementation.

Program Content

Programs tend to concentrate on agriculture, education, health, nutrition, and population, although the projects may deal with the more sophisticated problems found in the more developed LDCs.

The relatively more advanced MIC economies may also need attention to such problems as urban development, better public service delivery systems, area development for low-income regions, employment generation, and perhaps even reforms that improve equity such as tax and land reform. Special advanced technology transfer programs are also of interest. AID is considering its policies and stance on this area, and what arrangements for such programs might be appropriate.

AID Levels:

At current funding magnitudes, existing programs in MICs would be continued at present low levels. If much greater resources are made available, existing programs could be expanded and programs might be initiated in other MICs. The major focus, however, would still remain on the poorer countries. Thus the proportion of AID funds going to MICs might decrease -- say to 10 percent -- while absolute funding levels could rise in a much larger total program.

Middle Income Countries Receiving
Assistance in FY 1979

Development Assistance

Africa

Djibouti
Ghana

Latin America

Costa Rica
Dominican Republic
Guatemala
Jamaica
Nicaragua
Panama
Paraguay
Peru

Near East

Tunisia

Security Supporting Assistance

Near East/Europe

Israel
Jordan
Syria
Bahrain
Malta
Spain
Lebanon
Cyprus
Portugal

PPC/PB 1/31/78

BROOKINGS AND DCC STUDIES

Overview

Both studies were requested in June and completed in October 1977. Both reviewed U.S. foreign assistance policy goals, evaluated past performance for all aid instruments and made recommendations on policy and aid levels through FY 1982.

The DCC Study was an intergovernmental effort with participation from all DCC members. AID, Treasury, USDA and OMB were the principal drafters.

The Brookings Study was undertaken by a group of experts working under the direction of Lester Gordon, Harvard Institute for International Development, and Henry Owen, Brookings.

Areas of Confluence

Both studies recommended a policy goal of growth with equity for LDCs and offered three options on assistance levels all of which called for substantial increases in U.S. resources devoted to development (a doubling or more in nominal terms for at least two options). Both recommended continuing Security Supporting Assistance at present levels, changing the mix of SSA and development assistance by increasing the levels of bilateral dollar assistance, PL 480 and multilateral development aid.

Areas of Conflict

The Brookings Study recommended concessional aid for poor countries only -- i.e., for those countries meeting IDA's per capita GNP criterion. The DCC Study recommended aid to poor people including some in countries exceeding the IDA poverty criterion.

Other Differences

Brookings made recommendations on two matters on which the DCC was silent, legislation and organization.

Re legislation: Brookings recommended a new act eliminating most of the 100 or so requirements that are obsolete and interfere with the project review process. Also requests for appropriations of IFI callable capital should be separated from other IFI requests to emphasize they are not requests for real resource transfers.

Re organization: Brookings recommended two new agencies, a Development Cooperation Agency (DCA) to conduct the operational tasks currently in AID and an International Development Foundation (IDF) to conduct and contract research. A White House Coordinator would be established to coordinate policy and budgets for the DCA, IDF, PL 480 and multilateral contributions.

Present Status of Recommendations

President Carter accepted the recommendations of the DCC report: assistance to poor people in any LDC and the middle option aid level calling for a $10.2 billion level by 1982, excluding callable capital contributions to IFIs.

The Senate is drafting new aid legislation.

Organizational changes remain under review.

GAO DRAFT REPORT ON OPERATING EXPENSE FUNDS

ISSUE

During 1977, GAO teams examined AID activities related to the use of OE funds, including specific studies of SER/MO, SER/FM, and five overseas Missions--Honduras, Guatemala, Bolivia, Kenya, and Pakistan. Certain expenditures of other Missions were also cited. AID/W received the draft findings and recommendations on December 23, 1977 and responded on January 9, 1978.

Significant GAO findings/recommendations and AID responses follow:

1. Budget Review Inadequacy. AID/W had limited budget review resources and had just started to increase its review in 1976. Based upon the GAO study, a contracted study, and AID's own evaluation, it has now further expanded the overseas budget review, to assure appropriateness of submissions to AID/W and Congress, and on-going use of funds by expenditure review. Input to the FY 1979 submission will be limited by time constraints.

2. Questionable and Unauthorized Use of Funds. Specific instances cited by GAO have been investigated by AID's Auditor General, General Counsel and Management Operations, and a worldwide audit and review of all Mission Operating Expense Budgets is being conducted. Corrective action and improvements will be implemented as necessary.

3. Deficiencies in Non-Expendable Property Management. Inventory of AID/Washington property has been completed and is being reconciled to records. Domestic procedures and policies are being reviewed and expanded. Overseas, all Missions are being scheduled for AG and AID/W review of policy and procedures and compliance with applicable regulations. AID/W is increasing its capacity for oversight of delegated authority to Missions in the area of property management, including procurement, inventory, use and disposal activities. Embassy operations responsible for AID property management have been advised to comply with AID regulations where deficiencies exist. 14 of 16 delinquent reporting Missions cited by GAO were State administered (JAO) operations.

4. Honduras Aircraft Lease. In the case of the Honduras aircraft, AID has determined that the provisions of Section 636(a)(4) of the Foreign Assistance Act were observed, as the aircraft was for program and not administrative purposes. Nontheless, AID has extended its oversight to ensure propriety of such major acquisitions, to include leasing as well as purchases.

*5. Kenya Office Costs. AID has determined that proper approvals were not obtained by the Mission, and is investigating to establish responsibility.

*6. Zaire, Liberia, and Kenya Director's Residence Improvements. We have found that AID regulations were not followed in many of these procurement actions and are investigating to establish extent of violations and responsiblity.

7. Bolivia Director's Gas Cooking Grill. The Mission Director has reimbursed the Government for the cost of the grill.

*8. Pakistan Electric Typewriters. The Mission advised AID/W that it had previously standardized on IBM, which then discontinued its more economical model. However, AID is now reviewing and republishing worldwide electric typewriter policies and use standards.

*9. AID/Washington Bicentennial Exhibit Carpets. This carpeting will be used in AID/W or overseas.

10. Conference Table. The cited table has been put into use in AID's Office of Housing.

*11. AID/W Excessive Typewriter Inventory. AID's procurement and replacement programs were out of step and are being corrected. Excess AID/W typewriters stocks are being reduced by transfer overseas when needed. Any excess balance will be released to GSA.

*12. Bolivia Advance Rental. Mission action, we agree, did not obtain a tangible benefit to the U.S. government. The mission will be admonished on this matter.

13. Mali and Upper Volta Residential Swimming Pools. AID has reaffirmed its published policy against pools except where adequate leased housing is not otherwise available. The AG is examining specific instances, and we are consulting the State Department in regard to differences of policy between Agencies. The public pool cited by GAO in Mali was found by AG to be unsafely deep (2 meter minimum), with questionable sanitary standards, and in any case empty much of the year. In response to AID representation, the Ambassador has modified his policy so as not to require or encourage all U.S. personnel to have pools.

14. Intensification of Mission Audits. Action has been taken to schedule more intensive AG reviews of Mission OE funds management.

15. Excess Property in Select Posts. Missions have responded with acceptable explanations of stock levels or are taking corrective actions.

16. Automated Worldwide Property Management System. This new central system for overseas property will be fully operational in 1978, and will eventually include Washington inventories as well.

(*Marked items will be updated (as will any others) as new information becomes available prior to the hearings.)

GAO REPORT ON A.I.D.'S LOAN PROGRAM

Congressional Perspective

The GAO has submitted a report to the Congress titled "Legislative Changes Urged In Loan Program Of The Agency For International Development", dated January 5, 1978. In it, three major points are made: (1) A.I.D. loan collections are weak, but A.I.D. resolves its collection problems by rescheduling debt and capitalizing interest; (2) A.I.D. continues to make loans to countries where debt relief has been granted; and (3) A.I.D. has a continuing, though reduced volume of old loans which should be cancelled and rejustified as new loans, if the need still exists.

There have been several newspaper articles on the GAO report and we would expect Congressional interest as well.

Discussion

In support of its assertion that "A.I.D.'s growing collection problems present clear evidence that the financial condition of its loan program is weak . . . ", GAO shows that of A.I.D.'s $11.4 billion total dollar-repayable loans (as of 6/30/75), $9.3 billion in loans are to countries with problem loans; further, that the problem loans total $5.4 billion, of which $81 million is delinquent for 30 days or more.

To this, A.I.D. strongly demurs. The GAO considers the total value of a loan in jeopardy if only one payment is delinquent; therefore, GAO identified $5.4 billion as problem loans. A.I.D. makes no such distinction since A.I.D. considers only the amount of debt service due but unpaid as a problem, and this is identified as a loan payment delinquency. Using the

30 days or more definition for delinquency (A.I.D. now uses the 90 days more definition - the same as Treasury), then there was on June 30, 1975 almost $81 million in delinquent payments, including Pakistan and Chile debts which were subsequently rescheduled. Using a 90 days definition, there was on 6/30/75 $60 million in delinquencies, also including the Pakistan and Chile debts which then totalled $59.6 million. However, current data (12/31/77) for dollar-repayable loans to government borrowers shows $9.6 million as loan payments delinquent 90 days or more, and this amount included:

Zaire: $6.2 million - Payments due in CY 76 and CY 77 are being rescheduled.

Vietnam: $2.5 million - Collection efforts have been deferred.

Thus, A.I.D. does not accept the assertion that its loan collections are weak. Current loan delinquencies amount to less than 1/10 of 1% of all A.I.D. dollar-repayable loans outstanding.

Further, A.I.D. does not accept GAO's statement that A.I.D. resolves its collection problems by revising repayment schedules to defer due dates or by capitalizing uncollected interest. It is A.I.D.'s policy to view debt repayments as a contractual obligation to be honored by the debtor country. However, should the debtor country experience extraordinary circumstances, the U.S.G. (with A.I.D. participation) will consider rescheduling some or all of the debt due. It is the U.S.G.'s preference to do this in a multilateral framework and with a most-favored nation clause, so that the burden of rescheduling can be equitably shared by all creditor countries and organizations. In granting rescheduling, the creditors expect the debtor

country to adopt appropriate economic and other policies which would prevent the need for further rescheduling and to make an effort to reorganize unguaranteed private credits on terms comparable to the government credits.

Since 1970, the U. S. rescheduled debts within a multilateral framework for the following countries:

- India (1970, 1971, 1972, 1973, 1974)
- Indonesia (1970)
- Pakistan (1972, 1973, 1974)
- Chile (1972, 1974, 1975)
- Zaire (1976, 1977)

In addition, there have been bilateral debt relief agreements with oslavia (1971), Egypt (1971) and Poland (1973).

Furthermore, A.I.D. considers the GAO interpretation of the rationale underlying rescheduling of loan repayments as unfortunate. Of course, we do not wish to argue with the technical merits of GAO's point that by revising loan payment provisions, A.I.D. avoids a default that might otherwise occur. However, to focus on this aspect of relief misses the development rationale which motivates a decision to grant rescheduling. To demand debt payment of a country facing difficult circumstances is tantamount to an equivalent reduction of resources which would otherwise be used for carrying out a higher priority development activity which in the long run strengthens the economy and creditworthiness of the debtor country. It is ultimately a question of alternate uses of limited resources, A.I.D. must weigh the issue of whether to interrupt the development

cess or defer debt payment.

With regard to continuing assistance after rescheduling, A.I.D. acknowledges GAO's charge that new loans are made to countries where debt relief has been granted, but A.I.D. rejects GAO's urging to link or deny new loan assistance to those countries. Their position disregards the differing character of new loan assistance versus the servicing of existing dollar-repayable debt. While A.I.D. loans have a production purpose, they may in no way increase foreign exchange earnings nor, in the short or medium term, strengthen a country's debt servicing capability. Thus, to deny new assistance to these countries would have the effect of constricting its development and development program while not in the slightest enhancing its ability to earn foreign exchange or aid its debt servicing ability. It is, in fact, the over-all economy of a country which generates foreign exchange, while new loan assistance makes its impact on the economy, usually, over a long period of time.

GAO's last major concern deals with A.I.D.'s old loans. GAO suggests that A.I.D. could have deobligated greater amounts, but rather chose to extend terminal dates thereby keeping old loans on its books. While GAO recognized A.I.D.'s efforts to tighten loan implementation, it recommended that A.I.D. cancel loans that have remained undisbursed for long periods and rejustify them as new loans when a valid need exists.

In response, A.I.D. notes that loan implementation is the responsibility of field missions and the regional bureaus. Their actions and decisions reviewed periodically, and sometimes on a case basis by the Deputy

nistrator. Also, annually, all projects are reviewed by the Agency's Pipeline Review Team. While no one would argue that judgmental decisions by A.I.D.'s professional and administrative staff is immune to criticism, there is equally no one who should assert that his judgment, usually without benefit of all the facts at A.I.D.'s disposal, are necessarily better than A.I.D.'s. Thus, GAO's opinion that deobligations "could have been greater" was nothing more than the opinion of the GAO staff, to which A.I.D. does not concur. Further, the GAO suggestion to cancel old loans and subsequently rejustify them, if needed, ignores a possible bilateral contractual relationship which may not be subject to arbitrary cancellation, plus the fact that any cancellation of a loan whose funds have been taken into account in contracting for goods and services for a project, could not only jeopardize a project, but also place A.I.D.'s borrower in an :ward legal relationship with its contractors. Any A.I.D. action to cancel a loan must be done in the light of available facts and only on a case basis.