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-PC-AAA-582

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COMMITTEE PRINT

**SECTION-BY-SECTION ANALYSIS OF THE
PROPOSED INTERNATIONAL DEVELOP-
MENT COOPERATION ACT OF 1978**

S. 2420

TO PROMOTE THE FOREIGN POLICY, SECURITY, AND GENERAL WELFARE OF THE UNITED STATES BY ASSISTING PEOPLES OF THE WORLD IN THEIR EFFORTS TOWARD ECONOMIC DEVELOPMENT BY ESTABLISHING THE INTERNATIONAL DEVELOPMENT COOPERATION ADMINISTRATION, AND FOR OTHER PURPOSES

PREPARED FOR THE USE OF THE
COMMITTEE ON FOREIGN RELATIONS
UNITED STATES SENATE

A.I.D.
Reference Information Center
Development Information Center
Room 1656 SA-13
Washington, D.C. 20523-1800



FEBRUARY 1978

THIS SECTION-BY-SECTION ANALYSIS OF S. 2420 WAS PREPARED BY THE STAFF OF THE SUBCOMMITTEE ON FOREIGN ASSISTANCE FOR THE MEMBERS OF THE SENATE COMMITTEE ON FOREIGN RELATIONS. IT DOES NOT NECESSARILY REFLECT THE VIEWS OF THE COMMITTEE OR ANY OF ITS MEMBERS

Printed for the use of the Committee on Foreign Relations

U.S. GOVERNMENT PRINTING OFFICE

22-347

WASHINGTON : 1978

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V. CROSS REFERENCE OF THE FOREIGN ASSISTANCE ACT TO S. 2420 (P. 243)

SECTION-BY-SECTION ANALYSIS OF THE PROPOSED INTERNATIONAL DEVELOPMENT COOPERATION ACT OF 1978

CHAPTER I. POLICY

This chapter sets out an overall framework for U.S. development policy and development assistance programs. It also establishes the International Development Cooperation Administration to provide a central institutional focus for the administration of official U.S. development programs. The primary functions of the Administration are to insure that development concerns are fully reflected in the formulation of U.S. international political and economic policies, and that U.S. development resources are effectively and efficiently utilized.

SECTION 101

Text

SEC. 101. GENERAL POLICY.—The Congress finds that fundamental political, economic, and technological changes have resulted in the interdependence of nations. The Congress declares that the individual liberties and economic prosperity of the people of the United States are best sustained and enhanced in a community of nations which respect individual civil and economic rights and which work together to use wisely the world's limited resources in an open and equitable international economic system. Furthermore, the Congress reaffirms the traditional humanitarian ideals of the American people, and renews its commitment to assist people of development countries to eliminate hunger, poverty, illness, and ignorance.

Therefore, the Congress declares that a principal objective of the foreign policy of the United States is the encouragement and sustained support of the people of developing countries in their effort to acquire the knowledge and resources essential to development and to build the economic, political, and social institutions which will improve the quality of their lives.

United States development cooperation policy should emphasize four principal goals:

- (1) the alleviation of the worst physical manifestations of poverty among the world's poor majority;
- (2) the promotion of conditions enabling developing countries to achieve self-sustaining economic growth with equitable distribution of benefits;
- (3) the encouragement of development processes in which individual civil and economic rights are respected and enhanced; and
- (4) the integration of the developing countries into an open and equitable international economic system.

The Congress declares that pursuit of these goals requires that development concerns be fully reflected in United States foreign policy, and that United States development resources be effectively and efficiently

utilized. In order to insure that the United States Government is organized to achieve these purposes the Congress establishes the International Development Cooperation Administration.

SECTION 101

Purpose

Section 101 declares that a principal objective of U.S. foreign policy is the encouragement and sustained support of the development efforts of people in developing countries. In an interdependent world, it is in the U.S. national interest and reflective of the humanitarian concerns of the American people that such a commitment be made.

The section states that U.S. development policy should emphasize four principal goals:

(1) the alleviation of the worst physical manifestations of poverty among the world's poor majority;

(2) the promotion of conditions enabling developing countries to achieve self-sustaining economic growth with equitable distribution of benefits;

(3) the encouragement of development processes in which individual civil and economic rights are respected and enhanced; and

(4) the integration of the developing countries into an open and equitable international economic system.

In order to insure that these development goals are fully reflected in U.S. foreign policy, and that U.S. development resources are effectively and efficiently utilized, the section establishes the International Development Cooperation Administration (hereinafter referred to as the Administration), which is further detailed title I of chapter VII.

Background

This section reflects some of the language in the first two paragraphs of section 102(a) of the FAA. The new section is more explicit in stating that support of development efforts should be a major foreign policy concern of the United States. This implies that development concerns should be reflected in the formulation of a wide range of foreign and international economic policy issues, such as trade, commodities, debt, investment, and transfer of technology.

The section provides four specific development goals, joining the humanitarian concerns of relieving the physical manifestations of poverty and encouraging the evolution of societies which respect civil and economic rights with the economic goals of encouraging self-sustaining growth and the integration of the developing countries into a world economic system.

The section reflects concern that the executive branch is currently not organized to assure that development issues are given sufficient weight in the formulation of foreign and international economic policy, and that development assistance efforts are fragmented among several agencies. In order to provide a focal point in the executive branch to press development concerns and to coordinate and administer assistance programs, the Administration is established.

Text

SEC. 102. DEVELOPMENT ASSISTANCE POLICY.—The Congress finds that the efforts of developing countries to build and maintain social and economic institutions necessary to achieve self-sustaining growth and to provide opportunities to improve the quality of life for their people depends primarily upon successfully marshaling their own economic and human resources. The Congress recognizes that the magnitude of these efforts exceeds the resources of developing countries, and accepts that there will be a long-term need for wealthy countries to contribute additional resources for development purposes. The United States should take the lead in concert with other nations to mobilize such resources from public and private sources.

Provision of development resources must be adapted to the needs and capabilities of specific developing countries. United States assistance to countries with low per capita incomes which have limited access to private external resources should primarily be provided on concessional terms. Assistance to other developing countries should generally consist of programs which facilitate their access to private capital markets, investment, and technical skills, whether directly through guarantee or reimbursable programs by the United States Government, or indirectly through callable capital provided to the international financial institutions.

Bilateral assistance and United States participation in multilateral institutions shall emphasize programs in support of countries which pursue development strategies designed to meet basic human needs and achieve self-sustaining growth with equity.

The Congress declares that the principal purpose of United States bilateral development assistance is to help the poor majority of people in developing countries to participate in a process of equitable growth through productive work, and to influence decisions that shape their lives, with the goal of increasing their incomes and their access to public services which will enable them to satisfy their basic needs and lead lives of decency, dignity, and hope. Activities shall be emphasized that effectively involve the poor in development, by expanding their access to the economy through services and institutions at the local level, increasing their participation in the making of decisions that affect their lives, increasing labor-intensive production and the use of appropriate technology, expanding productive investment and services out from major cities to small towns and rural areas, and otherwise providing opportunities for the poor to improve their lives through their own efforts. Participation of the United States in multilateral institutions shall also place appropriate emphasis on these principles.

SECTION 102

Purpose

This section sets out an overall policy framework for all U.S. development assistance efforts.

The first paragraph notes that although the development efforts by the developing countries must depend primarily on successfully marshaling their own human and economic resources, the magnitude of the necessary efforts exceeds their own resources. A long-term need is therefore recognized for wealthy nations to contribute to the devel-

opment process. The section states that the United States should take a leadership role in concert with other nations in mobilizing such resources from public and private sources.

The second paragraph requires that the provision of development resources should be related to the needs and capabilities of developing countries. Assistance to the poorer countries should primarily be on concessional terms; assistance to other developing countries should generally facilitate their access to private capital and expertise through guarantee or reimbursable bilateral programs or loans based on callable capital from the international financial institutions.

The third paragraph requires that both bilateral assistance and U.S. participation in multilateral institutions emphasize programs in those countries which pursue development strategies designed to meet basic human needs and achieve self-sustaining economic growth with equity.

The fourth paragraph states that U.S. bilateral assistance should emphasize activities which involve the poor in the development process and which improve their lives. U.S. participation in multilateral institutions should place appropriate, but not exclusive, emphasis on these principles.

Background

This section makes the following points:

While developing countries must be the primary contributors to their own growth, there will be a long-term need for external assistance. The U.S. should make such a long-term commitment to help provide that assistance, along with other wealthy nations. The term "wealthy countries" means the OECD countries, non-market economy countries, and richer developing countries, particularly the affluent OPEC countries.

Assistance terms should harden as countries move up the development ladder. Concessional aid is appropriate for the poorer countries. As countries develop, assistance should shift to helping countries gain access to private capital markets and expertise through programs which involve minimal budget outlays by donor countries.

The United States should use its bilateral aid programs and should influence multilateral agencies to use their resources to assist countries which are committed to meeting basic human needs through strategies of economic growth with equity.

U.S. bilateral aid in such countries should focus on programs which involve and assist the poor majority. The United States should also work to insure that multilateral institutions place appropriate emphasis on such programs.

Bilateral concessional assistance should be directed toward the poor majority in poorer countries through programs which assist them to participate through productive work in the development of their countries.

This section, while largely new, reflects parts of subsections 102(a) and 102(c) of the FAA.

CHAPTER II. BILATERAL DEVELOPMENT ASSISTANCE

This chapter establishes the purposes and objectives of bilateral development assistance and related activities. The chapter includes the authorization of appropriations for bilateral grant and loan assistance, policies and authorities designed to strengthen the capacity of U.S. educational institutions to participate in development assistance activities, and the Administrator's authorities relating to titles II and III of the Agricultural Trade Development and Assistance Act of 1954, as amended.

TITLE I—GRANT AND LOAN ASSISTANCE

SECTION 201

Text

SEC 201. BILATERAL DEVELOPMENT ASSISTANCE POLICY.—Assistance under this chapter should be used not only for the purpose of transferring financial resources to developing countries, but also to help countries solve development problems in accordance with a strategy that aims to insure wide participation of the poor in the benefits of development on a sustained basis. Moreover, assistance shall be provided in a prompt and effective manner, using appropriate United States institutions for carrying out this strategy. In order to achieve these objectives and the broad objectives as set forth in sections 101 and 102 in this Act, bilateral development assistance authorized by this Act shall be carried out in accordance with the following principles:

(1) Development is primarily the responsibility of the people of the less developed countries themselves. Assistance from the United States shall be used in support of, rather than substitution for, the self-help efforts that are essential to successful development programs, and shall be concentrated in those countries that take positive steps to help themselves. Maximum effort shall be made, in the administration of this Act, to stimulate the involvement of the people in the development process through the encouragement of democratic participation in private and local governmental activities and institution building appropriate to the requirements of the recipient nations.

(2) Development planning must be the responsibility of each sovereign country. United States assistance should be administered in a collaborative style to support the development goals chosen by each country receiving assistance.

(3) United States bilateral development assistance should give high priority to undertakings submitted by host governments which directly improve the lives of the poorest of their people and their capacity to participate in the development of their countries, while also helping such governments enhance their plan-

ning, technical, and administrative capabilities needed to insure the success of such undertakings.

(4) Development assistance provided by the United States under this chapter shall be increasingly concentrated in countries that will make the most effective use of such assistance to help satisfy basic human needs through equitable growth, especially those in greatest need of outside assistance. In order to make possible consistent and informed judgments in this respect, appropriate criteria shall be developed to assess the commitment and progress of countries in moving toward the objectives and purposes of this Act.

(5) United States development assistance should focus on critical problems in those functional sectors which affect the lives of the majority of the people in the developing countries: food production and nutrition; rural development and generation of gainful employment; population planning and health; environment and natural resources; and education, development administration, and human resource development.

(6) United States assistance shall encourage and promote the participation of women in the national economies of developing countries and the improvement of women's status as an important means of promoting the total development effort.

(7) United States cooperation in development should be carried out to the maximum extent possible through the private sector, including those institutions which already have ties in the developing areas, such as educational institutions, credit unions, and private and voluntary agencies.

(8) The economic and social development programs to which the United States lends support should reflect, to the maximum extent practicable, the role of United States private investment in such economic and social development programs.

(9) Assistance shall be planned and utilized to encourage regional cooperation by developing countries in the solution of common problems and the development of shared resources.

(10) Assistance efforts of the United States shall be planned and furnished to the maximum extent practicable in coordination and cooperation with assistance efforts of other countries, including the planning and implementation of programs and projects on a multilateral and multidonor basis.

Purpose

Sec. 201 states that assistance furnished under this chapter should be used not only for the purpose of transferring financial resources to developing countries, but also to help countries solve development problems in accordance with a strategy that aims to insure wide participation of the poor in the benefits of development on a sustained basis.

The section includes 10 principles under which bilateral development assistance authorized by the act shall be carried out:

(1) Assistance shall be used to support self-help efforts and shall be concentrated in countries that take positive steps to help themselves. Maximum effort is to be made to stimulate the involvement of people in the development process through encouragement of democratic

participation in private and local governmental activities, and appropriate institution building.

(2) Development planning must be the responsibility of each country. U.S. assistance should be administered in a collaborative style so that the development activities assisted by the United States support the goals chosen by each recipient country.

(3) High priority should be given to undertakings proposed by host governments which directly improve the lives of the poorest people and improve the capacity of the poorest people to participate in the development of their countries while also helping to enhance the planning, technical, and administrative capabilities of recipient governments which are needed to insure the success of development assistance efforts.

(4) Development assistance provided under this chapter shall increasingly be concentrated in countries which are in greatest need of outside assistance and which make the most effective use of the assistance to help satisfy basic human needs through equitable growth. The paragraph also requires that appropriate criteria be developed to assess the commitment and progress of countries in moving toward the objectives and purposes of the bill.

(5) U.S. development assistance should focus on critical problems which affect the lives of the majority of people in developing countries. These sections are: food production and nutrition; rural development and generation of gainful employment; population planning and health; environment and natural resources; and education, development administration, and human resource development.

(6) U.S. assistance shall encourage and promote the participation of women in the national economies of developing countries and promote the improvement of women's status as an important means of promoting the total development effort.

(7) To the maximum extent possible, U.S. cooperation in development efforts should be carried out through the private sector, including those institutions which have existing ties to developing countries, such as educational institutions, cooperatives, credit unions, and private and voluntary agencies.

(8) To the maximum extent practicable, economic and social development programs which receive U.S. support should reflect the role of U.S. private investment in such programs.

(9) Assistance shall be planned and utilized to encourage regional cooperation by developing countries in the solution of common problems and the development of shared resources.

(10) To the maximum extent practicable, assistance shall be planned and furnished in coordination and cooperation with the assistance efforts of other countries.

Background

Section 201 reaffirms the "new directions" development assistance objectives and policies established in 1973. The new directions policies represented a fundamental shift in emphasis from balance-of-payments and infrastructure aid to more direct assistance to the development efforts of the poor majority. According to the provisions of section 201, development assistance is to be furnished principally for the purpose of helping developing countries solve development problems

in accordance with a strategy designed to insure the broad and sustained participation of poor people in the benefits of development.

In continuing the new directions policies, substantial portions of section 201 are derived from existing policy provisions of the FAA, principally section 102. Some redundant or outdated FAA provisions are not carried into the bill. For example, FAA section 201, 202 and following sections still contain many of the policy provisions governing development loans despite the fact that appropriations for development loans are no longer authorized under those sections. These FAA development loan policy provisions are not transferred as a whole to the bill. Instead, the bill consolidates grant and loan policies, reenacting those that are relevant.

Text

SEC. 202. AGRICULTURE AND FOOD PRODUCTION, RURAL DEVELOPMENT AND NUTRITION.—(a) In recognition of the fact that the great majority of the people of developing countries live in rural areas and are dependent on agriculture and agricultural-related pursuits for their livelihood, the Administrator is authorized on such terms and conditions as he may determine, to furnish assistance for agriculture, rural development, and nutrition—

- (1) to alleviate starvation, hunger, and malnutrition;
- (2) to expand significantly the provision of basic services to rural poor people to enhance their capacity for self-help; and
- (3) to help meet the need to create productive farm and off-farm employment in rural areas to provide a more viable economic base and enhance opportunities for improved incomes, living standards, and contributions by rural poor people to the economic and social development of their countries.

There are authorized to be appropriated to the Administrator for the purpose of this section, in addition to funds otherwise available for such purposes \$ _____ for the fiscal year 1979, which amounts are authorized to remain available until expended.

(b) Assistance provided under this section shall be used primarily for activities which are specifically designed to increase the productivity or income of the rural poor, through such means as creation and strengthening of local institutions linked to the regional and national levels; organization of a system of financial institutions which provide both savings and credit services to the poor; stimulation of small, labor-intensive enterprises in rural towns; improvement of marketing facilities and systems, expansion of rural infrastructure and utilities such as farm-to-market roads, land improvement, energy, and storage facilities; establishment of more equitable and more secure land tenure arrangements, and creation and strengthening of systems to provide other services and supplies needed by farmers, such as extension, research, training, fertilizer, water, and improved seed, in ways which assure access to them by small farmers.

(c) The Congress finds that human suffering and deprivation are widespread and are growing in the poorest and most slowly developing countries. The greatest potential for significantly expanding availability of food for people in rural areas and augmenting world food production at relatively low cost lies in increasing the productivity of small farmers who constitute a majority of the people living in those

countries. Increasing the emphasis on rural development and expanded food production in the poorest nations of the developing world is a matter of social justice and a principal element contributing to broadly based economic growth as well as an important factor in controlling inflation in the industrialized countries. In the allocation of funds under this section, special attention shall be given to increasing agricultural production in countries which have been classified as food priority countries by the World Food Council or which have been designated as relatively least developed by the United Nations Conference on Trade and Development.

(d) Assistance provided under this section shall also be used in coordination with programs carried out under section 203 to help improve nutrition of the people of developing countries through encouragement of increased production of crops with greater nutritional value; improvement of planning, research, and education with respect to nutrition, particularly with reference to improvement and expanded use of indigenously produced foodstuffs; and the undertaking of pilot or demonstration programs explicitly addressing the problem of malnutrition of poor and vulnerable people. In particular, the Administrator is encouraged—

(1) to devise and carry out in partnership with developing nations a strategy for 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 programs.

(e) Agricultural research carried out under this Act shall—

(1) be carried out to the maximum extent practicable in developing countries;

(2) take account of the special needs of small farmers in the determination of research priorities, including research having a focus on small farm production systems rather than simply crop related;

(3) include research on the interrelationships among technology, institutions, and economic, social, and cultural factors affecting small farm agriculture; and

(4) make extensive use of field testing to adapt basic research to local conditions.

Special emphasis shall be placed on disseminating research results to the farms on which they can be put to use, and especially on institutional and other arrangements needed to assure that small farmers have effective access to both new and existing improved technology.

(f) In programing sales of commodities provided under the Agricultural Trade Development and Assistance Act of 1954, as amended, the Administrator shall give careful consideration to the impact of such sales on agricultural development policies and programs of the proposed recipient countries, with the particular objective of avoiding undue negative impact on a recipient country's policies pertaining to food commodity pricing, marketing and market access, land tenure, credit, and other key elements needed to increase domestic food production.

(g) Local currency proceeds from sales of commodities provided under the Agricultural Trade Development and Assistance Act of 1954, as amended, which are owned by foreign governments shall be used whenever practicable to carry out the provisions of this section.

SECTION 202

Purpose

Subsection 202(a) contains policies and authorizations of appropriations for agricultural, rural development, and nutrition assistance.

The subsection states that the purposes of this assistance are:

- (1) to alleviate starvation, hunger, and malnutrition;
- (2) to expand significantly the provision of basic services to the rural poor and to enhance the capacity of the rural poor for self-help;
- (3) to help meet the need to create productive employment in rural areas and to provide a more viable economic base and enhanced opportunities for improved incomes, living standards, and contributions by the rural poor to economic and social development.

Subsection 202(b) states that assistance provided under section 202 shall be used primarily for activities designed to increase the productivity or income of the rural poor. The subsection provides examples of means by which the income and productivity may be increased.

In subsection (c) Congress declares that human suffering and deprivation are widespread and growing in the poorest and most slowly developing countries. Congress concludes that the greatest potential for expanding the availability of food for people in rural areas and for augmenting world food production at relatively low cost lies in increasing the productivity of small farmers. Also, Congress states that increasing the emphasis on rural development and expanded food production in the poorest nations of the developing world is a matter of social justice, a principal element contributing to broadly based economic growth and an important factor in controlling inflation in the industrialized countries.

The subsection specifies that in the allocation of funds under this section, special attention shall be given to increasing agricultural production in the countries which have been classified as food priority countries by the World Food Council or which have been designated as relatively least developed by the United Nations Conference on Trade and Development.

Subsection (d) provides that in order to help improve the nutrition of people of developing countries, assistance provided under section 202 shall be coordinated with the health programs authorized under section 203. This subsection also encourages the Administrator, in partnership with developing nations, to provide support for individuals or groups at the local level for programs of nutrition and health improvement for mothers and children, including breast feeding.

Subsection (e) provides that agricultural research:

- (1) be carried out to the maximum extent practicable in developing countries;
- (2) take account of the special needs of small farmers;
- (3) include research on the interrelationships among technology institutions, and economic, social and cultural factors affecting small farm agriculture; and
- (4) make extensive use of field testing to adapt basic research to local conditions.

The subsection requires that special emphasis be placed on disseminating research to farmers and on institutional and other arrange-

ments needed to assure that small farmers have effective access to both new and existing improved technology.

Subsection (f) provides that careful consideration be given to the impact of sales of commodities under Public Law 480 on agricultural development policies and programs of recipient countries.

Subsection (g) requires that local currency proceeds owned by foreign governments, from sales of commodities provided under Public Law 480, be used wherever practicable to carry out the provisions of section 202.

Background

In recognition of the fact that the majority of poor people in developing countries live in rural areas and are dependent on agriculture and agricultural-related activities for their livelihoods, the section emphasizes rural development and increased farm productivity as principal means of improving the lives of the poor and contributing to national development. This section expands the concept now contained in FAA section 103 to a broader view of rural development, which takes into account the need for generating rural employment.

In order to improve the effectiveness of development assistance efforts, section 202 includes a provision requiring the coordination of nutrition efforts authorized under section 202 and health programs authorized under section 203. For similar reasons, subsection (f) requires careful consideration of the impact of the sales of commodities provided under Public Law 480 on agricultural development policies and programs of recipient countries.

In order to help insure that research funded by programs under the bill is more relevant to conditions in developing countries and to the needs of small farmers, subsection (e) (1) includes a requirement that agricultural research be carried out to the maximum extent practicable in developing countries. This provision is not included in the FAA.

SECTION 203

Text

SEC. 203. POPULATION AND HEALTH.—(a) The Congress recognizes that poor health conditions and uncontrolled population growth can vitiate otherwise successful development efforts. Large families in developing countries are the result of complex social and economic factors which change relatively slowly among the poor majority least affected by economic progress, as well as lack of effective birth control. Therefore, effective family planning depends upon economic and social change as well as the delivery of services, and is often a matter of political and religious sensitivity. While every country has the right to determine its own policies with respect to population growth, voluntary population planning programs can make a substantial contribution to economic development, higher living standards, and improved health and nutrition. Good health conditions are a principal element in improved quality of life and contribute to the individual capacity to participate in the development process.

(b) (1) In order to increase the opportunities and motivation for family planning and to reduce the rate of population growth, the Administrator is authorized to furnish assistance, on such terms and conditions as he may determine, for population planning. In addi-

tion to the provision of family planning information and services and the conduct of directly relevant demographic research, population planning programs shall emphasize motivation for small families through but not limited to, education in responsible parenthood, the development of roles alternative to motherhood for women, and the modification of economic and social conditions supportive of the desire for large families. Population planning programs shall be coordinated with other programs aimed at reducing the infant mortality rate, providing better nutrition for pregnant women and infants, and raising the standard of living of the poor.

(2) There are authorized to be appropriated to the Administrator for the purposes of this subsection, in addition to funds otherwise available for such purposes, \$_____ for the fiscal year 1979, which amount is authorized to remain available until expended.

(c) (1) Assistance under this chapter shall be administered so as to give particular attention to the interrelationship between (a) population growth, and (b) development and overall improvement in living standards in developing countries and to the impact of all programs, projects, and activities on population growth. All appropriate activities proposed for financing under this chapter shall be designed to build motivation for smaller families in programs such as education in and out of school, nutrition, disease control, maternal and child health services, agricultural production, rural development, and assistance to the urban poor.

(2) The Administrator is authorized to study the complex factors affecting population growth in developing countries and to identify factors which might motivate people to plan family size or to space their children.

(d) (1) None of the funds made available to carry out this chapter may be used to pay for the performance of abortions as a method of family planning or to coerce any person to practice abortions.

(2) None of the funds made available to carry out this chapter may be used to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo involuntary sterilizations.

(e) (1) In order to prevent and combat disease and to improve health conditions for the great majority, the Administrator is authorized to furnish assistance on such terms and conditions as he may determine for health, health education, disease prevention, and environmental sanitation.

(2) There are authorized to be appropriated to the Administrator for the purposes of this subsection, in addition to funds otherwise available for such purposes, \$_____ for the fiscal year 1979, which amount is authorized to remain available until expended.

(f) The provision of health and family planning services through assistance under this section shall emphasize low-cost integrated delivery systems, especially to rural areas and to the poorest people using paramedical and auxiliary medical personnel, clinics and health posts, commercial distribution systems and other modes of community outreach.

Purpose

Subsection 203(a) includes the findings that poor health conditions and uncontrolled population growth can vitiate otherwise suc-

cessful development efforts. The subsection also contains the findings that large families are the result of complex social and economic factors which change slowly, as well as lack of effective birth control. The Congress concludes that effective family planning depends upon economic and social change as well as the delivery of service and finds that family planning is often a matter of political and religious sensitivity. The subsection states that every country has the right to determine its own population policies, but the Congress finds that voluntary population planning programs can make a substantial contribution to economic development, higher living standards, and improved health and nutrition. The subsection also includes the finding that good health conditions are a principal element in improved quality of life and that good health conditions contribute to the individual capacity to participate in the development process.

Subsection (b) contains the purposes and the authorization of appropriations for population assistance. The purposes of population assistance are to increase the opportunities and motivation for family planning and to reduce the rate of population growth.

The subsection also specifies the areas of emphasis of population assistance and directs that population planning programs be coordinated with programs which increase the acceptability such as those aimed at reducing the infant mortality rate, providing better nutrition for pregnant women and infants, and raising the standard of living of the poor.

Subsection (c) provides that assistance under chapter II shall be administered so as to give particular attention to the interrelationship between population growth and development and overall improvement in living standards in developing countries and to the impact of all programs, projects, and activities on population growth. The subsection requires that all appropriate activities proposed for financing under chapter II be designed to build motivation for smaller families.

Subsection (c) also authorizes the Administrator to study the complex factors affecting population growth in developing countries and to identify factors which might motivate people to plan family size or to space their children.

Subsection (d) (1) provides that none of the funds made available to carry out chapter II may be used to pay for the performance of abortions as a method of family planning or to coerce any person to practice abortions. Subsection (d) (2) states that none of the funds made available to carry out chapter II may be used to pay for the performance of involuntary sterilizations as a method of family planning or to coerce or provide any financial incentive to any person to undergo involuntary sterilizations.

Subsection (e) provides the purposes and authorization of appropriations for health assistance. The purposes of health assistance are to prevent and combat disease and to improve health conditions for the great majority.

Subsection (f) requires that health and family planning services provided under this section emphasize low-cost integrated delivery systems, especially in rural areas and to the poorest people through the use of means specified in the subsection.

Background

The population planning provisions of section 203 are derived principally from FAA sections 104, 114, and 291. The health provisions are principally derived from FAA section 104(b)-(c).

In section 203, the Congress explicitly recognizes that poor health conditions and uncontrolled population growth can vitiate development efforts and that the economic, social and physical circumstances in which people live directly affect the size of their families. Therefore, the section requires close coordination between family planning and other development efforts in general and health assistance in particular.

The section changes the emphasis from FAA section 104 which stresses delivery of contraceptives with less emphasis on other aspects of population programs. Section 203 explains the need for development assistance programs to address the social and economic factors which lead people in developing countries to need and desire large families.

Subsections 203(d)(1) and (2) relating to prohibitions on assistance for abortions and sterilizations are modified versions of FAA section 114. Subsection 203(d)(1) provides that none of the funds made available to carry out chapter II may be used to pay for the performance of abortions as a method of family planning or to coerce any person to practice abortions. By contrast, the prohibition in FAA section 114 applies to all programs in part I of the FAA. The principal difference in coverage between chapter II of the bill and part I of the FAA is that part I of the FAA includes security supporting assistance (by reference) and American schools and hospitals abroad, while chapter II of the bill does not. In addition, section 203(d)(1) of the bill does not include the prohibition against motivation of persons to practice abortions which is included in FAA section 114. That prohibition of the FAA which might call into question the provisions of overall medical advice not related to family planning, is omitted from the bill. New subsection (d)(1) continued to ban the use of funds to pay for abortions as a method of family planning, or to coerce any person to practice abortions.

Subsection 203(d)(2), relating to sterilizations, also refers to chapter II of the bill instead of programs in part I of the FAA. This subsection includes a prohibition against providing any financial incentive to any person to undergo involuntary sterilization. This is a change from FAA subsection 114(b) which prohibits providing any financial incentive to any person to practice sterilizations.

FAA subsection 114(b) could be interpreted to mean that no assistance could be provided to programs which pay salaries for doctors who, among other medical activities, conduct sterilizations. Consequently, the language is changed from "practice sterilizations" to "undergo sterilizations." The intent of FAA subsection 114(b) was also to prevent the use of incentives to promote involuntary sterilizations. However, since the word "involuntary" was not repeated, the

provision could be interpreted to prevent the provision of incentives for voluntary sterilizations as well.

SECTION 204

Text

SEC. 204. EDUCATION, DEVELOPMENT ADMINISTRATION, AND HUMAN RESOURCES DEVELOPMENT.—(a) In order to reduce illiteracy, to extend basic education, and to increase manpower training and organizational capabilities in skills related to development, the Administrator is authorized to furnish assistance on such terms and conditions as he may determine, for education, development administration, and human resource development. There are authorized to be appropriated to the Administrator for the purposes of this section, in addition to funds otherwise available for such purposes, \$ _____ for fiscal year 1979, which amount is authorized to remain available until expended.

(b) Assistance provided under this section shall be used—

(1) to expand and strengthen nonformal education methods, especially those designed to improve productive skills of rural families and the urban poor and to provide them with useful information; and

(2) to increase the relevance of formal education systems to the needs of the poor, especially at the primary level, through reform of curricula, teaching materials and teaching methods, and improved teacher training; and

(3) to strengthen capabilities of country and regional institutions with respect to program planning, management, and technical expertise to permit them to address more effectively and comprehensively problems of poor people and enable the poor to participate in development.

Purpose

Section 204 (a) contains the authorization of appropriations and the purposes of assistance for education, development administration, and human resources development. The purposes of this assistance are to reduce illiteracy, to extend basic education, and to increase manpower training and organizational capabilities in skills related to development.

Section 204 (b) provides that assistance under this section shall be used to expand and strengthen non-formal education methods; to increase the relevance of formal education systems to the needs of the poor; and to strengthen capabilities of country and regional institutions with respect to program planning, management, and technical expertise.

Background

The only substantive difference between section 204 and FAA section 105, from which it was derived, is an increased emphasis on assistance for improving the administrative capability of recipient countries and regional institutions for development purposes.

SECTION 205

Text

SEC. 205. SELECTED DEVELOPMENT PROGRAMS.—(a) The Congress recognizes that the diversity and complexity of the development proc-

ess requires a broad spectrum of efforts beyond the scope of the activities authorized by sections 202 through 204 of this Act. The Congress finds that full and effective implementation of United States development assistance policy established in section 201 may require the provision of assistance for activities that complement and enhance programs authorized by sections 202 through 204 of this Act. Accordingly, the Administrator is authorized to furnish assistance, on such terms and conditions as he may determine, for the following activities:

(1) Programs to help developing countries alleviate their energy problems by increasing their production and conservation of energy, through such means as research and development of suitable energy sources including relatively small scale, decentralized, renewable energy sources, conservation methods, collection and analysis of information concerning countries' potential supplies of and needs for energy, and pilot projects to test new or unconventional methods of production or conservation of energy, with due priority to be accorded to earliest practicable development and use of energy technologies which are environmentally acceptable, require minimum capital investment, are most acceptable to and affordable by the people using them, are simple and inexpensive to use and maintain, and are widely and easily transferable from one region of the world to another.

(2) Programs for developing and strengthening the capacity of developing countries to protect and manage their environment and natural resources, particularly to maintain and where possible restore the land, vegetation, water, and other resources upon which depend economic growth and human well-being, especially that of the poor.

(3) Programs of research into, and evaluation of, the process of economic development in developing countries and areas, the factors affecting the relative success and costs of development activities, and into the means, techniques, and such other aspects of development assistance as the Administrator may determine in order to render such assistance of increasing value and benefit.

(4) Programs in cooperation with developing countries to promote the development and dissemination of intermediate and other technologies appropriate for developing countries.

(5) Programs of urban development, with particular emphasis on adequate housing and related basic services in conjunction with housing investment guaranties authorized in section 332: small, labor intensive enterprises; marketing systems for small producers; and financial and other institutions which enable the urban poor to participate in the economic and social development of their country.

(6) Programs of reconstruction following natural or manmade disasters.

(7) Programs designed to help solve special problems of development in the relatively least developed countries, as determined by the United Nations Conference on Trade and Development, caused by inadequate physical infrastructure, including the absence of effective transportation and communications systems.

(8) Programs of technical cooperation and development, particularly the efforts of regional and international development organizations.

(b) There are authorized to be appropriated to the Administrator for the purposes of this section, in addition to funds otherwise available for such purposes, for the fiscal year 1979 \$ _____ which amount is authorized to remain available until expended.

Purpose

Section 205 provides the purposes and authorization of appropriations to undertake selected development programs.

In subsection 205(a), the Congress recognizes that the diversity and complexity of the development process requires a broad spectrum of efforts beyond the scope of the activities authorized by sections 202 through 204 of the bill. The Congress finds that full and effective implementation of U.S. development assistance policies may require the provision of assistance for activities that complement and enhance programs authorized by sections 202 through 204 of the bill.

The subsection authorizes the Administrator to furnish assistance for programs:

(1) To help developing countries alleviate energy problems by increasing production and by conservation of energy;

(2) For developing and strengthening the capacity of developing countries to protect and manage their environment and natural resources;

(3) Of research and evaluation concerning the process of economic development in developing countries;

(4) To promote the development and dissemination of intermediate and other technologies appropriate for developing countries;

(5) Of urban development;

(6) Of reconstruction following natural or manmade disasters;

(7) Designed to help solve special problems of development in the relatively least developed countries caused by inadequate physical infrastructure, and

(8) Of technical cooperation and development.

Background

Section 205 provides the authorities to undertake selected development programs. In this section, the Congress explicitly recognizes that the achievement of the goals and objectives established in section 201 and the full and effective implementation of programs and activities authorized under sections 202 through 204 may require the provision of assistance for activities authorized in section 205.

The provisions of this section are not intended to limit the furnishing of assistance to simultaneous implementation with programs and activities authorized under sections 202 through 204. The principal test of whether assistance authorized under this section may be provided is one of complementarity with the kinds of programs authorized under sections 202 through 204; and the opportunity to enhance such programs.

The most significant difference between the bill and the corresponding provisions of the FAA is in subsection 205(a)(5). This subsection includes authority for programs of urban development with particular emphasis on adequate housing and related basic services in conjunction with housing investment guaranties authorized under section 332 of the bill. The FAA includes no such reference. Subsection 205(a)(5)

represents a substantial expansion of authority (other than guaranty authority) to undertake urban housing programs.

SECTION 206

Text

SEC. 206. ASSISTANCE TO UNITED STATES RESEARCH AND EDUCATIONAL INSTITUTIONS.—Not to exceed \$ _____ of funds made available in any fiscal year under this chapter may be used for assistance, on such terms and conditions as the Administrator may specify, to research an educational institutions in the United States for the purpose of strengthening their capacity to develop and carry out programs concerned with the economic and social development of developing countries.

Purpose

This section permits the Administration to assist U.S. educational and research institutions to strengthen their capacity to develop and carry out programs concerned with the economic and social development of developing countries. The subsection also provides a dollar limit on the amount of funds so used in any fiscal year.

Background

This section corresponds to section 211(d) in the FAA. In fiscal year 1977, AID committed \$3.7 million to this program.

SECTION 207

Text

SEC. 207. COST-SHARING AND FUNDING LIMITS.—(a) No assistance may be furnished by the United States Government to a country under sections 202 through 205 of this Act until the country provides assurances to the Administrator, and the Administrator is satisfied, that such country makes a significant contribution to the cost of the entire program, project, or activity with respect to which such assistance is to be furnished. A significant contribution may be financial or "in kind," such as provision of personnel or other local resources needed for the execution of the program or project.

(b) No grant assistance shall be disbursed by the United States Government under sections 202 through 205 for a project, for a period exceeding four consecutive years, without further justification satisfactory to the Congress and efforts being made to obtain increased sources of financing within the recipient country.

Purpose

Subsection (a) provides that no grant or loan assistance may be furnished to a country under sections 202 through 205 until the country provides satisfactory assurances to the Administrator that the country will make a significant contribution to the cost of the entire program, project, or activity for which the assistance is to be furnished. The significant contribution may be financial or "in kind," and should relate to the ability of a developing country to contribute.

Subsection (b) provides that no grant assistance shall be disbursed by the U.S. Government under sections 202 through 205 for a project for more than 4 consecutive years without further justification satis-

factory to the Congress and without efforts being made to obtain increased sources of financing for the project within the recipient country.

Background

Subsection 207(a) requires that recipient countries share the cost of projects. This is intended to serve a dual purpose. First, it reduces the U.S. financial share. Second, the subsection is intended to serve as a test of the commitment of the recipient government to the project. The second purpose includes the recognition that the interest and commitment of the recipient government is a key element in the success or failure of a project. The level of the contribution should be related to the capacity of the country.

Subsection 207(a) does, however, take into account the range of financial circumstances which prevail among recipient countries. For instance, it provides that the required significant contribution may be made "in kind." "In-kind" contributions might include the provision of personnel or other local resources needed for the execution of the program or project.

Subsection 207(a) was derived from FAA section 110(a), which provided that the contribution of the recipient country must be at least 25 percent. FAA section 110(a) also provided a waiver for relatively least developed countries based on the UNCTAD. This waiver is not included in section 207(a) of the bill, but a similar provision is contained in section 208(d).

Subsection 207(b) applies only to grant assistance provided under sections 202 through 205. The provision limits the length of time the United States may finance a grant project without further congressional review and without efforts to find alternate sources of financing.

This subsection was derived from FAA section 110(b). FAA section 110(b) limits U.S. contributions to 36 consecutive months, while section 207(b) of the bill provides a 48-month limit. Like FAA section 110(b), section 207(b) applies to grant assistance furnished for capital projects, such as construction, but will not affect technical aid.

FAA section 110(b) also provides that efforts to obtain financing include other foreign countries and multilateral organizations. Section 207(b) of the bill refers only to sources within the recipient country.

SECTION 208

Text

SEC. 208. RELATIVELY LEAST DEVELOPED COUNTRIES.—(a) Countries determined to be relatively least developed based on the United Nations Conference on Trade and Development list of "relatively least developed countries" are characterized by extreme poverty, very limited infrastructure, and limited administrative capacity to implement basic human needs growth strategies. In such countries special measures may be necessary to insure the full effectiveness of assistance furnished under sections 202 through 205.

(b) For the purpose of promoting economic growth in these countries, the Administrator is authorized and encouraged, notwithstanding any other provision of the law, to make assistance under this chapter available on a grant basis to the maximum extent that is consistent with the attainment of United States development objectives.

(c) The Congress recognizes that the relatively least developed countries have virtually no access to private international capital markets, and that action to ease their debt service burden arising from official development assistance will be most unlikely to affect the operations of the private banking system. Insofar as possible prior assistance terms should be consistent with present grant assistance terms for relatively least developed countries. Therefore, the Administrator may on a case-by-case basis, taking into account the balance of payments situation of each relatively least developed country, and notwithstanding the provisions of section 767(c), waive interest payments on past indebtedness incurred under this Act and predecessor legislation, and direct that payments on principal due on such past indebtedness be paid, in equivalent amounts in local currencies as determined by the official exchange rate for United States dollars, into local currency accounts. Such funds shall be used by the developing country, with the concurrence of the Administrator, for activities which are consistent with section 201.

(d) The Administrator may waive all or part of the requirements of section 207(a) on a case-by-case basis for financial or "in kind" contributions in the case of projects or activities in relatively least developed countries which might otherwise be required by section 207(a).

(e) Section 207(b) shall not apply with respect to grants to relatively least developed countries.

(f) Notwithstanding the provisions of section 742 the Administrator may, in concert with other donors, waive procurement requirements with respect to the relatively least developed countries so that they are able to purchase needed goods and services on the most favorable terms on a worldwide basis. The Administrator shall submit a report to the Congress on the efforts to achieve a concerted procurement policy with donors of the Overseas Economic Cooperation and Development countries, and its estimated effect on the United States economy, in the annual report to the Congress required by section 781.

Purpose

This section provides special authorities to adapt U.S. bilateral assistance to the special economic circumstances of the least developed countries.

Throughout this section, and elsewhere in the bill, reference is made to the list of relatively least developed countries prepared by the United Nations Conference on Trade and Development. This list is revised periodically, and it is on the basis of this list that the Administrator determines for purposes of this section which countries are relatively least developed.

Subsection 208(a) states that countries determined by UNCTAD are characterized by extreme poverty, very limited infrastructure, and limited administrative capacity to implement basic human needs growth strategies. In such countries special measures may be necessary to insure the full effectiveness of assistance furnished under sections 202 through 205.

Subsection 208(b) authorizes and encourages the Administrator, notwithstanding any other provision of the law, to make assistance

provided under chapter II available on a grant basis to the maximum extent consistent with the attainment of U.S. development objectives.

In subsection 208(c), Congress recognizes that relatively least developed countries have virtually no access to private international capital markets. The Congress also recognizes that action to ease the debt service burdens arising from official development assistance will be most unlikely to affect the operations of the private banking system. Insofar as possible, prior terms of assistance should be made consistent with present grant assistance terms for relatively least developed countries. Therefore, the subsection provides the Administrator with the authority to waive interest payments on past indebtedness incurred under this bill and predecessor legislation, and the authority to direct that payments on principal due on such past indebtedness be paid, in equivalent amounts in local currency as determined by the official exchange rate for U.S. dollars, into local currency accounts. These funds shall be used by the developing country, with the concurrence of the Administrator, for activities which are consistent with section 201 of the bill. The Administrator is to utilize these authorities on a case-by-case basis, taking into account the balance-of-payments situation of each relatively least developed country. These authorities are provided notwithstanding the provisions of section 767(c) of the bill which prohibit granting relief of liability for the repayment of any part of the principal of or interest on loans made under authority of this bill or of the FAA.

Subsection 208(d) provides the Administrator with the authority to waive on a case-by-case basis, for relatively least developed countries, all or part of the requirements of section 207(a) relating to significant contributions by recipient governments.

Subsection 208(e) states that section 207(b), relating to the 4-year limitation on grant assistance, does not apply with respect to relatively least developed countries.

Subsection 208(f) provides that notwithstanding the provisions of section 742 relating to procurement, the Administrator may, in concert with other donors, waive procurement requirements with respect to the relatively least developed countries so that they are able to purchase needed goods and services on the most favorable terms on a worldwide basis. The subsection requires the Administrator to submit a report to the Congress on the efforts to achieve a concerted procurement policy with donors of the Organization for Economic Cooperation and Development countries, and its estimated effect on the U.S. economy, in the annual report to the Congress required by section 781.

Background

A major emphasis of the bill is to indicate that countries at differing stages of development require different forms of development assistance (see, for example, sec. 102). Section 208 provides a series of special measures for the poorest developing countries which are recipients of U.S. development assistance.

Several provisions are not new. Subsection 208(b) is based on FAA subsection 102(e). Subsections 208(d) and (e) are substantively identical to portions of FAA subsections 110(a) and (b), respectively.

Subsection 208(c), on debt, is new. The International Development and Food Assistance Act of 1977 added section 102(e) to the

FAA, authorizing the President to provide grant assistance to the poorest developing countries to the maximum extent. This section has been included as subsection 208(b) in the bill. As it would be somewhat anomalous to maintain a policy of grants to the poorest countries while still collecting payments for past debts, subsection 208(c) allows the Administrator to waive interest payments on those debts and to accumulate payments of principal into local currency accounts which can be expended on development projects approved by the Administrator. This would bring past policy into conformity with current policy. The RLDC's debts to the United States resulting from programs under the FAA or predecessor legislation amounts to \$512 million as of the end of 1977, which has a discounted present value of approximately \$170 million. Debt service payments for 1978 amount to \$6.8 million. They will peak in 1990 at \$27 million. Developing countries which account for most U.S. official debt—India, Pakistan, and Egypt—are not among the list of relatively least developed.

Subsection 208(f) is also new. Under current AID policy, grant funds for the relatively least developed countries may be utilized for procurement in the United States or developing country. Subsection 208(f) would continue this policy, but would also allow procurement from developed countries on a reciprocal basis. Under the FAA, procurement from other developed countries can only take place on the basis of a special waiver (FAA 604(a)) which is now contained in section 742(a) of the bill. The most logical means of obtaining such reciprocal procurement policy treatment among donor countries would be through a common agreement among the OECD countries. The section requires a report by the Administrator of the likely effects on the U.S. economy of such a common agreement.

SECTION 209

Text

SEC. 209. SAHEL DEVELOPMENT PROGRAM.—(a) The Administrator is authorized to furnish assistance, on such terms and conditions as he may determine, for the long-term development of the Sahel region. Assistance furnished under this section shall be in accordance with a long-term, multidonor development plan which calls for equitable burden sharing with other donors and shall be furnished, whenever appropriate, in cooperation with an international coordinating mechanism.

(b) The Administrator shall prepare an annual report on the Sahel development program concerning the allocation of the United States contribution to the program, the extent of the contributions from other donor countries, the effectiveness of the integrated effort through the Club du Sahel, and the progress made in achieving the objectives of the program.

(c) There are authorized to be appropriated to the Administrator for purposes of this section, beginning in the fiscal year 1978, in addition to funds otherwise available for such purposes, \$200,000,000. Amounts appropriated under this section are authorized to remain available until expended.

Purpose

Subsection 209(a) provides the authority to furnish assistance for the long-term development of the Sahel region. The assistance fur-

nished under this section shall be in accordance with a long-term, multidoor development plan which calls for equitable burden-sharing with other donors and shall be furnished, whenever appropriate, in cooperation with an international coordinating mechanism.

Subsection 209(b) requires the Administrator to prepare an annual report on the Sahel development program concerning the allocation of U.S. contributions to the program, the extent of the contributions from other donor countries, the effectiveness of the integrated effort through the Club du Sahel, and the progress made in achieving the objectives of the program.

Subsection 209(c) authorizes to be appropriated to the Administrator for the purposes of section 209, beginning in fiscal year 1978, \$200 million with amounts appropriated under this section authorized to remain available until expended.

Background

Section 209 provides the authorities for the Sahel development program. The section is derived from FAA section 121. FAA section 120 provided for planning a long-term development program for the Sahel. The planning having been undertaken, the section is no longer necessary. Of the \$200 million authorized, \$50 million was appropriated in fiscal year 1978.

TITLE II—STRENGTHENING INSTITUTIONAL CAPACITY FOR AGRICULTURAL DEVELOPMENT

SECTION 221

Text

SEC. 221. GENERAL PROVISIONS.—(a) The Congress declares that the United States should strengthen the capacities of the United States land-grant and other eligible universities in program-related agricultural institutional development and research, consistent with section 202, should improve their participation in the United States Government international efforts to apply more effective agricultural sciences to the goal of increasing world food production, and, in general, should provide increased and longer term support to the application of science to solving food and nutrition problems of the developing countries.

The Congress so declares because it finds—

(1) that the establishment, endowment, and continuing support of land-grant universities in the United States by Federal, State, and county governments has led to agricultural progress in this country;

(2) that land-grant and other universities in the United States have demonstrated over many years their ability to cooperate with foreign agricultural institutions in expanding indigenous food production for both domestic and international markets;

(3) that, in a world of growing population with rising expectations, increased food production and improved distribution, storage, and marketing in the developing countries is necessary not only to prevent hunger but also to build the economic base for growth, and moreover, that the greatest potential for increasing world food supplies is in the developing countries where the gap between food need and food supply is the greatest and current yields are lowest;

(4) that increasing and making more secure the supply of food is of greatest benefit to the poorest majority in the developing world;

(5) that research, teaching, and extension activities, and appropriate institutional development therefor are prime factors in increasing agricultural production abroad, as well as in the United States, and in improving food distribution, storage, and marketing;

(6) moreover, that agricultural research abroad has in the past and will continue in the future to provide benefits for agriculture in the United States and that increasing the availability of food of higher nutritional quality is of benefit to all; and

(7) that universities need a dependable source of Federal funding, as well as other financing, in order to expand, or in some cases to continue, their efforts to assist in increasing agricultural production in developing countries.

(b) Accordingly, the Congress declares that, in order to prevent famine and establish freedom from hunger, various components must be brought together in order to increase world food production, including—

(1) strengthening the capabilities of universities to assist in increasing agricultural production in developing countries;

(2) institution-building programs for development of national and regional agricultural research and extension capacities in developing countries which need assistance;

(3) international agricultural research centers;

(4) contract research; and

(5) research program grants.

(c) The United States should—

(1) effectively involve the United States land-grant and other eligible universities more extensively in each component;

(2) provide mechanisms for the universities to participate and advise in the planning, development, implementation, and administration of each component; and

(3) assist such universities in cooperative joint efforts with—

(A) agricultural institutions in developing countries, and

(B) regional and international agricultural research centers,

directed to strengthening their joint and respective capabilities and to engage them more effectively in research, teaching, and extensive activities for solving problems in food production, distribution, storage, marketing, and consumption in agriculturally underdeveloped countries.

(d) As used in this title, the term "universities" means those colleges or universities in each State, territory, or possession of the United States, or the District of Columbia, now receiving, or which may hereafter receive, benefits under the Act of July 2, 1862 (known as the First Morrill Act), or the Act of August 30, 1890 (known as the Second Morrill Act), which are commonly known as land-grant universities; institutions now designated or which may hereafter be designated as sea-grant colleges under the Act of October 15, 1966 (known as the National Sea Grant College and Program Act), which are com-

monly known as sea-grant colleges; and other United States colleges and universities which—

(1) have demonstrable capacity in teaching, research, and extension activities in the agricultural sciences; and

(2) can contribute effectively to the attainment of the objectives of this title.

Purpose

Subsection 221(a) contains a congressional declaration that, in order to prevent famine and establish freedom from hunger, the United States should strengthen the capacities of land-grant and other U.S. universities eligible under this title in program-related agricultural institutional development and research; should improve the participation of these universities in U.S. governmental efforts internationally to apply agricultural sciences more effectively to increasing world food production; and should provide increased and longer term support to the application of science to solving developing countries' food and nutrition problems. The strengthening of university capacities is to be consistent with section 202 of the bill, which sets forth development assistance policy for agriculture, rural development, and nutrition and for agricultural research.

The declaration is based on congressional findings that (1) governmental creation and support of land-grant universities has promoted U.S. agricultural progress; (2) U.S. universities long have shown their ability to cooperate with foreign agricultural institutions in expanding food production abroad; (3) the greatest potential for increasing food production is in the developing countries, and that such increase is necessary not only to prevent hunger but to build the base for economic growth; (4) increasing the supply and security of supply of food is of greatest benefit to the poorest majority in the developing world; (5) research, teaching, and extension work, and institutional development to this end are prime factors in increasing food production abroad; (6) agricultural research abroad has and will continue to provide benefits for U.S. agriculture and food benefits to all; and (7) universities need a dependable source of Federal and other financing in order to expand or continue their efforts to help in increasing agricultural production in developing countries.

In subsection 221(b) Congress declares that various components must be brought together to increase world food production, including: (1) strengthening the capabilities of universities to aid in increasing agricultural production in developing countries; (2) institution-building programs in developing countries which need assistance; (3) international agricultural research centers; (4) contract research; and (5) grants for research programs.

In reference to (1) above, capacity-strengthening assistance to universities under this title is to relate only to overseas development responsibility and is to be limited to instances where university capacity is clearly lacking and is clearly required for the purposes of this title. The reference to need for assistance in (2) of this subsection relates to financial need, the intent being to rule out such assistance under this title to countries such as oil-exporting states which do not require external financial aid.

Subsection 221 (c) calls on the United States to (1) involve U.S. universities more extensively in each component named in subsection 221 (b); (2) provide mechanisms for the eligible universities to participate and advise on the planning, development, implementation, and administration of each component; and (3) assist the universities in cooperative joint efforts with agricultural institutions in developing nations, and with regional and international agricultural research centers, these efforts being directed to strengthening their capabilities to engage more effectively in research, teaching, and extension work for solving food production, distribution, storage, marketing, and consumption problems in agriculturally underdeveloped nations.

Subsection 221(d) defines the term "universities" as used in this title. The term means those colleges or universities throughout the United States and its possessions which receive benefits under the First or Second Morrill Acts, commonly known as "land-grant" universities, and other U.S. universities which (1) have demonstrable capacity in teaching, research, and extension activities in the agricultural sciences, and (2) can contribute effectively to the objectives of this title.

The term "extension activities" in subparagraph (1) of this subsection includes such activities as training, educational and technical assistance to farmers; field trials; operation of demonstration farms; field days for farmers, homemakers, or youth; extension courses for noncollege credit; and educational and technical workshops. It does not mean that a university must have a Cooperative Extension Service as established under the Smith-Lever Act of 1914. It does mean that the university must have "demonstrable capacity" and experience with extension activities and their interrelationship with teaching and research.

Background

This section is essentially identical to section 206. Reference to a specific goal to "prevent famine and establish freedom from hunger" has been deleted, so that the title more closely reflects the broader goals of section 202: "Agriculture and Food Production, Rural Development and Nutrition."

SECTION 222

Text

SEC. 222. GENERAL AUTHORITY.—(a) To carry out the purposes of this title, the Administrator is authorized to provide assistance on such terms and conditions as he shall determine—

(1) to strengthen the capabilities of universities in teaching, research, and extension work to enable them to implement current programs authorized by paragraphs (2) through (5), and those proposed in the report required by section 225;

(2) to build and strengthen the institutional capacity and human resources skills of agriculturally developing countries so that such countries may participate more fully in the international agricultural problem-solving effort and to introduce and adapt new solutions to local circumstances;

(3) to provide program support for long-term collaborative university research on food production, distribution, storage, marketing, and consumption;

(4) to involve universities more fully in the international network of agricultural science, including the international research centers, the activities of international organizations such as the United Nations Development Program and the Food and Agriculture Organization, and the institutions of agriculturally developing nations; and

(5) to provide program support for international agricultural research centers, to provide support for research projects identified for specific problem-solving needs, and to develop and strengthen national research systems in the developing countries.

(b) Programs under this title shall be carried out so as—

(1) utilize and strengthen the capabilities of universities in—

(A) developing capacity in the cooperating country for classroom teaching in agriculture, plant and animal sciences, human nutrition, and vocational and domestic arts, and other relevant fields appropriate to local needs;

(B) agricultural research to be conducted in the cooperating countries, at international agricultural research centers, or in the United States;

(C) the planning, initiation, and development of extension services through which information concerning agriculture and related subjects will be made available directly to farmers and farm families in the agriculturally developing countries by means of education and demonstration; or

(D) the exchange of educators, scientists, and students for the purpose of assisting in successful development of the cooperating nations;

(2) take into account the value to the United States agriculture of such programs, integrating to the extent practicable the programs and financing authorized under this title with such programs as are supported by other Federal or State resources so as to maximize the contribution to the development of agriculture in the United States and in agriculturally developing nations; and

(3) whenever practicable, build on existing programs and institutions, including those of the universities and the Departments of Agriculture and Commerce.

(c) To the maximum extent practicable, activities under this section shall—

(1) be designed to achieve the most effective interrelationship among the teaching of agricultural sciences, research, and extension work;

(2) focus primarily on the needs of agricultural producers;

(3) be adapted to local circumstances; and

(4) be carried out within the developing countries.

Purpose

Subsection 222(a) authorizes the Administrator to provide assistance on such terms and conditions as he shall determine, to:

(1) Strengthen the capabilities of universities in teaching, research, and extension work to enable them to carry out current programs authorized by paragraphs (2), (3), (4), and (5) of this subsection, and those projected for the next 5 years as men-

tioned in the annual report required by section 225 of this title.

(2) Build the institutional and human resource capacities of developing countries so they can participate more fully in the international agricultural problem-solving effort and supply new solutions to local circumstances;

(3) Provide support for long-term research on food production, distribution, storage, marketing, and consumption, which is undertaken by universities in a collaborative manner.

(4) Involve universities more fully in the international network of agricultural science, including activities of the international research centers and international organizations such as the United Nations Development Program and the Food and Agriculture Organization, and with the institutions of agriculturally developing nations;

(5) Provide support for international agricultural research centers, for research projects designed to solve specific problems, and to develop and strengthen national research systems in developing countries.

Subsection 222(b) requires that programs under this title shall be carried out so as to:

(1) Use and strengthen the capabilities of universities in (A) developing capacities in the developing nations for teaching in agriculture and relevant fields appropriate to local needs; (B) agricultural research in the developing countries, at international agricultural research centers, or in the United States; (C) the planning, initiation, and development of extension services in developing nations; or (D) educational and scientific exchanges for assisting in development in developing countries;

(2) Take into account the value of such programs to U.S. agriculture, integrating them so far as practical with other U.S. Federal- or State-supported programs so as to maximize their contribution to agricultural development in the United States and in the developing countries; and

(3) Build on existing programs and institutions including those of the universities and the U.S. Department of Agriculture, whenever practicable.

Subsection 222(c) requires that to the maximum practicable extent, the activities under this section shall (1) be designed for the most effective interrelationship between teaching, research, and extension work in agriculture, (2) focus primarily on the needs of farmers, and (3) be adapted to local circumstances.

Background

Section 222 is essentially identical to FAA section 297.

SECTION 223

Text

SEC. 223. BOARD FOR INTERNATIONAL FOOD AND AGRICULTURE DEVELOPMENT.--(a) To assist in the administration of the programs authorized by this title, the President shall establish a permanent Board for International Food and Agricultural Development (hereafter in this title referred to as the "Board") consisting of seven members, of whom not less than four to be shall be appointed from

the universities. Terms of members shall be set by the President at the time of appointment. Members of the Board shall be entitled to such reimbursement for expenses incurred in the performance of their duties (including per diem in lieu of subsistence while away from their homes or regular place of business) as the Administrator deems appropriate.

(b) The Board's general areas of responsibility shall include, but not be limited to—

- (1) participating in the planning, development, and implementation of,
- (2) initiating recommendations for, and
- (3) monitoring of,

the activities described in section 222.

(c) The Board's duties shall include, but not necessarily be limited to—

(1) participating in the formulation of basic policy, procedures, and criteria for project proposal review, selection, and monitoring;

(2) developing and keeping current a roster of universities—

(A) interested in exploring their potential for collaborative relationships with agricultural institutions, and with scientists working on significant programs designed to increase food production in developing countries,

(B) having capacity in the agricultural sciences,

(C) able to maintain an appropriate balance of teaching, research, and extension functions,

(D) having capacity, experience, and commitment with respect to international agricultural efforts, and

(E) able to contribute to solving the problems addressed by this title;

(3) recommending which developing countries could benefit from programs carried out under this title, and identifying those nations which have an interest in establishing or developing agricultural institutions which engage in teaching, research, or extension activities;

(4) reviewing and evaluating memoranda of understanding or other documents that detail the terms and conditions between the Administrator and universities participating in programs under this title;

(5) reviewing and evaluating agreements and activities authorized by this title and undertaken by universities to assure compliance with the purposes of this title;

(6) recommending to the Administrator the apportionment of funds under section 222 of this title; and

(7) assessing the impact of programs carried out under this title in solving agricultural problems in the developing countries.

(d) The Administrator may authorize the Board to create such subordinate units as may be necessary for the performance of its duties, including but not limited to the following:

(1) a Joint Research Committee to participate in the administration and development of the collaborative activities described in section 222(a)(3); and

(2) a Joint Committee on Country Programs which shall assist in the implementation of the bilateral activities described in sections 222(a)(2), 222(a)(4), and 222(a)(5).

(e) In addition to any other functions assigned to and agreed to by the Board, the Board shall be consulted in the preparation of the annual report required by section 225 and on other agricultural development activities related to programs under this title.

Purpose

Subsection 223(a) states that the President shall establish a Board for International Agricultural Development to assist in administering the programs authorized by this title. The Board is to consist of seven members. Not less than four are to be chosen from the universities. One of the seven shall be from a non-land-grant university. The Board is to be permanent, and thus not subject to the 2-year expiration requirement of the Federal Advisory Committee Act. The President is to set terms of members at the time of appointment. Board members will be entitled to reimbursement for expenses incurred in performance of their duties.

Subsection 223(b) includes in the Board's responsibilities the participation in the planning, development, and implementation of the initiation of recommendations for, and the monitoring of, the activities set forth under section 222 (General Authority) of this title.

Subsection 223(c) includes in the Board's duties: (1) participation in formulating policy, procedures, and criteria for project proposal review, selection, and monitoring; (2) maintaining a current roster of universities interested in and capable of partaking in programs under this title; (3) recommending which countries could benefit from programs under this title and identifying countries interested in developing agricultural institutions for teaching, research, or extension work; (4) reviewing agreements between the Administrator and universities engaged in programs under this title; (5) reviewing activities by universities under this title to assure compliance with the title's purposes; (6) recommending to the Administrator the apportionment of funds under section 222 of this title; and (7) assessing the impact of programs under this title in solving developing countries' agricultural problems.

Under subsection 223(d) the Administrator may authorize the Board to create such subordinate units as may be necessary for the performance of its duties, including:

(1) A Joint Research Committee, to take part in the administration and development of programs for long-term collaborative research described in section 222(a)(3) of this title; and

(2) A Joint Committee on Country Programs, to assist in implementing the bilateral activities described in sections 222(a)(2), 222(a)(4), and 222(a)(5) of this title.

Additionally, under subsection 223(e), the Board is to be consulted in the preparation of the annual report required by section 225 of this title and on other agricultural development activities related to programs under this title.

Background

Section 223 is essentially identical to FAA 298.

SECTION 224

SEC. 224. AUTHORIZATION.—(a) The Administrator is authorized to use any of the funds made available under section 202 to carry out the purposes of this title. Funds made available for such purposes may be used without regard to the provisions of sections 206 and 207(b) of this Act.

(b) Foreign currencies owned by the United States and determined by the Secretary of the Treasury to be excess to the needs of the United States shall be used to the maximum extent possible in lieu of dollars in carrying out the provisions of this title.

(c) Assistance authorized under this title shall be in addition to any allotments or grants that may be made under other authorizations.

(d) Universities may accept and expend funds from other sources, public and private, in order to carry out the purposes of this title. All such funds, both prospective and in hand, shall be periodically disclosed to the Administrator as he shall by regulation require, but no less often than in an annual report.

Purpose

Subsection 224(a) authorizes for the purposes of this title any funds made available under section 202. Funds for these purposes may be used without regard to section 206 on assistance to U.S. research and educational institutions.

To allow for long-term funding needed for programs under this title and to encourage support by others, including the university community, funds under this title are exempted from the 4-year funding limitation contained in section 207(b).

Subsection 224(b) provides that foreign currencies owned by the United States and determined by the Secretary of the Treasury to be excess to the needs of the United States shall be used to the maximum extent possible in lieu of dollars in carrying out programs under this title.

Subsection 224(c) provides that funding authorized under this title shall be in addition to any allotments or grants from other authorizations.

Subsection 224(d) provides that universities may receive and spend funds from other sources, public and private, to carry out the purposes of this title. However, all such funds shall be disclosed to the Administrator periodically, and at least once a year.

It is intended that to the maximum extent possible, funds under this title will be spent in recipient countries and within recipient countries at the field level. Assistance to universities is to be limited to where clearly required for purposes of this title.

Background

Section 224 is essentially identical to FAA section 299.

SECTION 225

Text

SEC. 225. ANNUAL REPORT.—The Administrator shall transmit to the Congress, not later than February 1 of each year, a report detailing the activities carried out pursuant to this title during the preceding

fiscal year and containing a projection of programs and activities to be conducted during the subsequent five fiscal years. Such report shall contain a summary of the activities of the Board established pursuant to section 223 and may include the separate views of the Board with respect to any aspect of the programs conducted or proposed to be conducted under this title.

Purpose

This section requires the Administrator to transmit a report to Congress no later than February 1 each year. The report is to detail the activities carried out under this title during the preceding fiscal year, and to contain a projection of programs and activities to be conducted over the ensuing 5 fiscal years. Each report shall contain a summary of the Board's activities, and can include separate views of the Board concerning any aspect of the programs under this title.

Background

Section 225 is essentially identical to FAA section 300.

TITLE III—AGRICULTURAL COMMODITIES FOR PEACE
AND DEVELOPMENT

SECTION 231

Text

SEC. 231. PROGRAMING AND ADMINISTRATION.—Congress reaffirms that the agricultural abundance of the United States shall continue to be used for, among other purposes, combating hunger and malnutrition and encouraging economic development in developing countries. The Congress finds that assistance through provision of agricultural commodities pursuant to the Agricultural Trade Development and Assistance Act of 1954, as amended, is a significant element in the overall international development strategy of the United States and that such assistance shall be furnished in coordination with, and wherever feasible, to complement assistance activities authorized under this Act. Accordingly, the Administrator shall insure that programing and furnishing of such agricultural commodities for purposes of development, or any local currencies generated from authorized sales programs thereof, shall benefit the efforts of the poor people of the developing countries to improve their lives and their capacity to participate in the development of their countries.

Purpose

In section 231, Congress reaffirms that the agricultural abundance of the United States shall continue to be used for, among other purposes, combating hunger and malnutrition, and encouraging economic development in developing countries.

The Congress finds that assistance provided pursuant to the Agricultural Trade Development and Assistance Act of 1954 (Public Law 480) is a significant element in the overall international development strategy of the United States. Section 231 provides that assistance furnished under Public Law 480 shall be furnished in coordination with, and wherever feasible, to complement, assistance activities authorized under the bill.

The Congress directs the Administrator to insure that programing and furnishing of such agricultural commodities for purposes of development, or any local currencies generated from authorized sales programs thereof, benefit the efforts of the poor people of the developing countries to improve their lives and their capacity to participate in the development of their countries.

Background

This section is intended to reaffirm that the agricultural abundance of the United States will continue to be used to help combat hunger and malnutrition, and encourage economic development in developing countries. The section is intended to establish that the provision of agricultural commodities through Public Law 480 is a significant element in U.S. development policy which should complement and be coordinated with development strategy.

This section is included in the bill because at times the provision of agricultural commodities has neither complemented nor been coordinated with international development strategies, thereby reducing the effectiveness of both food assistance and development assistance efforts.

SECTION 232

Text

SEC. 232. ADMINISTRATION OF FOOD DONATION PROGRAMS.—The Administrator is authorized to perform the functions which the President has heretofore been authorized to perform under sections 201, 202, 203, and 206 of title II of the Agricultural Trade Development and Assistance Act of 1954, as amended.

Purpose

Section 232 provides the Administrator with the authority necessary to improve the complementarity and coordination of Public Law 480 title II food donation programs with other activities authorized by the bill.

Under Public Law 480, section 201, the President is authorized to determine requirements and to furnish agricultural commodities to meet famine or other urgent or extraordinary relief requirements; to combat malnutrition, especially in children; to promote economic and community development in friendly developing areas; and for needy persons and nonprofit school and preschool feeding programs outside the United States. Public Law 480 subsection 201(a) states that the Commodity Credit Corporation shall make available to the President such agricultural commodities determined to be available under Public Law 480 section 401 as he may request. Under Public Law 480 section 401, the Secretary of Agriculture determines the agricultural commodities and quantities thereof available for disposition under this act, and the commodities and quantities thereof which may be included in the negotiations with each country.

Section 232 of the bill would provide the Administrator with the authority provided to the President in Public Law 480 section 201.

Public Law 480, section 202, authorizes the President to furnish commodities for the purposes set forth in section 201 through such friendly governments and such agencies, private or public, including intergovernmental organizations such as the World Food Program and

other multilateral organizations in such manner and upon such terms and conditions as he deems appropriate. Public Law 480, section 202, also directs the President to utilize nonprofit voluntary agencies to distribute the commodities.

Section 232 of the act would provide the Administrator with the authority provided to the President in Public Law 480, section 202.

Section 206 of Public Law 480 directs the President to provide certain information concerning the use of local currencies. Section 232 of the act would require the Administrator to provide that information.

These authorities are presently delegated to the Administrator of the Agency for International Development by Executive Order 10900 and Department of State Delegation No. 104.

Background

The President, in section 2 of Executive Order 10900, as amended, January 5, 1961, delegated to the Secretary of State the functions conferred upon the President by title II of Public Law 480.

The Secretary of State, in section 2(a) (5) of State Delegation No. 104, as amended, November 3, 1961, delegated to the Administrator, AID, those functions conferred upon the Secretary, except for certain functions not here relevant.

Thus, section 232 confirms to the Administrator under the bill the authorities now exercised by delegation by the Administrator, AID.

SECTION 233

Text

SEC. 233. ADMINISTRATION OF FOOD FOR DEVELOPMENT.—The Administrator is authorized to perform the functions which the President has heretofore been authorized to perform under sections 301 through 307 of title III of the Agricultural Trade Development Assistance Act of 1954, as amended.

Purpose

Section 233 provides the Administrator with the authority necessary to improve the complementarity and coordination of title III, food for development programs with other activities authorized by the bill.

Public Law 480, section 301, authorizes the President to encourage the use of the resources provided by the concessional financing of agricultural commodities under Public Law 480 for agricultural and rural development, including voluntary family planning, health, and nutrition programs, by permitting the funds accruing from the local sale of such commodities which are used for such purposes to be applied against the repayment of obligations of the government receiving concessional financing under Public Law 480.

Section 233 of the act would provide the Administrator with the authority provided to the President under Public Law 480, sec. 301.

Public Law 480, section 302, provided the President with the authority to designate a country as eligible for a food for development program provided that the country meets specified criteria.

Section 233 of the act would provide the Administrator with that authority.

Public Law 480, section 302, also provides the President with the authority under specified conditions to waive the requirements that specific proportions of Public Law 480 title I agreements be entered into under title III.

Section 233 of the act would provide the Administrator with that authority.

Public Law 480, section 303, requires a country designated as eligible for title III to submit to the President a multiyear proposal for use of title III funds. This proposal would be submitted to the Administrator. Public Law 480, section 303, also provides that in his review of any utilization proposal for a food for development program, the President shall be satisfied that such assistance is intended to complement, but not replace, assistance authorized by the FAA or any other program of bilateral or multilateral assistance, or under the development program of the country desiring to initiate a food for development program.

Section 233 of the act would require the Administrator to be satisfied concerning the intent of such assistance.

Public Law 480, section 304, provides that whenever a utilization proposal has been agreed upon by the President and the participating country, the CCC is authorized to furnish credit under specific authorities.

Section 233 would authorize the Administrator to conclude the agreement.

Public Law 480, section 304, also provides authority for the President to waive certain requirements contained in section 303 (a), (b), or (c) or section 306, if he finds that such country is unable to meet such requirements but could use assistance under title III. The President is required to report such waivers to Congress on an annual basis.

Section 233 would authorize the Administrator to exercise the waiver authority and provide the annual reports.

Public Law 480, section 306, requires the government of the participating country to submit to the President a report on the activities and program achieved under the food for development program.

Section 233 of the act would require the report to be submitted to the Administrator.

Public Law 480, section 307, requires the President to review the disposition of all agreements for the use of proceeds from the sale of agricultural commodities pursuant to title III for which such funds were not fully disbursed the preceding year. The President is required to include the results of such review in the annual report to Congress required under section 408(a) or Public Law 480. Section 307 also requires that if the President finds that the provisions of an agreement under title III are not being substantially met, he shall not extend financing for sales under title III until the end of the following fiscal year or until the situation is remedied, whichever occurs first, unless the failure to meet the provisions is due to unusual circumstances beyond the control of the recipient government.

Under section 233 of the act, the Administrator would be required to review the disposition of all agreements for which funds were not fully disbursed and to determine whether provisions of the agreement were being met.

Background

The existing Public Law 480 title III sections were enacted by the International Development and Food Assistance Act of 1977, August 3, 1977, and constitute the food for development program.

The Executive order implementing Public Law 480, Executive Order 10900, as amended, November 5, 1961, delegates to the Secretary of Agriculture the functions conferred upon the President by titles I and IV of Public Law 480, and to the Secretary of State, the functions conferred upon the President by title II. Executive Order 10900, as amended to date, does not address the functions conferred upon the President by title III. Nor does Executive Order 10900 have a catchall clause to delegate Public Law 480 matters not otherwise delegated.

In practice, the functions required to be performed by title III are of two kinds: functions which relate to the developmental aspects of of the food for development program (including determination of country eligibilty for the program), and functions which relate, in effect, to the commodities at issue and the furnishing of them. The latter functions utilize the overall authorities of title I, administered by the Secretary of Agriculture, and the legislative history of title III indicates that title I is to be used, in effect, to provide under title I the food which is programed for developmental effect under title III.

The current practice is consistent with these respective concerns: The Secretary of Agriculture administers for title III those functions which are administered pursuant to rules and regulations applicable to title I; but AID's project review mechanism, with participation from the Department of Agriculture, together with the long-standing interagency staff committee, are used to review the multiyear development proposals which title III involves. In view of the preponderant developmental concerns of title III, it is necessary to clarify the responsibility of the development agency for evaluating the development aspects of these programs.

Title III vests the following functions in the President: The determination of country eligibility for participation on a food-for-development program (sec. 302(a)); the review of multiyear proopsals (sec. 303(a)); the agreement upon a utilization proposal (sec. 304(a)); a review of the disposition of certain food-for-developent agreements (sec. 307(a)); and limited waiver functions provided for in sections 302(c) (2) and 304(e).

Section 233 would confer upon the Adminstrator the functions now conferred on the President, but is not intended to diminish the exercise by the Secretary of Agriculture of functions under title I which serve to make the food available for title III. Nor is this section intended to exclude the functions of the interagency staff committee.

CHAPTER III—ACCESS TO PRIVATE CAPITAL AND TECHNICAL EXPERTISE

General

This chapter groups together several programs which increase the access of developing countries to loan and equity private capital and to technical expertise. These programs consist primarily of guarantees or reimbursable services which are either self-financing or involve relatively minor budget outlays by the U.S. Government. The programs are particularly designed for but not limited to countries in which bilateral assistance programs are shifting to harder loan terms or phasing out entirely, but which still have some difficulty in obtaining private resources.

SECTION 301

Text

SEC. 301. ACCESS TO PRIVATE CAPITAL AND TECHNICAL EXPERTISE.—The Congress finds and declares that private capital and expertise can be of vital importance in the development process. Within the developing countries the creative combination of human initiative and capital resources is necessary to maximize economic growth. A dynamic private sector can be instrumental in this process. Internationally, the private sector has the capacity to provide greater human and financial resources to support the development process than can be provided by governments.

The Congress finds that as development proceeds, increased human resources, more effective institutions, and an expanded economy will enable developing countries to reduce their dependence on concessional official external assistance and increase their use of domestic and international private capital, investment, and technical expertise.

The Congress finds that the transition from dependence on concessional assistance to greater reliance on domestic and international private sector resources can be facilitated through programs involving loan and investment guarantees and reimbursable services.

Purpose

This section is a policy statement by the Congress that private capital and expertise, both from within the developing countries and from external sources, can play a vital role in the development process. As development proceeds, developing countries can reduce their dependence on concessional official external assistance and rely more heavily on domestic and international private capital, investment, and expertise.

The Congress declares in this section that the transition from dependence on concessional aid to greater reliance on private resources may be facilitated through programs involving loans, investment guarantees and reimbursable services.

Background

This is a new policy statement, although it reflects themes found in various parts of the FAA—for example, section 601. The new policy statement introduces a cluster of current programs including the Overseas, Private Investment Corporation, Housing Investment Guarantees, and reimbursable services. This might be considered the “middle income” country chapter, as these programs are particularly relevant to developing countries which are relatively well off on the development scale and have decreasing or no need for concessional assistance. While these programs are useful to the poorer countries as well, they are often the only development tools available for bilateral programs in the middle income countries.

SECTION 311

Text

SEC. 311. PURPOSE AND POLICY.—(a) The Overseas Private Investment Corporation (hereinafter called the “Corporation”), created by the Foreign Assistance Act of 1969 (22 U.S.C. 2191 et seq.), shall continue in existence and is hereby established as a constituent element of the Administration under the policy guidance of the Administrator. It shall be the purpose of the Corporation to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of developing friendly countries and areas, thereby complementing the development assistance objectives of the United States.

(b) The Corporation, in determining whether to provide insurance, financing, or reinsurance for a project, shall especially—

(1) be guided by the economic and social development impact and benefits of such a project and the ways in which such a project complements, or is compatible with, other development assistance programs or projects of the United States or other donors; and

(2) give preferential consideration in the Corporation’s investment insurance, financing, and reinsurance activities, to investment projects in less developed countries which meet the poverty criterion of the International Development Association.

(c) In carrying out its purpose, the Corporation, utilizing broad criteria, shall undertake—

(1) to conduct financing, insurance, and reinsurance operations on a self-sustaining basis, taking into account in its financing operations the economic and financial soundness of projects;

(2) to utilize private credit and investment institutions and the Corporation’s guaranty authority as the principal means of mobilizing capital investment funds;

(3) to broaden private participation and revolve its funds through selling its direct investments to private investors whenever it can appropriately do so on satisfactory terms;

(4) to conduct its insurance operations with due regard to principles of risk management including efforts to share its insurance risks and reinsurance risks;

(5) to give preferential consideration in its investment insurance, financing, and reinsurance activities (to the maximum ex-

tent practicable consistent with the Corporation's purposes) to investment projects sponsored by or involving small businesses;

(6) to consider in the conduct of its operations the extent to which developing country governments are receptive to private enterprise, domestic and foreign, and their willingness and ability to maintain conditions which enable private enterprise to make its full contribution to the development process;

(7) to foster private initiative and competition and discourage monopolistic practices;

(8) to further to the greatest degree possible, in a manner consistent with its goals, the balance-of-payments and employment objectives of the United States;

(9) to conduct its activities in consonance with the activities of the Administration and the international trade, investment, and financial policies of the United States Government;

(10) to advise and assist, within its field of competence, interested agencies of the United States and other organizations, both public and private, national and international, with respect to projects and programs relating to the development of private enterprise in developing countries and areas; and

(11) (A) to decline to issue any contract of insurance or reinsurance, or any guaranty, or to enter into any agreement to provide financing for an eligible investor's proposal investment if the Corporation determines that such investment is likely to cause such investor (or the sponsor of an investment project in which such investor is involved) significantly to reduce the number of his employees in the United States because he is replacing his United States production with production from such investment which involves substantially the same product for substantially the same market as his United States production; and

(B) to monitor conformance with the representations of the investor on which the Corporation relied in making the determination required by clause (A).

Purpose

This section continues the existence of the Overseas Private Investment Corporation (the "Corporation"). The basic purpose, authorities and structure of the Corporation continue unchanged, as the existing statutory charter remains intact (except for conforming changes) as amended by the Senate in November 1977, in passing the Overseas Private Investment Corporation Amendment Act of 1977 (S. 1771). The purpose of the Corporation is to complement the development assistance efforts of the United States by promoting and supporting the active participation of American private enterprise in providing resources and talents to help further the economic and social development of less developed countries. The Corporation will retain its identity as an independent agency of the United States, with all powers of the Corporation remaining vested in its 11-person Board of Directors, but will now become a constituent element of the Administration with the Administrator replacing the Secretary of State in providing policy guidance to the Corporation.

The Corporation will be operated under two guiding principles. First, the Corporation will place major emphasis on its developmental

purpose. To that end, the Corporation will be guided by assessments of the economic and social development impact and benefits of prospective projects and the ways in which projects complement or are compatible with other development assistance programs. Second, the Corporation will emphasize development of the developing countries with per capita incomes below the 10A poverty criterion.

This section specifies policy guidelines for the Corporation which shall be applied under broad criteria appropriate to a government corporation working with private business that is involved in foreign economic development.

The corporate form assures that operations will be conducted in a businesslike manner consistent with the overall objectives of the Corporation. In its financing, insurance and reinsurance activities, the Corporation will seek to operate overall on a self-sustaining basis. In deciding whether to assist in the financing of a project, the Corporation will consider the economic and financial soundness of the proposal. The Corporation will utilize private credit and investment and use its guarantee program to mobilize private capital resources. When feasible, it will sell its loan investments or participations from its portfolio to private investors on appropriate terms. In line with sound practices, the Corporation will manage its insurance programs on a basis which takes into account risk exposure as well as the objective of encouraging investment. To obtain the broadest possible participation of American business, the Corporation, to the maximum extent practicable and consistent with the Corporation's objectives, will give preferential consideration in its programs to investment projects sponsored by or involving small businesses.

In carrying out its responsibilities the corporation will consider the extent to which host governments are receptive to, and provide a favorable environment for, private enterprise in the context of the developmental process. In connection with its programs, the Corporation shall also seek to foster private initiative and competition and discourage monopolistic practices to further maximize the benefits of private enterprise.

In carrying out its developmental objective, the Corporation shall also take into account, to the greatest degree possible, the balance-of-payments and employment objectives of the United States. Furthermore, its activities should be in harmony with the activities of the administration and other relevant sectors of the United States Government. It is intended that the Corporation, by utilizing its special expertise in dealing with private investment in developing countries, will advise and assist others with respect to the development and encouragement of private investment in developing countries and areas. The Corporation will deny support to any "runaway" plant investment. Such an investment is one which the Corporation determines is likely to cause a significant reduction in the number of employees in the United States of the investor or project sponsor because of a substitution of its United States production through foreign operations involving substantially the same product for substantially the same market. Further, the Corporation is to monitor conformance with the representations made by the investor in order to reach the determination of whether an investment involves a "runaway" situation.

Background

This section incorporates most of FAA section 231 of the FAA with the only significant change being that the Corporation is placed under the policy guidance of the Administrator.

SECTION 312

Text

SEC. 312. CAPITAL OF THE CORPORATION.—The capital stock of the Corporation shall remain at \$40,000,000 as issued to the Secretary of the Treasury against the payment of that amount by the President out of dollar receipts made available through the appropriation process from loans made under predecessor foreign aid legislation, in accordance with section 232 of the Foreign Assistance Act of 1961.

Purpose

This section limits the amount of capital to paid in by the President to the \$40 million already transferred to the Corporation under the FAA. Under section 316 additional amounts may be transferred to capital from income as the Corporation may deem prudent.

Background

This section reflects existing authority of FAA section 232.

SECTION 313(a)

Text

SEC. 313. ORGANIZATION AND MANAGEMENT.—(a) STRUCTURE OF THE CORPORATION.—The Corporation shall have a Board of Directors, a President, an Executive Vice President, and such other officers and staff as the Board of Directors may determine.

Purpose

This subsection provides that the Corporation shall be organized as a corporation having a Board of Directors, officers and employees.

Background

This subsection is identical to FAA section 233(a).

SECTION 313(b)

Text

(b) BOARD OF DIRECTORS.—All powers of the Corporation shall vest in and be exercised by or under the authority of its Board of Directors (the "Board") which shall consist of eleven Directors, including the Chairman, with six Directors constituting a quorum for the transaction of business. The Administrator of the International Development Cooperation Administration shall be the Chairman of the Board, ex officio. Six Directors (other than the President of the Corporation, appointed pursuant to subsection (c) who shall also serve as a Director) shall be appointed by the President of the United States, by and with the advice and consent of the Senate, and shall not be officials or employees of the Government of the United States. At least one of the six Directors appointed under the preceding sentence shall be experienced in small business, one in organized labor, and one in cooperatives. Each such Director shall be appointed for a term of no more than three years. The terms of no more than two such

Directors shall expire in any one year. Such Directors shall serve until their successors are appointed and qualified and may be reappointed.

The other Directors shall be officials of the Government of the United States, designated by and serving at the pleasure of the President of the United States.

All Directors who are not officers of the Corporation or officials of the Government of the United States shall be compensated at a rate equivalent to that of level IV of the Executive Schedule (5 U.S.C. 5315) when actually engaged in the business of the Corporation and may be paid per diem in lieu of subsistence at the applicable rate prescribed in the standardized Government travel regulations, as amended, from time to time, while away from their homes or usual places of business.

Purpose

This subsection vests the powers of the Corporation in the Board of Directors. The latter may delegate authority to Corporation officers, such as the President, who may then exercise corporate powers under authority of the Board in accordance with the terms of such delegations.

The Board will consist of 11 members including the Chairman of the Board, and 6 may constitute a quorum. The Administrator shall be Chairman of the Board, ex officio. The President of the Corporation shall also be a member of the Board. Six Directors who are not officials or employees of the U.S. Government shall be appointed by the President of the United States subject to Senate confirmation. Of these latter six at least one shall have had experience in small business, one in organized labor, and one in cooperatives. Each of the six shall be appointed for a term not exceeding 3 years; the terms of not more than two directors shall expire in any 1 year. The six Directors will be compensated when actually employed at a rate equivalent to level IV of the Executive Schedule and will be entitled to per diem at the applicable rate when away from their homes or usual place of business. The remaining three Directors who will serve in that capacity without additional compensation shall be Government officials designated by and serving at the pleasure of the President of the United States. They will come from interested agencies of the Government as determined by the President.

Background

This subsection is identical to FAA section 232(b), except that the Administrator is specified as Chairman of the Board rather than the Administrator of AID.

SECTION 313(c)

Text

(c) **PRESIDENT OF THE CORPORATION.**—The President of the Corporation shall be appointed by the President of the United States, by and with the advice and consent of the Senate, and shall serve at the pleasure of the President. In making such appointment, the President shall take into account private business experience of the appointee. The President of the Corporation shall be its chief executive

officer and responsible for the operations and management of the Corporation, subject to bylaws and policies established by the Board.

Purpose

This subsection provides that the President of the Corporation shall be appointed by the President of the United States subject to Senate confirmation. In making this appointment the President shall take into account the appointee's private business experience. The President of the Corporation will be the chief executive officer charged with the Corporation's management and operations under bylaws and policies established by the Board of Directors. The compensation of the President will be at level III of the executive schedule.

Background

This subsection is identical to FAA Sec. 233(c).

SECTION 313(d)

Text

(d) OFFICERS AND STAFF.—The Executive Vice President of the Corporation shall be appointed by the President of the United States, by and with the advice and consent of the Senate, and shall serve at the pleasure of the President. Other officers, attorneys, employees, and agents shall be selected and appointed by the Corporation, and shall be vested with such powers and duties as the Corporation may determine. Of such persons employed by the Corporation, not to exceed twenty may be appointed, compensated, or removed without regard to the civil service laws and regulations: *Provided*, That under such regulations as the Administrator may prescribe, officers and employees of the United States Government who are appointed to any of the above positions may be entitled, upon removal from such position, except for cause, to reinstatement to the position occupied at the time of appointment or to a position of comparable grade and salary. Such positions shall be in addition to those otherwise authorized by law including those authorized by section 5108 of title 5 of the United States Code.

Purpose

This subsection provides for other officers and employees of the Corporation, including an Executive Vice President appointed, subject to Senate confirmation, by the President of the United States. The Executive Vice President will be compensated at level IV of the executive schedule. The Corporation may appoint other officers, employees, attorneys, and agents, including three Vice Presidents at level V of the executive schedule. Twenty employees may be appointed, compensated or removed by the Corporation without regard to civil service requirements. Of this number, only 8 may be compensated at rates in excess of the highest rate for grade 15 of the general schedule. These positions are in addition to those provided for in section 721 and those otherwise authorized under this section or under provisions of title 5 of the United States Code relating to executive level and supergrade positions. This authority is necessary to enable the Corporation to attract personnel, from private life as well as government, with experience and stature in the fields of international busi-

ness and finance. Government employees appointed under this authority will have reemployment rights, under regulations prescribed by the President, unless removed for cause.

Background

This subsection is, except for conforming changes, identical to FAA section 233(d).

SECTION 314 (a)

Text

SEC. 314. INVESTMENT INSURANCE AND OTHER PROGRAMS.—The Corporation is hereby authorized to do the following:

(a) INVESTMENT INSURANCE.—To issue insurance, upon such terms and conditions as the Corporation may determine, to eligible investors assuring protection in whole or in part against any or all of the following risks with respect to projects which the Corporation has approved—

(A) inability to convert into United States dollars other currencies, or credits in such currencies, received as earnings or profits from the approved project, as repayment or return of the investment therein, in whole or in part, or as compensation for the sale or disposition of all or any part thereof:

(B) loss of investment, in whole or in part, in the approved project due to expropriation or confiscation by action of a foreign government; and

(C) loss due to war, revolution, or insurrection.

(2) Recognizing that major private investments in less developed friendly countries or areas are often made by enterprises in which there is multinational participation, including significant United States private participation, the Corporation may make arrangements with foreign governments (including agencies, instrumentalities, or political subdivisions thereof) or with multilateral organizations and institutions for sharing liabilities assumed under investment insurance for such investments and may in connection therewith issue insurance to investors not otherwise eligible hereunder, except that liabilities assumed by the Corporation under the authority of this subsection shall be consistent with the purposes of this title and that the maximum share of liabilities so assumed shall not exceed the proportionate participation by eligible investors in the total project financing.

(3) Not more than 10 per centum of the maximum contingent liability of investment insurance which the Corporation is authorized to issue under this subsection shall be issued to a single investor.

(4) In order to encourage the development of private multilateral investment insurance the Corporation may make arrangements, consistent with its purpose set forth in section 311 and on equitable terms, with private insurance companies, multilateral organizations, or others for participation in the liabilities arising from insurance of the risks referred to in paragraph (1) of this subsection.

Purpose

Subsection (a) (1) authorizes the issuance of investment insurance to eligible investors covering risks relating to currency convertibility, expropriation or confiscation and war, revolution, or insurrection.

Subsection (a) (2) addresses the problem of providing adequate investment insurance to protect U.S. investors in connection with projects in which there is multinational participation. The Corporation is authorized to make arrangements for risk sharing with other countries and multilateral organizations to protect such enterprises with insurance against loss due to risks similar to those specified in the previous subsection. Under such risk-sharing arrangements, the Corporation would assume liabilities only to the extent that eligible U.S. investors as defined in section 318(c) are participating in the insured enterprise. Under this authority, the Corporation can encourage other developed countries to share in the task of promoting private enterprise and can cooperate with institutions in other developed countries which have insurance programs similar to those of the Corporation.

This authority also permits the Corporation to cooperate in risk-sharing programs which may develop under the aegis of multinational organizations.

Subsection (a) (3) provides that in no case may any any single investor be issued insurance in excess of 10 percent of the maximum contingent liability of investment insurance which the Corporation is authorized to issue.

Subsection (a) (4) authorizes the Corporation to encourage the development of private and multilateral investment insurance by making arrangements, consistent with the Corporation's statutory purpose and on equitable terms, for sharing with private insurance companies and multilateral organizations the liabilities arising from political risk insurance.

Background

This subsection is identical to FAA section 234(a).

SECTION 314(b)

Text

(b) Investment Guaranties.—To issue to eligible investors guaranties of loans and other investments made by such investors assuring against loss due to such risk and upon such terms and conditions as the Corporation may determine: *Provided, however,* That such guaranties on other than loan investments shall not exceed 75 per centum of such investment: *Provided further,* That except for loan investments for credit unions made by eligible credit unions or credit union associations, the aggregate amount of investment (exclusive of interest and earnings) so guaranteed with respect to any project shall not exceed, at the time of issuance of any such guaranty, 75 per centum of the total investment committed to any such project as determined by the Corporation, which determination shall be conclusive for purposes of the Corporation's authority to issue any such guaranty: *Provided further,* That not more than 10 per centum of the maximum contingent liability of investment guaranties which the Corporation is authorized to issue under this subsection shall be issued to a single investor.

Purpose

Subsection (b) authorizes the issuance of investment guaranties to eligible investors to assure against such risks as the Corporation may

determine. It authorizes the Corporation to negotiate guaranties covering a portion of the capital requirements of important, commercially sound projects.

The Corporation may guarantee all of a loan investment or up to 75 percent of an equity investment made by an eligible U.S. investor, provided that the aggregate amount of such guaranties does not at the time of issuance exceed 75 percent of the total investment committed to the project. Loan investments made by eligible credit unions or credit union associations are exempted from the 75-percent limitation on guaranties of project financing. Credit union loan investments are not made to a project but to an institution which receives additional resources in the form of savings deposited by its members.

In no case may any single investor be issued guaranties in excess of 10 percent of the maximum contingent liability of guaranties which the Corporation is authorized to issue.

Background

This subsection is identical to FAA section 234(b).

SECTION 314(c)

Text

(c) **DIRECT INVESTMENT.**—To make loans in United States dollars repayable in dollars or loans in foreign currencies (including, without regard to section 1415 of the Supplemental Appropriation Act, 1953, such foreign currencies which the Secretary of the Treasury may determine to be excess to the normal requirements of the United States and the Director of the Office of Management and Budget may allocate) to firms privately owned or of mixed private and public ownership upon such terms and conditions as the Corporation may determine. The Corporation may not purchase or invest in any stock in any other corporation, except that it may (1) accept as evidence of indebtedness debt securities convertible to stock, but such debt securities shall not be converted to stock while held by the Corporation, and (2) acquire stock through the enforcement of any lien or pledge or otherwise to satisfy a previously contracted indebtedness which would otherwise be in default, or as the result of any payment under any contract of insurance or guaranty. The Corporation shall dispose of any stock it may so acquire as soon as reasonably feasible under the circumstances than retaining.

No loans may be made under this section to finance any operation for the extraction of oil or gas. The aggregate amount of loans under this subsection to finance operations for the mining or other extraction in any deposit of ore or other nonfuel minerals may not in any fiscal year exceed \$4,000,000.

Purpose

Subsection (c) authorizes direct loan investments by the Corporation. Such investments may include dollar loans from the Corporation's direct investment fund repayable in dollars, or foreign currency loans. The Corporation is authorized to use for loans, without appropriation but subject to Office of Management and Budget allocation, foreign currencies which the Treasury determines to be excess to normal United States requirements. This provision, although a separate and

independent authority, complements the last proviso of Public Law 480, section 104, which makes available for development purposes, without appropriation, excess currencies derived from Public Law 480 local currency sales.

The Corporation is specifically precluded from purchasing or investing in stock in other corporations. It may, however, accept convertible debentures as evidence of indebtedness in connection with loans made under this authority. Such convertible debentures can be sold by the Corporation.

Nevertheless, the Corporation may acquire stock through enforcement of liens or pledges or to satisfy a previously contracted indebtedness.

Thus, the Corporation, in the administration of its loan program, can protect its interest by taking stock if repayment prospects under a loan become jeopardized. In this connection, the Corporation can participate effectively as a creditor in corporate reorganizations and other proceedings should the Corporation's interest so dictate. Similarly, the Corporation may, in connection with payments made under insurance or guaranty contracts, acquire stock as well as other rights as subrogee of the reimbursed investor. These authorities are similar to those of the Export-Import Bank and allow the Corporation to protect its financial interests in case of loan defaults or insurance or guaranty payments. In such cases, the Corporation will dispose of its stock interest as soon as reasonably possible.

The Corporation is prohibited from making loans from the direct investment fund to finance any operation for the extraction of oil or gas. It may undertake financing of operations for the mining or other extraction of deposits of ore or other nonfuel minerals, provided that the amount so committed does not exceed \$4 million in any fiscal year.

Background

This subsection is identical to FAA section 234(c).

SECTION 314(d)

(d) INVESTMENT ENCOURAGEMENT.—To initiate and support through financial participation, incentive grant, or otherwise, and on such terms and conditions as the Corporation may determine, the identification, assessment, surveying and promotion of private investment opportunities, utilizing wherever feasible and effective the facilities of private investors, except that—

(1) the Corporation shall not finance any survey to ascertain the existence, location, extent, or quality of, or to determine the feasibility of undertaking operations for the extraction of, oil or gas; and

(2) expenditures financed by the Corporation during any fiscal year on surveys to ascertain the existence, location, extent, or quality of, or to determine the feasibility of undertaking operations for the extraction of nonfuel minerals may not exceed \$200,000 in any fiscal year.

Purpose

Subsection (d) provides the Corporation with the authority to carry out a broad range of investment promotion activities, utilizing, where

appropriate, private organizations and investors. These activities, which may include incentive grants and other financing arrangements, are concerned with the identification, evaluation, and development of private investment opportunities. They will include preinvestment studies and other investigations at various stages of project development.

The investment survey program which the Corporation may implement under this provision permits the use of new techniques which enable investors, at some risk, to find and develop projects best suited to their own capabilities. These techniques may include financial participation which would be repayable to the Corporation if the investor went forward with the project. The Corporation will require appropriate financial participation by investors who would benefit from such assistance and suitable reports if they decide not to carry out the project studied.

The Corporation will also provide facilities for identifying and publicizing investment opportunities which are particularly important in developmental terms for developing countries. In so doing, the Corporation will coordinate with related investment promotion activities of the Commerce Department.

This authority may not be utilized to determine the feasibility of undertaking operations for the extraction of oil or gas and the amount of funds which may be committed to determine the feasibility of non-fuel minerals extraction may not exceed \$200,000 in any fiscal year.

Background

This subsection is identical to FAA Sec. 234(d).

SECTION 314(e)

(e) **SPECIAL ACTIVITIES.**—To administer and manage special projects and programs, including programs of financial and advisory support which provide private technical, professional, or managerial assistance in the development of human resources, skills, technology, capital savings and intermediate financial and investment institutions and cooperatives. The funds for these projects and programs may, with the Corporation's concurrence, be transferred to it for such purposes under the authority of section 766(a) or from other sources, public or private.

Purpose

Subsection (e) authorizes the Corporation to administer, with its agreement, special private enterprise projects and programs relating to its objectives, for which purpose it can accept and use funds which may be transferred to it. The Corporation might, for example, be asked to administer on behalf of the Administration, technical or capital assistance programs relating to private enterprise or concerning institutions, such as intermediate credit institutions and cooperatives, closely related to private enterprise activities. Administration funds, which may be transferred to the Corporation for this purpose, would be used in accordance with the terms and conditions governing the Administration's use of such funds.

Background

This subsection is identical to FAA Sec. 234(e).

SECTION 314(f)

Text

(f) **OTHER INSURANCE FUNCTIONS.**—(1) To make and carry out contracts of insurance or reinsurance, or agreements to associate or share risks, with insurance companies, financial institutions, any other persons, or groups thereof, and employing the same where appropriate, as its agent, or acting as their agent, in the issuance and servicing of insurance, the adjustment of claims, the exercise of subrogation rights, the ceding and accepting of reinsurance, and in any other matter incident to an insurance business.

(2) To enter into pooling or other risk-sharing agreements with other national or multinational insurance or financing agencies or groups of such agencies.

(3) To hold an ownership interest in any association or other entity established for the purposes of sharing risks under investment insurance.

(4) To issue, upon such terms and conditions as it may determine, reinsurance of liabilities assumed by other insurers or groups thereof in respect of risks referred to in subsection (a) (1).

The authority granted by paragraph (3) may be exercised notwithstanding the prohibition under subsection (c) against the Corporation purchasing or investing in any stock in any other corporation. The amount of reinsurance of liabilities under this title which the Corporation may issue shall not exceed \$600,000,000 in any one year, and the amount of such reinsurance shall not in the aggregate exceed at any one time an amount equal to the amount authorized for the maximum contingent liability outstanding at any one time under section 315(a) (1). All reinsurance issued by the Corporation under this subsection shall require that the reinsured party retain for his own account specified portions of liability, whether first loss or otherwise, and the Corporation shall endeavor to increase such specified portions to the maximum extent possible.

Purpose

This subsection authorizes the Corporation (a) to enter into various coinsurance and reinsurance arrangements with private insurance companies and other entities, and (b) to issue reinsurance of liabilities assumed by other insurers or groups thereof. The maximum contingent liability which the Corporation may assume each year as reinsurer cannot exceed \$600,000,000, and may never in the aggregate exceed at any one time an amount equal to the amount authorized for the maximum contingent liability for insurance. All reinsurance issued by the Corporation will require that the reinsured party retain for its own account specified portions of liability, whether first loss or otherwise.

Background

This subsection is identical to FAA section 234(f).

SECTION 315(a)

Text

SEC. 315. ISSUING AUTHORITY, DIRECT INVESTMENT FUND AND RESERVES.—(a) (1) The maximum contingent liability outstanding at

any one time pursuant to insurance issued under section 314(a) shall not exceed \$7,500,000,000.

(2) The maximum contingent liability outstanding at any one time pursuant to guaranties issued under section 314(b) shall not exceed in the aggregate \$750,000,000: *Provided*, That the Corporation shall not make any commitment to issue any guaranty which would result in a fractional reserve less than 25 per centum of the maximum contingent liability then outstanding against guaranties issued or commitments made pursuant to section 314(b) or similar predecessor guaranty authority.

(3) The Congress, in considering the budget programs transmitted by the President for the Corporation pursuant to section 104 of the Government Corporation Control Act, as amended, may limit the obligations and contingent liabilities to be undertaken under section 3141 (a) and (b) as well as the use of funds for operating and administrative expenses.

(4) The authority of section 314 (a) and (b) shall continue until September 30, 1981.

Purpose

Subsection (a) establishes the maximum contingent liabilities which may be outstanding at any one time under investment insurance and investment guaranty authorities of the Corporation. The limitations are set at \$7.5 billion for insurance and \$750 million for guaranties. Liabilities of the Corporation incurred under these authorities subsequent to the enactment of the FAA of 1969 will be charged against these ceilings.

The ceilings in this subsection are expressed in terms of maximum contingent liability which is to reflect overall program levels and risk exposure. Maximum contingent liability will be recorded on a basis that permits consistent treatment among different classes of obligations, for example, loan guaranties on the basis of the principal amount guaranteed and insurance contracts on the basis of whatever maximum coverage limits may be elected by the insured.

This subsection also includes a provision prohibiting the Corporation from making investment guaranty commitments unless at the time of the commitment there exists not less than a 25-percent fractional reserve against such commitment plus guaranties previously committed or then outstanding under section 314(b) or similar predecessor guaranty authority. The subsection also expressly identifies the possibility of congressional action to place limitations on the Corporation's investment insurance and investment guaranty programs in connection with its annual review of the Corporation's budget program under the Government Corporation Control Act, as amended. Finally, both the investment insurance and the investment guaranty programs are authorized to continue until September 30, 1981.

Background

This subsection is identical to FAA section 235(a).

SUBSECTION 315(b)

Text

(b) The Corporation shall hold a revolving fund, known as the Direct Investment Fund. Such fund shall be available for the purposes

authorized under section 314(c), shall be charged with realized losses and credited with such additional sums as may be transferred to it under the provisions of section 316.

Purpose

Subsection (b) authorizes a Direct Investment Fund, to be held by the Corporation as a revolving fund, which will be available for loans authorized under section 314(c). Repayments of such loan investments, or proceeds from their sale or the sale or participations in the loan portfolio of the Corporation, will be returned to the fund. Additions to the fund may be made under section 316 by transfers from the income account of the Corporation.

Background

This subsection is identical to FAA section 235(b).

SUBSECTION 315(c)

Text

(c) There shall be established in the Treasury of the United States an insurance and guaranty fund, which shall have separate accounts to be known as the insurance reserve and the guaranty reserve, which reserves shall be available for discharge of liabilities, as provided in section 315(d), until such time as all such liabilities have been discharged or have expired or until all such reserves have been expended in accordance with the provisions of this section. Such fund shall be funded by (1) the funds heretofore available to discharge liabilities under predecessor guaranty authority (including housing guaranty authorities), less both the amount made available for housing guaranty programs pursuant to section 333(b) and the amount made available to the Corporation pursuant to section 314(c); and (2) such sums as shall be appropriated pursuant to section 315(f) for such purposes. The allocation of such funds to each such reserve shall be determined by the Board after consultation with the Secretary of the Treasury. Additional amounts may thereafter be transferred to such reserves pursuant to section 316.

Purpose

Subsection (c) provides for separate reserves for investment insurance and investment guarantees. Each reserve will remain available, respectively, to discharge liabilities under the insurance program and the guarantee program until liabilities payable out of each such reserve have been discharged or have expired or until the particular reserve account involved has been expended.

The fund is funded from existing reserves available to the Corporation under the FAA. Subsequent additions to the reserves may be made pursuant to section 316 through transfers from the income account of the Corporation and through appropriations.

Background

This subsection is identical to FAA subsection 235(c).

SUBSECTION 315(d)

(d) Any payment made to discharge liabilities under investment insurance or reinsurance issued under section 314 or under similar pred-

cessor guaranty authority shall be paid first out of the insurance reserve, as long as such reserve remains available, and thereafter out of funds made available pursuant to section 315(f). Any payments made to discharge liabilities under guaranties issued under section 314(b) or under similar predecessor guaranty authority shall be paid first out of the guaranty reserve as long as such reserve remains available, and thereafter out of funds made available pursuant to section 315(f).

Purpose

Subsection (d) provides that investment insurance liabilities and liabilities under similar predecessor specific risk guaranties are payable only out of the separate insurance reserve, after which such liabilities shall be paid from additional appropriated funds. This provision assures investors that the reserves toward which they look for prompt payment of claims will not be dissipated by claims arising under different programs.

Background

This section is identical to FAA section 235(d).

SUBSECTION 315(e)

Text

(e) There is authorized to be transferred to the Corporation at its call, for the purposes specified in section 316, all fees and other revenues collected under predecessor guaranty authority from December 31, 1968, available as of the date of such transfer.

Purpose

Subsection (e) restates the authority originally granted to the Corporation to obtain initial operating funds.

Background

This section is identical to FAA section 235(e).

SUBSECTION 315(f)

Text

(f) There are authorized to be appropriated to the Corporation, to remain available until expended, such amounts as may be necessary from time to time to replenish or increase the insurance and guaranty fund, to discharge the liabilities under insurance, reinsurance, or guaranties issued by the Corporation or issued under predecessor guaranty authority, or to discharge obligations of the Corporation purchased by the Secretary of the Treasury pursuant to this subsection. However, no appropriations shall be made to augment the insurance reserve until the amount of funds in the insurance reserve is less than \$25,000,000. Any appropriations to augment the insurance reserve shall then only be made either pursuant to specific authorization enacted subsequent hereto, or to satisfy the full faith and credit provision of section 317(c). In order to discharge liabilities under investment insurance or reinsurance, the Corporation is authorized to issue from time to time for purchase by the Secretary of the Treasury its notes, debentures, bonds, or other obligations; but the aggregate amount of such obligations outstanding at any one time shall not exceed \$100,000,000. Any such obligation shall be repaid to the Treas-

ury within one year after the date of issue of such obligation. Any such obligation shall bear interest at a rate determined by the Secretary of the Treasury, taking into consideration the current average market yield on outstanding marketable obligations of the United States of comparable maturities during the month preceding the issuance of any obligation authorized by this subsection. The Secretary of the Treasury shall purchase any obligation of the Corporation issued under this subsection, and for such purchase he may use as a public debt transaction the proceeds of the sale of any securities issued under the Second Liberty Bond Act. The purpose for which securities may be issued under such Bond Act shall include any such purchase.

Purpose

Subsection (f) provides an authorization for such appropriations as may be necessary to replenish or increase the insurance and guaranty fund, to discharge liabilities under insurance, guaranties or reinsurance or to repay borrowings from the Secretary of Treasury pursuant to this section; *provided, however*, that congressional appropriation to augment the insurance reserve, unless required to satisfy the full faith and credit provision of section 317(c), would be permitted only after that reserve had dropped below \$25 million and would require a new congressional authorization. In order to permit the Corporation to quickly cover valid claims, the Corporation can borrow up to \$100 million from the U.S. Treasury, but such borrowing must be repaid within 1 year.

Background

This section is identical to FAA section 235 (f).

SECTION 316

Text

SEC. 316. INCOME AND REVENUES.—In order to carry out the purposes of the Corporation, all revenues and income transferred to or earned by the Corporation, from whatever source derived, shall be held by the Corporation and shall be available to carry out its purposes, including without limitation—

(a) payment of all expenses of the Corporation, including investment promotion expenses;

(b) transfers and additions to the insurance or guaranty reserves, the Direct Investment Fund pursuant to section 315, and such other funds or reserves as the Corporation may establish at such time and in such amounts as the Board may determine; and

(c) payment of dividends, on capital stock, which shall consist of and be paid from net earnings of the Corporation after payments, transfers, and additions under subsections (a) and (b) hereof.

Purpose

This section provides for the use of revenues and income earned by the Corporation, including fees from insurance and guaranty programs, interest from loans, and other receipts characterized as income. Such funds shall be available to carry out the Corporation's purposes, including the payment of all operating and administrative expenses incurred in conjunction with the Corporation's activities. In addition,

the Board of Directors may make allocations from this account to the insurance or guarantee reserves, the direct investment fund, or other funds or reserves which the Corporation may establish. The Corporation will then pay to the U.S. Treasury dividends consisting of its net earnings after payment of expenses and allocations to reserves and other funds.

Background

This section is identical to FAA section 236.

SECTION 317

Text

SEC. 317. GENERAL PROVISIONS RELATING TO INSURANCE AND GUARANTY PROGRAM.—(a) Insurance, guaranties, and reinsurance issued under this title shall cover investment made in connection with projects in any developing country or area with the government of which the President of the United States has agreed to institute a program for insurance, guaranties, or reinsurance.

(b) The Corporation shall determine that suitable arrangements exist for protecting the interest of the Corporation in connection with any insurance, guaranty or reinsurance issued under this title, including arrangements concerning ownership, use, and disposition of the currency, credits, assets, or investments on account of which payment under such insurance, guaranty, or reinsurance is to be made, and right, title, claim, or cause of action existing in connection therewith.

(c) All guaranties issued prior to July 1, 1956, all guaranties issued under sections 202(b) and 413(b) of the Mutual Security Act of 1954, as amended, all guaranties heretofore issued pursuant to prior guaranty authorities under the Foreign Assistance Act of 1961, as amended, and all insurance, reinsurance, and guaranties issued pursuant to this title shall constitute obligations, in accordance with the terms of such insurance, reinsurance, or guaranties, of the United States of America and the full faith and credit of the United States of America is hereby pledged for the full payment and performance of such obligations.

(d) Fees shall be charged for insurance, guaranty, and reinsurance coverage in amounts to be determined by the Corporation. In the event fees charged for investment insurance, guaranties, or reinsurance are reduced, fees to be paid under existing contracts for the same type of insurance, guaranties, or reinsurance and for similar guaranties issued under predecessor guaranty authority may be reduced.

(e) No insurance, guaranty, or reinsurance of any equity investment shall extend beyond twenty years from the date of issuance.

(f) No insurance, reinsurance, or guaranty issued under this title shall exceed the dollar value, as of the date of the investment, of the investment made in the project with the approval of the Corporation plus interest, earnings or profits actually accrued on said investment to the extent provided by such insurance, reinsurance or guaranty except that the Corporation may provide for appropriate adjustments in the insured dollar value to reflect the replacement cost of project assets. Notwithstanding the preceding sentence, the Corporation shall limit the amount of direct insurance and reinsurance by it under section 314 so that risk or loss as to at least 10 per centum of the total investment of the insured and its affiliates in the project is

borne by the insured and such affiliates except that this limitation shall not apply to direct insurance or reinsurance of loans made by banks or other financial institutions to unrelated parties. The preceding sentence shall not apply to the extent not permitted by State law.

(g) No payment may be made under any guaranty, insurance or reinsurance issued pursuant to this title for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

(h) Insurance, guaranties, or reinsurance of a loan or equity investment of an eligible investor in a foreign bank, finance company, or other credit institution shall extend only to such loan or equity investment made by such foreign bank, finance company, or other credit institution.

(i) Claims arising as a result of insurance, reinsurance or guaranty operations under this title or under predecessor guaranty authority may be settled, and disputes arising as a result thereof may be arbitrated with the consent of the parties, on such terms and conditions as the Corporation may determine. Payment made pursuant to any such settlement, or as a result of an arbitration award, shall be final and conclusive notwithstanding any other provision of law.

(j) Each guaranty contract executed by such officer or officers as may be designated by the Board shall be conclusively presumed to be issued in compliance with the requirements of this Act.

(k) In making a determination to issue insurance, guaranties, or reinsurance under this title, the Corporation shall consider the possible adverse effect of the dollar investment under such insurance, guaranty, or reinsurance upon the balance of payments of the United States.

(1) (1) No payment may be made under any insurance or reinsurance, which is issued under this title on or after the effective date of this subsection, for any loss occurring with respect to a project, if any Federal agency (other than the Corporation) has made a final determination, or any court, of the United States has entered a final judgment, that an investor seeking payment under this title, or any agent of such investor, is responsible for an act of bribery, as defined in section 318(e), with respect to that project.

(2) The provisions of this subsection shall expire upon the date of enactment of general legislation providing for criminal penalties for acts of bribery committed by investors in order to influence actions of a foreign government.

Purpose

This section set out a number of general provisions relating to the insurance and guaranty programs:

Under subsection (a), insurance, reinsurance and guaranty programs will operate pursuant to agreements between the United States and the governments of countries where projects are located, and the practice of requiring prior host government approval of each specific project will be continued.

Subsection (b) requires that the Corporation determine that suitable arrangements exist for protecting its interest in connection with insurance, reinsurance, and guaranty operations.

Subsection (c) provides that both existing and new guaranties, insurance and reinsurance are backed by the full faith and credit of the United States.

Subsection (d) permits the Corporation to determine fees for insurance, reinsurance, and guaranty coverage.

Subsection (e) puts a 20-year limitation on coverage for equity investments.

Subsection (f) limits the coverage of an investment to the approved investment plus actually accrued interest, earnings or profits. However, the Corporation may make appropriate adjustments in the insured dollar value of an investment to reflect the replacement cost of project assets between the time a policy is written and a claim is filed. The Corporation will probably only utilize this authority with respect to coverage of war, revolution and insurrection and anticipates that the increased coverage will be applicable only where a claimant intends to reestablish its investment after war, insurrection or revolution has ended and only if it has been paying for the increased coverage. Subsection (f) further limits coverage with respect to an investment so that the risk of loss of at least 10 percent of the total investment of the insured and its affiliates in the project is borne by a person other than the Corporation on the date the insurance is issued. However, this coinsurance feature would not apply to loans by banks or other financial institutions to unrelated entities.

Subsection (g) prohibits payments under guaranties, insurance, or reinsurance if losses occur as a result of fraud or misrepresentation for which the investor is responsible. However, a loan investor, or holder in due course without knowledge, is not deemed responsible for fraud or misrepresentation of another investor involved in the project.

Subsection (h) limits insurance, reinsurance, or guaranty coverage of investment in foreign banks, finance companies, or other credit institutions to the eligible investor's investment in such institutions. Such coverage will not extend to individual investments made by such institutions themselves.

Subsection (i) provides that compromise settlements or arbitration awards pursuant to claims under insurance, reinsurance, or guaranty operations shall be final and conclusive.

Subsection (j) provides that guaranty contracts executed by duly designated Corporation officials shall be conclusively deemed to be issued in compliance with the requirements of the act. A claimant would not, however, be protected if execution of the contract was induced by fraud or misrepresentation for which he was responsible.

Subsection (k) requires the Corporation to consider, in issuing insurance, reinsurance, or guaranty contracts, the possible adverse effect of the dollar investment involved upon the balance of payments of the United States.

Subsection (l) prohibits the Corporation from paying any claim under insurance or reinsurance issued subsequent to the effective date of the subsection if the claimant has been found responsible by a Federal agency or court for an act of bribery—as defined in section 318 (e)—with respect to the project to which the claim relates. The subsection specifies that its provisions shall expire upon the enactment of general criminal legislation on the subject, which occurred with the enactment of the Foreign Corrupt Payments Act of 1977.

Background

This section is essentially identical to FAA section 237.

SECTION 318

Text

SEC. 318. DEFINITIONS.—As used in this title—

(a) the term “investment” includes any contribution of funds, commodities, services, patents, processes, or techniques, in the form of (1) a loan or loans to an approved project, (2) the purchase of a share of ownership in any such project, (3) participation in royalties, earnings, or profits of any such project, and (4) the furnishing of commodities or services pursuant to a lease or other contract;

(b) the term “expropriation” includes, but is not limited to, any abrogation, repudiation, or impairment by a foreign government of its own contract with an investor with respect to a project, where such abrogation, repudiation, or impairment is not caused by the investor’s own fault or misconduct, and materially adversely affects the continued operation of the project;

(c) the term “eligible investor” means (1) United States citizens; (2) corporations, partnerships, or other associations including nonprofit associations, created under the laws of the United States or any State or territory thereof and substantially beneficially owned by United States citizens; and (3) foreign corporations, partnerships, or other associations wholly owned by one or more such United States citizens, corporations, partnerships, or other associations: *Provided, however,* That the eligibility of such foreign corporation shall be determined without regard to any shares in aggregate less than 5 per centum of the total issued and subscribed shared capital, held by other than the United States owners: *Provided further,* That in the case of any loan investment a final determination of eligibility may be made at the time the insurance or guaranty is issued; in all other cases, the investor must be eligible at the time a claim arises as well as the time the insurance or guaranty is issued;

(d) the term “predecessor guaranty authority” means prior guaranty authorities (other than housing guaranty authorities) repealed by this Act, or the Foreign Assistance Act of 1969, sections 202(b) and 413(b) of the Mutual Security Act of 1954, as amended, and section 111(b) (3) of the Economic Cooperation Act of 1948, as amended (exclusive of authority relating to informational media guaranties); and

(e) the term “act of bribery” means an offer or promise to pay, or a payment of, any significant amount of money, or an offer or promise to give, or a gift of, anything of significant value, by an investor seeking payment under this title or any agent of such investor—

(1) to an individual who is an official of a foreign government or instrumentality thereof for the purpose of inducing such individual to use his influence within such foreign government or instrumentality to affect any decision or other action of such foreign government or instrumentality with respect to a project of such investor for which insurance or reinsurance is issued under this title;

(2) to any person if such investor or agent knows or has reason to know that all or a portion of such moneys or thing

of value will be offered, given, or promised, directly or indirectly, to any individual who is an official of a foreign government or instrumentality thereof for the purpose of inducing such individual to use his influence within such foreign government or instrumentality to affect any decision or other action of such foreign government or instrumentality with respect to a project of such investor for which insurance or reinsurance is issued under this title; or

(3) to any foreign political party or official thereof or any candidate for foreign political office for the purpose of inducing such party, official, or candidate to use his or its influence with a foreign government or instrumentality thereof to affect any decision or other action of such foreign government or instrumentality with respect to a project of such investor for which insurance or reinsurance is issued under this title.

Purpose

This section provides definitions of certain important terms used in title II:

Subsection (a)—Investment: A broad definition is given to illustrate the numerous forms by which investments can be made.

Subsection (b)—Expropriation: This definition, taken with little change from the legislation under which AID operated the program, provides that expropriation "includes" breach by a foreign government of its contract with the investor under certain circumstances. The phrase "with respect to a project" is intended to make it clear that the contract may cover the abrogation, repudiation, or impairment of the type of contract in which a foreign government, acting as a sovereign, confers rights and benefits in connection with a project without covering various other contracts, such as those in which the foreign government operates basically as the buyer or seller of goods or services. Although the Corporation may pay the claim immediately, action may be brought in the local courts by the Corporation to protect its interests.

Subsection (c)—Eligible investor: Since it is impractical to obtain direct evidence of the citizenship of beneficial owners of publicly held corporations, determinations of eligibility will be made by relying on record addresses or by applying other reasonable standards of indirect evidence.

Subsection (d)—Predecessor guaranty authority: The term "predecessor guaranty authority," as used in this title, means prior guaranty insurance and reinsurance authorities repealed by the bill, or by the Foreign Assistance Act of 1969, and certain provisions in the Mutual Security Act of 1954, as amended and the Economic Cooperation Act of 1948, as amended. The definition, however, excludes information media guaranty authority and housing guaranty authorities.

Subsection (e)—Act of bribery: This definition is virtually identical to that contained in the Foreign Corrupt Payments Act of 1977, imposing criminal penalties on U.S. persons who engage in bribery of

foreign government officials, but limits the term to bribes connected with OPIC insured projects.

Background

This section is identical to FAA section 238.

SECTION 319

Text

SEC. 319. GENERAL PROVISIONS AND POWERS.—(a) The Corporation shall have its principal office in the District of Columbia and shall be deemed, for purposes of venue in civil actions, to be resident thereof.

(b) The President shall transfer to the Corporation, at such time as he may determine, all obligations, assets, and related rights and responsibilities arising out of, or related to, predecessor programs and authorities similar to those provided for in section 314 (a), (b), and (d). Until such transfer, the agency heretofore responsible for such predecessor programs shall continue to administer such assets and obligations, and such programs and activities authorized under this title as may be determined by the President.

(c) The Corporation shall be subject to the applicable provisions of the Government Corporation Control Act, except as otherwise provided in this title.

(d) To carry out the purposes of this title, the Corporation is authorized to adopt and use a corporate seal, which shall be judicially noticed; to sue and be sued in its corporate name; to adopt, amend, and repeal bylaws governing the conduct of its business and the performance of the powers and duties granted to or imposed upon it by law; to acquire, hold, or dispose of, upon such terms and conditions as the Corporation may determine, any property, real, personal, or mixed tangible or intangible, or any interest therein; to invest funds derived from fees and other revenues in obligations of the United States and to use the proceeds therefrom, including earnings and profits, as it shall deem appropriate; to indemnify directors, officers, employees, and agents of the Corporation for liabilities and expenses incurred in connection with their Corporation activities; to require bonds of officers, employees, and agents and pay the premiums therefor; notwithstanding any other provision of law, to represent itself or to contract for representation in all legal and arbitral proceedings; to purchase, discount, rediscount, sell, and negotiate, with or without its endorsement or guaranty, and guarantee notes, participation certificates, and other evidence of indebtedness (provided that the Corporation shall not issue its own securities, except participation certificates for the purpose of carrying out section 311(c)(3) or participation certificates as evidence of indebtedness held by the Corporation in connection with settlement of claims under section 317(i)); to make and carry out such contracts and agreements as are necessary and advisable in the conduct of its business; to exercise the priority of the Government of the United States in collecting debts from bankrupt, insolvent, or decedents' estates; to determine the character of and the necessity for its obligations and expenditures, and the manner in which they shall be incurred, allowed,

and paid, subject to provisions of law specifically applicable to Government corporations; and to take such actions as may be necessary or appropriate to carry out the powers herein or hereafter specifically conferred upon it.

(e) The Auditor-General of the Administration (1) shall have the responsibility for planning and directing the execution of audits, reviews, investigations, and inspections of all phases of the Corporation's operations and activities and (2) shall conduct all security activities of the Corporation relating to personnel and the control of classified material. With respect to his responsibilities under this subsection, the Auditor-General shall report to the Board. The Administration shall be reimbursed by the Corporation for all expenses incurred by the Auditor-General in connection with his responsibilities under this subsection.

(f) In order to further the purposes of the Corporation there shall be established an Advisory Council to be composed of such representatives of the American business community as may be selected by the Chairman of the Board. The Administrator, the President of the Corporation and the Board shall, from time to time, consult with such Council concerning the objectives of the Corporation. Members of the Council shall receive no compensation for their services but shall be entitled to reimbursement in accordance with section 5703 of title 5 of the United States Code for travel and other expenses incurred by them in the performance of their functions under this section.

(g) Except for the provisions of this title, no other provision of this or any other law shall be construed to prohibit the operation in Yugoslavia or Romania of the programs authorized by this title, if the President determines that the operation of such program in such country is important to the national interest.

(h) Within six months after the date of enactment of this Act the Corporation shall develop and implement specific criteria intended to minimize the potential environmental implications of projects undertaken by investors abroad in accordance with any of the programs authorized by this title.

Purpose

Subsection (a) provides that the Corporation's principal office shall be in the District of Columbia. The Corporation will be deemed a resident of the District of Columbia for purposes of venue in civil actions.

Subsection (b) restates the authority of the President to transfer to the Corporation all obligations, assets, and related rights of predecessor programs.

Subsection (c) provides that the Corporation will be subject to applicable provisions of the Government Corporation Control Act and, accordingly, it will maintain accounts and submit budgets as required by that act. However, it will be able to hold its own income and its direct investment fund, and invest its income in Treasury obligations as provided in section 319(d).

Subsection (d) provides those general corporate powers which are appropriate to the operations of a Government corporation carrying out the purposes and activities specified in title II of chapter III. Accordingly, the Corporation is authorized to use a corporate seal; to sue and be sued; to establish bylaws; to deal with property; to

invest its revenues in U.S. obligations; to pay dividends; to indemnify directors, officers, and others who act on its behalf, for liabilities and expenses incurred in connection with their duties; to require bonds and pay the premiums with respect to those acting on its behalf; to represent itself in legal and arbitration proceedings; to sell, negotiate, and guarantee notes and other evidence of indebtedness held by the Corporation (including participation certificates representing portions of such notes or evidences of indebtedness or representing evidence of indebtedness held by the Corporation in connection with settlement of claims); to enter into contracts and agreements; to exercise the priority of the U.S. Government in debt collection; to determine the character and necessity for its obligations and expenditures subject to laws specifically applicable to Government corporations; and to take such actions as may be appropriate to carry out its business.

Subsection (e) provides that the Auditor General of the Administration shall also have the same general duties and responsibilities for the Corporation.

Subsection (f) restates FAA section 239(f) providing for the establishment of an Advisory Council composed of representatives of the American business community which would be available to consult with the Corporation's Board and President. This section had, however, been rendered inoperative by the provisions of the Federal Advisory Committee Act, Public Law 92-463.

Subsection (g) permits the Corporation to operate programs in Romania and Yugoslavia.

Subsection (h) requires the Corporation to develop and implement specific criteria to minimize the potential environmental implications of projects.

Background

This section is essentially identical to FAA section 239.

Text

SEC. 320. REPORTS TO THE CONGRESS.—(a) After the end of each fiscal year, the Corporation shall submit to the Congress a complete and detailed report of its operations during such fiscal year, including an assessment of the economic and social development impact and benefits of such operations and the extent to which such operations complement or are compatible with the development assistance programs of the United States and other donors.

(b) Not later than December 31, 1980, the Corporation shall submit to the Congress a report on the development of private and multilateral programs for investment insurance and any participation arrangements it has made.

Purpose

Subsection (a) requires the Corporation to submit annually to the Congress a complete and detailed report of its operations. This report will include material customarily submitted by Government corporations under section 104 of the Government Corporation Control Act, but will include such further detail as may be deemed appropriate by the executive branch or requested by the Congress. It shall specifically include an assessment of the Corporation's success in achieving its

developmental goals. The Corporation will have to develop appropriate criteria to measure the social and economic developmental impact of its operation, and present its assessment to Congress in such a manner that the Corporation's programs can be evaluated as a part of U.S. foreign assistance efforts.

Subsection (b) requires the Corporation to submit a report to Congress on the development of its multilateral and private reinsurance programs not later than December 31, 1980.

Background

This section is identical to FAA section 240A.

Text

SEC. 331. WORLDWIDE HOUSING GUARANTEES.—The Congress recognizes that shelter requirements are among the most fundamental of human needs. Shelter for most people in the developing countries consists largely of domestic materials assembled by local labor. Most financing for such housing must come from domestic resources. The Congress finds that carefully designed programs involving United States capital and expertise can increase the availability of domestic financing for improved housing and related services for low-income people by demonstrating to local entrepreneurs and institutions that providing credit for low-cost housing can be financially viable.

The Congress reaffirms, therefore, that the United States should continue to assist the private sector in marshaling resources for low-cost housing in developing countries. Particular attention should be given to programs which will support pilot projects for low-cost shelter or which will have a maximum demonstration impact on local financial institutions. The Congress declares that the longrun goal of all such programs should be to stimulate local credit institutions to make available domestic capital for financing low-cost shelter.

Purpose

This section introduces the title III (housing guarantees) of chapter III.

In developing countries' financing materials and labor for most housing are obtained from local sources. However, programs utilizing U.S. capital and expertise can increase the availability of local financing for housing and related services for low income people by demonstrating the financial viability of credit systems for low-cost housing.

The second paragraph makes clear that all programs authorized under this title should be designed with the longrun goal of stimulating local credit institutions to make available domestic capital for financing low-cost shelter. Such programs should generally support pilot projects in which guaranties allow for experimentation with new kinds of credit programs, or should be demonstration projects, in which techniques proven in other countries are transferred to a developing country to demonstrate their effectiveness to local entrepreneurs and government officials.

Background

This section is derived from FAA section 221. The new section emphasizes that projects authorized under the title are to be designed

to have a significant impact on the development of domestic institutions which do or could provide credit for low-cost housing for poor people. Limits of guaranty authority are contained in section 332.

SECTION 332

Text

SEC. 332. AUTHORIZATION.—(a) To carry out the policy of section 331, the Administrator is authorized to issue guaranties to eligible investors, as defined in section 318(c), assuring against losses incurred in connection with loans made pursuant to section 331. The total principal amount of guaranties issued under this chapter or heretofore issued under the predecessor legislation, outstanding at any one time shall not exceed \$. The authority of this section shall continue until September 30, 1980. The Administrator may issue regulations from time to time with regard to the terms and conditions upon which such guaranties shall be issued and the eligibility of lenders.

(b) Activities to be carried out under this section shall emphasize—

(1) projects which provide improved home sites to poor families on which to build shelter, and related services;

(2) projects comprised of expandable core shelter units on serviced sites;

(3) slum upgrading projects designed to conserve and improve existing shelter;

(4) shelter projects for low income people designed for demonstration or institution building purposes; and

(5) community facilities and services in support of projects authorized under this section to improve the shelter occupied by the poor.

Purpose

Section 332(a) authorizes the Administrator to issue guaranties to eligible investors against losses incurred in loans made in connection with projects meeting the criteria of sections 331 and 332(b). The section specifies a ceiling on the total principal amount of loan guaranties.

Subsection (b) lists the specific kinds of projects which are to be emphasized in the housing guaranty program.

Background

In the FAA, general authority for the housing guaranty program is provided in section 221. FAA section 222(c) provides a separate authority for programs in Latin America. This separate authority dates back to the enactment of the Alliance for Progress provisions in the FAA. Section 332 of the bill combines these two authorizations into a single consolidated program.

Section 222(b) of the FAA contains a list of the kinds of projects for which guaranties can be issued in Latin America; FAA section 221 links the general worldwide authority to the kinds of projects described in 222(b). Compared to the FAA, the bill provides a clearer set of guidelines as to the specific kinds of projects for which guaranties may be issued. These guidelines require that most projects should involve low-cost housing and related services.

SECTION 333

Text

SEC. 333. GENERAL PROVISIONS.—(a) A fee shall be charged for each guaranty issued under section 332 in an amount to be determined by

the Administrator. In the event the fee to be charged for such type guaranty is reduced, fee to be paid under existing contracts for the same type of guaranty may be similarly reduced.

Purpose

Subsection (a) requires a fee to be charged in return for the issuance of a guaranty. The second sentence permits prior fee schedules to be appropriately reduced when new fee schedules are reduced.

Background

This subsection is derived from FAA section 223. Fees charged to borrowers provide the Housing Guaranty Program with income to cover claims, pay all salaries and operating expenses of the program, and from time to time replenish the reserve fund.

Text

SEC. 333. (b) The amount of \$50,000,000 of fees accumulated under prior investment guaranty provisions repealed by the Foreign Assistance Act of 1969, together with all fees collected in connection with guaranties issued under section 332 or under prior housing guaranty authorities shall be available—

(1) for meeting necessary administrative and operating expenses of carrying out the provisions of section 332 and of prior housing guaranty provisions repealed by the Foreign Assistance Act of 1969 (including but not limited to expenses pertaining to personnel, supplies, and printing), subject to such limitations as may be imposed in annual appropriations Acts.

(2) for meeting management and custodial costs incurred with respect to currencies or other assets acquired under guaranties made pursuant to section 332 or heretofore pursuant to prior Latin American and other housing guaranty authorities repealed by the Foreign Assistance Act of 1969;

(3) to pay the cost of investigating and adjusting (including costs of arbitration) claims under such guaranties; and

(4) for expenditure in discharge of liabilities under such guaranties until such time as all such property has been disposed of and all such liabilities have been discharged or have expired, or until all such fees have been expended in accordance with the provisions of this subsection.

Purpose

This subsection provides that existing earned fee income and future fee income will be available to pay necessary administrative and operating costs of the program, pay costs of preserving and managing assets, pay costs of investigating and litigating claims under guaranties and discharge liabilities under guaranties.

Background

Subsection (b) is substantially similar to FAA section 223(b). This subsection is designed to permit the guaranty program to operate on a self-sufficient basis without the need for appropriations.

Text

SEC. 333. (c) Any payments made to discharge liabilities under guaranties issued under section 332 or heretofore under prior Latin

American or other housing guaranty authorities repealed by this Act or the Foreign Assistance Act of 1969, shall be paid first out of fees referred to in subsection (b) (excluding amounts required for purposes other than the discharge of liabilities under guaranties) as long as such fees are available, and thereafter shall be paid out of funds, if any, realized from the sale of currencies or other assets acquired in connection with any payment made to discharge liabilities under such guaranties as long as funds are available, and finally out of funds hereafter made available pursuant to subsection (c).

Purpose

This subsection prescribes the order of priority for the use of new fee income, earned reserves, and, if necessary, appropriated funds. The subsection requires the exhaustion of current fee income and, next, earned reserves, prior to resorting to appropriation action.

Background

This subsection is substantially similar to FAA section 223(c) and reinforces the concept that the guaranty program should be self-sustaining.

Text

SEC. 333. (d) All guaranties issued under section 332 or previously under section 240 of the Foreign Assistance Act of 1961, as amended, or heretofore under prior Latin American or other housing guaranty authority repealed by the Foreign Assistance Act of 1969 shall constitute obligations, in accordance with the terms of such guaranties, of the United States and the full faith and credit of the United States is hereby pledged for the full payment and performance of such obligations.

Purpose

This subsection pledges the full faith and credit of the United States for the discharge of its obligations under the guarantee program.

Background

This subsection is substantially similar to FAA section 223(d) and is intended to strengthen lender confidence in the guarantee program and to reduce interest rates charged to borrowers.

Text

SEC. 333. (e) There is authorized to be appropriated to the Administrator such amounts, to remain available until expended, as may be necessary from time to time to carry out the purposes of this title.

Purpose

This subsection provides a standby authorization for appropriations should the need ever arise.

Background

This subsection is derived from FAA section 223(a) and will facilitate the appropriation process in case of unforeseen emergency needs.

Text

SEC. 333. (f) In the case of any loan investment guaranteed under section 32. Administrator shall prescribe the maximum rate of

interest allowable to the eligible investor, which maximum rate shall not be less than one-half of 1 per centum above the then current rate of interest applicable to housing mortgages insured by the Department of Housing and Urban Development. In no event shall the Administration prescribe a maximum allowable rate of interest which exceeds by more than 1 per centum the then current rate of interest applicable to housing mortgages insured by such Department. The maximum allowable rate of interest under this subsection shall be prescribed by the Administration as of the date the project covered by the investment is officially authorized and, prior to the execution of the contract, the Administration may amend such rate at its discretion, consist with the provisions of subsection (f).

Purpose

This subsection prescribes a maximum rate of interest allowable in the guarantee program. The maximum rate is expressed in terms of a range (one-half of 1 percent to 1 percent above current HUD rates applicable to houses insured by HUD). The maximum rate may fluctuate with the range set above.

Background

The subsection is derived from FAA section 223(f) and was inserted in the FAA of 1966 to control interest rates. The use of a range of interest rates with a minimum figure was designed to prevent U.S. Government agencies with monetary authority to artificially prescribe a maximum rate which in relation to the existing capital market interest rates was too low to permit the program to function. Actual interest rates are set by normal capital market forces, and interest rates charged under housing guarantee loans from time to time may be less than the maximum range specified above.

Text

SEC. 333. (g) Housing guaranties committed, authorized, or outstanding under prior housing guaranty authorities repealed by this Act or the Foreign Assistance Act of 1969 shall continue subject to provisions of law originally applicable thereto and fees collected hereafter with respect to such guaranties shall be available for the purposes specified in subsection (b).

Purpose

This subsection serves as a savings provision stating that prior housing guaranties issue under predecessor legislation remain valid.

Background

This subsection is substantially identical to FAA section 223(g). This savings clause confirms the validity of guaranties issued under laws and authorities no longer in force.

Text

SEC. 333. (h) No payment may be made under any guaranty issued pursuant to this title for any loss arising out of fraud or misrepresentation for which the party seeking payment is responsible.

Purpose

This subsection provides that no payment on a guaranty may be made where the person seeking such payment is responsible for fraud or misrepresentation.

Background

This subsection was derived from FAA section 223(h). This provision was first introduced in the FAA in 1967 and represents a general view that even a full U.S. guaranty should not require payment in the face of a lender's own fraud.

Text

SEC. 333. (i) Guaranties shall be issued under section 332 only for housing projects which are specifically designed to demonstrate the feasibility and suitability of particular kinds of housing or of financial or other institutional arrangements. Of the aggregate face value of housing guaranties hereafter issued under this title, not less than 90 per centum shall be issued for housing suitable for families with income below the median income (below the median urban incomes for housing in urban areas) in the country in which the housing is located. The face value of guaranties issued with respect to housing in any county shall not exceed \$25,000,000 in any fiscal year, and the average face value of guaranties issued in any fiscal year shall not exceed \$45,000,000. Notwithstanding the provisions of the first sentence of this subsection, the Administrator is authorized to issue housing guaranties until September 30, 1979, as follows: In Israel not exceeding a face amount of \$75,000,000, in Portugal not exceeding a face amount of \$30,000,000, and in Lebanon, not exceeding a face amount of \$30,000,000.

Purpose

Subsection (i) provides that guaranties should be issued only for housing projects designed to demonstrate the feasibility of housing construction, housing finance or other institutional arrangements affecting housing and shelter.

The subsection inserts a rule of eligibility for beneficiaries based upon median income statistics for rural and urban areas in the country involved. Ninety percent of housing actually financed by the guaranteed loans must be suitable or affordable by families earning below the median income in their respective areas.

This subsection limits the total amount of guaranties issued for any one country in any one fiscal year to \$25 million. Also the average face value of guaranties to be issued in any fiscal year is limited to \$15 million.

Background

This subsection is substantially similar to FAA section 223(j) with the exception that rules for country eligibility appearing in FAA section 223(j) (1) and (2) have been omitted. The FAA rule generally restricted the issuance of guaranties to countries receiving development assistance. Under subsection 333(i) of the bill, guaranties could be issued for shelter projects benefiting below-median-income families in countries where no appropriated development funds are being used.

The remaining portions of subsection 333(i) are designed to spread the benefits of the guaranty authority to a greater number of countries—by limiting the average size of each guaranty—and insure that poorer families directly benefit—by inserting the below-median-income test.

The last sentence of subsection (i) provides that guaranties in Israel, Portugal, and Lebanon are not restricted to demonstration projects.

The amounts given as ceilings for programs in Israel, Portugal, and Lebanon represent the carrying forward of existing authority under the FAA, rather than new authority.

Text

SEC. 333. (j) All funds made available for meeting the necessary administrative and operating expenses of carrying out the provisions of section 332 and housing guaranties heretofore authorized under predecessor authority may be invested in obligations of the United States which are determined to be appropriate for such an investment by the Secretary of the Treasury or in such other obligations or securities as the Secretary of the Treasury determines to be appropriate. Any interest or other receipts derived from such investments, together with any receipts derived from indemnities, or penalties derived from obligations incurred by parties to agreements made in connection with guaranties issued hereunder or predecessor authority, may be used for the same purposes with respect to each section as the fees collected with respect to such section.

Purpose

This subsection (j) permits the investment of earned fee income in U.S. and other obligations deemed appropriate by the Treasury with the resulting income to be used for the same purposes as new fee income under section 333(b).

Background

This subsection is new but is based upon similar legislation applicable to OPIC. This provision will tend to insure the continued operation of the guarantee program on a self-sustaining basis. The real value of existing earned reserves of the program (approximately \$49 million) has declined over the years that such reserves have been maintained in noninterest-earning U.S. Treasury accounts. Meanwhile the contingent liability of the program has grown. Permitting the reserves to be credited with interest would allow the value of the reserves to grow with the contingent liability of the program.

TITLE IV—AGRICULTURAL AND PRODUCTIVE CREDIT AND SELF-HELP DEVELOPMENT COMMUNITIES PROGRAMS

SECTION 341

Text

SEC. 341. GENERAL POLICY.—(a) It is the sense of the Congress that in order to stimulate the participation of the private sector in the economic development of less-developed countries in Latin America, the authority conferred by this section should be used to establish pilot programs in not more than five Latin American countries to encourage private banks, credit institutions, similar private lending organizations, cooperatives, and private nonprofit development organizations to make loans on reasonable terms to organized groups and individuals residing in a community for the purpose of enabling such groups and individuals to carry out agricultural credit and self-help community development projects for which such groups or individuals are unable to obtain financial assistance on reasonable terms. Agricultural credit and assistance for self-help community development projects should

include, but not be limited to, material and such projects as wells, pumps, farm machinery, improved seed, fertilizer, pesticides, vocational training, food industry development, nutrition projects, improved breeding stock for farm animals, sanitation facilities, and looms and other handicraft aids.

(b) To carry out the purposes of subsection (a), the Administrator is authorized to issue guaranties, on such terms and conditions as he shall determine, to private lending institutions, cooperatives, and private nonprofit development organizations in not more than five Latin American countries assuring against loss of not to exceed 50 per centum of the portfolio of such loans made by any lender to organized groups or individuals residing in a community to enable such groups or individuals to carry out agricultural credit and self-help community development projects for which such groups or individuals are unable to obtain financial assistance on reasonable terms. In no event shall the liability of the United States exceed 75 per centum of any one loan.

(c) The total face amount of guaranties issued under this section outstanding at any one time shall not exceed \$15,000,000. Not more than 10 per centum of such sum shall be provided for any one institution, cooperative, or organization.

(d) The Inter-American Foundation shall be consulted in developing criteria for making loans eligible for guaranty coverage in Latin America under this section.

(e) Not to exceed \$3,000,000 of the guaranty reserve established under section 333(b) shall be available to make such payments as may be necessary to discharge liabilities under guaranties issued under this section or any guaranties previously issued under sections 222A and 240 of the Foreign Assistance Act of 1961, as amended.

(f) The authority of this section shall continue until September 30, 1982.

(g) Notwithstanding the limitations in subsection (c), foreign currencies owned by the United States and determined by the Secretary of the Treasury to be excess to the needs of the United States may be utilized to carry out the purposes of this section, including the discharge of liabilities under this subsection. The authority conferred by this subsection shall be in addition to authority conferred by any other provision of law to implement guaranty programs utilizing excess local currency.

(h) Fees collected in connection with guaranties issued under this section shall be available to pay the administration costs incurred in connection with programs authorized by this section.

Purpose

This section is designed to encourage and enable private banks, other credit institutions, cooperatives, and private nonprofit development organizations located in Latin American countries to make loans to individuals and to organized groups in order to enable such individuals and groups to carry out agricultural credit and self-help community development projects for which they are unable to obtain financing from other sources. The Administrator is authorized to issue guarantees covering a face value of no more than \$15 million, with liability against loss not to exceed 50 per centum of the portfolio

of loans by any one lender, and no more than 75 per centum of the face value of any single loan. The authority is limited to pilot programs in five Latin American countries.

Background

This section is taken almost in its entirety from FAA section 222A. The major substantive change is an extension in authority from December 31, 1977, in the FAA to September 30, 1982, in the bill. Although this legislation was originally enacted in 1969, AID has only just begun several pilot programs. The program was transferred from OPIC to AID in 1974.

TITLE V—REIMBURSABLE SERVICES AND COMMODITIES

SECTION 351

Text

SEC. 351. GENERAL AUTHORITY.—(a) Whenever the Administrator determines it to be consistent with and in furtherance of the purpose of this Act, any agency of the United States Government is authorized to furnish services and commodities on an advance-of-funds or reimbursement basis to friendly countries, international organizations, the American Red Cross, and voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid, including foreign voluntary nonprofit relief agencies so registered and approved when no United States voluntary nonprofit relief agency is available.

(b) Such advances or reimbursements may be credited to the currently applicable appropriation, account, or fund of the agency concerned and shall be available for the purposes for which such appropriation, account, or fund is authorized to be used, under the following circumstances:

(1) Advances or reimbursements which are received under this section within 180 days after the close of the fiscal year in which such services and commodities are delivered.

(2) Advances or reimbursements received pursuant to agreements executed under this section in which reimbursement will not be completed within 180 days after the close of the fiscal year in which such services and commodities are delivered: *Provided*, That such agreements require the payment of interest at the current rate established pursuant to section 2(b)(1)(B) of the Export-Import Bank Act of 1945 (59 Stat. 526), and repayment of such principal and interest does not exceed a period of three years from the date of signing of the agreement to provide the service: *Provided further*, That funds available for this paragraph in any fiscal year shall not exceed \$1,000,000 of the total funds authorized for use in such fiscal year by chapter II of this Act, and shall be available only to the extent provided in appropriation Acts. Interest shall be accrued as of the date of disbursement to the agency or organization providing such services.

Purpose

Section 351 authorizes U.S. Government agencies to furnish services and commodities on an advance-of-funds or reimbursement basis to friendly countries, international organizations, the American Red

Cross, and voluntary nonprofit relief agencies registered with and approved by the Advisory Committee on Voluntary Foreign Aid. It permits the U.S. agency to credit funds received in reimbursement for services and commodities furnished to the current applicable appropriation, fund or account if the funds are received within 180 days after the close of the fiscal year in which services or commodities are delivered.

The Administrator may reuse up to \$1 million of reimbursements received in any fiscal year from countries for services or commodities furnished to such countries, even if the reimbursements are not received within 180 days of delivery in accordance with existing law, provided that the deferral of payment is made in accordance with an agreement requiring payment of interest at Export-Import Bank rates of interest, with repayment of principal and interest to be completed within 3 years. Interest payments are paid into the Treasury.

Background

This section is taken directly from FAA section 607 (a).

SECTION 352

Text

SEC. 352. REIMBURSABLE DEVELOPMENT PROGRAMS.—The Administrator is authorized to use \$5,000,000 of the funds made available for the purposes of this Act in the fiscal year 1979 to work with friendly countries, especially those in which United States development programs have been concluded or those not receiving assistance under chapter II of this Act, in stimulation of reimbursable aid programs consistent with chapter I of this Act. Any funds used for purposes of this section may be used notwithstanding any other provision of this Act.

Purpose

This section authorizes the Administrator to use up to \$5 million of the funds made available for the bill in fiscal year 1979 to stimulate reimbursable development programs which are consistent with the development policies outlined in chapter I. The Administrator is instructed to focus especially on those countries in which bilateral assistance programs have been concluded or which do not receive assistance authorized under chapter II. Funds used under this section may be used notwithstanding any other provision of this act.

Background

This section is derived from FAA section 661. Some developing countries may have the financial resources to pay for needed technical expertise and for equipment needed for development projects, but may encounter difficulties in procuring technical assistance and materials. Funds authorized in this section may be used to cover such activities as travel expenses and salaries of administration personnel who can explain the reimbursable program to developing countries, and help them design reimbursable projects. This program enables the administration to play a useful role in supporting a country's development efforts, with little direct cost to the U.S. Government.

There are two major differences from FAA section 661:

The funding level has been increased from \$2 million to \$5 million. This is one of the few bilateral programs available to the Administrator for developing countries which no longer require concessional assistance. The Administrator should be encouraged to develop this program more fully.

In addition to stimulating reimbursable aid programs, FAA section 661 authorized use of funds to facilitate "open and fair access to natural resources of interest to the United States." To date, AID has not used these funds for such a purpose. Since this provision was enacted the United States has undertaken a wider range of initiatives involving access to raw materials.

SECTION 353

Text

SEC. 353. EXCESS PROPERTY.—(a) No Government-owned excess property may be made available under this section, section 354, or otherwise in furtherance of the purposes of chapter I of this Act, unless, before the shipment of such property for use in a specified country (or transfer, if the property is already in such country), the Administration has approved such shipment or transfer and made a written determination—

(1) that there is a need for such property in the quantity requested and that such property is suitable for the purpose requested;

(2) as to the status and responsibility of the designated end-user and his ability effectively to use and maintain such property, and

(3) that the residual value, serviceability, and appearance of such property would not reflect unfavorably on the image of the United States and would justify the costs of packing, crating, handling, transportation, and other accessorial costs, and that the residual value at least equals the total of such costs.

(b) Property classified as domestic excess property under the Federal Property and Administrative Services Act of 1949, as amended, shall not be transferred to the Administration for use pursuant to the provisions of this Act unless—

(1) such property is transferred for use exclusively by an agency of the United States Government; or

(2) it has been determined in the same manner as provided for surplus property in section 203(j) of the Federal Property and Administrative Services Act of 1949, as amended, that such property is not needed for donation pursuant to that subsection.

The foregoing restrictions shall not apply to the transfer in any fiscal year for use pursuant to the provisions of this Act of amounts of such property with a total original acquisition cost to the United States Government not exceeding \$45,000,000.

Purpose

Subsection (a) requires that before Government-owned excess property can be made available under sections 353 or 354 or otherwise in furtherance of the purposes of the act, the Administration must make a written determination that the property is needed and suitable for the purpose requested; that the end user is competent to use and

maintain the property, and that the condition of the property is worth the cost of transferring it and would not reflect unfavorably on the image of the United States.

Subsection (b) provides that, with the exception of property acquired in any fiscal year with a total original acquisition cost not exceeding \$45 million, no domestic excess property shall be transferred to the Administration for use pursuant to the provisions of the bill unless (1) it is acquired for use exclusively by a U.S. agency, or (2) it is determined that such property is not needed for donation pursuant to section 203(j) of the Federal Property and Administrative Services Act of 1949, as amended.

Background

Subsection (a) is taken without substantive change from FAA section 607(b). Subsection (b) is taken without substantive change from FAA section 608(b).

SECTION 354

Text

SEC. 354. ADVANCE ACQUISITION OF PROPERTY.—(a) It is the sense of the Congress that in furnishing assistance under chapter II excess personal property should be utilized wherever practicable in lieu of the procurement of new items for United States-assisted projects and programs. The Administrator is authorized to maintain in a separate account, which shall, notwithstanding section 1210 of the General Appropriation Act, 1951 (64 Stat. 765), be free from fiscal year limitations, \$5,000,000 of grant funds made available under chapter II, which may be used to pay costs (including personnel costs) of acquisition, storage, renovation and rehabilitation, packing, crating, handling, transportation, and related costs of property classified as domestic or foreign excess property pursuant to the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 471 et seq.), or other property, in advance of known requirements therefor for use in furtherance of the purposes of chapter I: *Provided*, That the amount of property classified as domestic excess property pursuant to the Federal Property and Administrative Services Act of 1949, as amended, held at any one time pursuant to this section shall not exceed \$15,000,000 in total original acquisition cost. Property acquired pursuant to the preceding sentence may be furnished—

(1) pursuant to any provision of chapter II for which funds are authorized for the furnishing of assistance, in which case the separate account established pursuant to this section shall be repaid from funds available for such provision for all costs incurred; or

(2) pursuant to section 351 in which case such separate account shall be repaid in accordance with the provisions of that section for all costs incurred.

Purpose

Section 354 authorizes the maintenance of up to \$5 million of chapter II funds in a revolving fund, from which expenditures may be made in advance of known needs for economic assistance purposes for acquiring U.S. Government excess property, making necessary repairs to, and otherwise processing, such property, and acquiring other property as necessary to complement such excess property, so that

meaningful packages of property may be organized for more ready transfers as specific needs arise. As such property is transferred either pursuant to the economic assistance provisions of chapter II or pursuant to section 351, the revolving fund will be reimbursed from funds to section 351, the revolving fund will be reimbursed from funds available under the section pursuant to which property is furnished. The purpose of this section is to overcome one of the chief obstacles to fuller utilization of U.S. excess property. Excess property is available usually only for a short period of time from 30 to 45 days which prohibits a complete review of worldwide needs with a result that it is extremely difficult to match the availability of an excess item with field requirements. Although both domestic and foreign excess property may be held pursuant to this section, no more than \$15 million in original acquisition cost of domestic excess property may be held at any one time.

Background

This section is taken without substantive change from FAA section 608(a).

SECTION 401

Text

SEC. 401. GENERAL MULTILATERAL ASSISTANCE POLICY.—The Congress finds and declares that United States participation in international development assistance agencies furthers the purposes established in section 101 by—

- (1) distributing the financial burden of development assistance among donor nations;
- (2) providing a forum for coordination of development assistance plans and programs;
- (3) facilitating the dialogue between donors and recipients concerning development policies and programs;
- (4) serving as a continuing source of the technical expertise required for formulation and implementation of development programs and projects;
- (5) avoiding duplication of facilities and services; and
- (6) maintaining an institutional capacity to undertake specific regional and specialized technical development efforts.

The Congress finds that international financial institutions and the specialized agencies of the United Nations have made an important contribution to the development process. The Congress declares its intention that a significant portion of United States development assistance resources should be provided through the international financial institutions, United Nations, specialized agencies, and other multilateral organizations.

Purpose

This general policy statement concerning multilateral assistance declares that U.S. participation in international development assistance agencies helps to further the overall, long-range policy goals outlined in section 101 of the bill. Specifically, these institutions help to distribute the financial burden among donors, provide a forum for coordination and dialog about development assistance activities, help prevent duplication of efforts, and provide a continuing source of technical expertise and institutional capacity to undertake specific

regional and specialized development efforts. Since multilateral assistance institutions have made an important contribution to development, a significant portion of U.S. development assistance should be channeled through them.

Background

This section contains much of the substance of FAA section 209 (a through c). It emphasizes the unique characteristics of international development multilateral assistance agencies and the role they play in furthering U.S. development assistance efforts. It further states that significant portions of U.S. assistance will be channeled through multilateral channels.

SEC. 402. EQUITABLE CONTRIBUTIONS TO INTERNATIONAL DEVELOPMENT ASSISTANCE AGENCIES.—The Congress declares that it is the policy of the United States to encourage the international development assistance agencies to devise financial arrangement wherein all countries contribute to development efforts at levels commensurate with their financial capabilities. United States participation and funding levels in international organizations should be consistent with this principle.

Purpose

Section 402 declares that multilateral assistance organizations should develop financial arrangements to insure contributions from donors commensurate with their financial capabilities and that the United States should follow this principle in its own participation.

Background

The section requires that the United States should continue to urge members of international development assistance agencies to devise financial arrangements to assure that all countries contribute a fair share. This section should be read in conjunction with the first paragraph of section 102, which recognizes that this obligation applies to all wealthy countries.

SECTION 403

Text

SEC. 403. FURTHERANCE OF UNITED STATES POLICY GOALS.—Congress declares that United States representatives to the international development assistance agencies shall, through their positions and their votes, reflect the policies expressed in chapter I, and shall endeavor to further the adoption of such policies by those agencies.

Purpose

This section declares that the actions of U.S. representatives in international development assistance agencies shall reflect the policies established for all of U.S. foreign assistance as expressed in chapter I of the bill and shall endeavor to further the adoption of such policies by those agencies.

Background

The section reflects congressional concern that international development assistance agencies in which the United States participates should pursue policies which are consistent with the broad U.S. development goals established in chapter I. As indicated at the end of section 102, international development assistance agencies may and

often should pursue some different approaches and policies depending upon their mandates.

SECTION 404

Text

SEC. 404. WOMEN IN DEVELOPMENT.—The United States representatives to international organizations shall carry out their duties with respect to such organizations in such a manner as to encourage and promote the participation of women in the national economies of member and recipient countries and the recruitment and promotion of women into professional and policymaking position within such organizations, thereby improving the status of women.

Purpose

This section calls upon U.S. representatives to international organizations to encourage and actively promote both the increased participation of women in the national economies of member and recipient countries and the recruitment and promotion of women into professional and policymaking positions within such organizations.

Background

Section 404 is basically the same as FAA section 305. The specific organizations are no longer listed. Nevertheless, this section, like the original law, is intended to apply to all international organizations, not just those covered by chapter IV. In response to section 305, there are programs currently underway in a range of international organizations not contained in this chapter. It is the intent of this section to encourage the continuation and expansion of those programs as well as programs in institutions covered by chapter IV. This section changes the phrase "integration of women" to "participation of women" in order to stress the inclusion of women in all sectors of the economy. In some instances "integration" has been interpreted as referring only to the formal or monetary sector of national economies. The provision is retained because of the increasingly recognized importance of women in the development process and because only marginal progress has been made in international organizations toward either including women in project planning and implementation or appointing women to professional or policymaking positions within the organization.

SECTION 405

Text

SEC. 405. EFFICIENT USE OF DEVELOPMENT RESOURCES.—The Congress declares that United States development assistance resources must be used with maximum efficiency and effectiveness. The Administrator shall—

(1) insure that United States bilateral development assistance policies and programs are coordinated with multilateral programs; and

(2) insure that the Administration's personnel are fully familiar with the policies and programs of international development assistance agencies and that the Administration provides regular and comprehensive evaluations of the effectiveness of such programs.

Purpose

As a means of insuring maximum efficiency and effectiveness in the usage of development assistance resources, the Administrator is instructed to insure (1) coordination of multilateral and bilateral programs and (2) that Administration personnel monitor and evaluate multilateral programs.

Background

A principal reason for the establishment of the Administration with its responsibility for all bilateral and multilateral development aid programs, is to improve the effectiveness of the overall U.S. development assistance effort.

The Congress has repeatedly expressed concern about inadequate coordination among the several bilateral and multilateral assistance efforts in which the United States participates. Under the current system, responsibility for development assistance is divided among three principal departments of the United States Government: State, Treasury and Agriculture. Overall development policy is supposed to be coordinated through an elaborate interagency process involving several mechanisms, from the individual country desks to the Presidential Review Committee. However, in practice, effective coordination may not occur. Development assistance programs may not complement, and in some cases detract from each other.

Under the provisions of the bill, responsibility for the coordination of development assistance policies and programs would clearly lie with the Administrator. Other agencies of the executive branch would share responsibility for establishing overall U.S. development policies. The interagency consultative process would continue. The executive branch departments would continue to be responsible for formulating the overall economic, political, and agricultural policies which lie within their jurisdictions. The Administrator would have an important role in the formulation of policies which affect development and would be responsible for day to day operational supervision policy and program coordination and justification of the programs to the Congress.

The assignment to the Administrator of development assistance policy formulation and day to day supervision and evaluation of the effectiveness of both bilateral and multilateral assistance programs will improve the coordination of U.S. development assistance efforts in several respects. First, officials responsible for development assistance will be required to consider development assistance programs in a comprehensive framework incorporating both bilateral and multilateral aid. Under the current system officials tend to concentrate on those programs for which their agency is responsible. Second, field missions will be responsible for monitoring and evaluating multilateral development assistance and insuring the coordination of such programs with United States bilateral assistance. Under the current system responsibility for field monitoring is divided and reports are sent to three different departments. Third, United States representatives to international development agencies will be able to represent more effectively overall U.S. development assistance policies, because their instructions will come from the Administrator responsible for coordination of both bilateral and multilateral assistance and they will receive comprehensive reports from the field mission.

SECTION 406

Text

SEC. 406. REPORTING REQUIREMENTS.—The reports and reviews produced by the independent auditing groups established in the international financial institutions, and the United Nations specialized agencies and its affiliated organizations shall be submitted by the United States representative to these organizations to the Administrator for transmittal to the Congress and the Comptroller General. The Comptroller General shall periodically review such reports and transmit any suggestion or recommendation relating to such reports to the President and to the Congress.

Purpose

This section requires that the reports and reviews produced by independent auditing groups in the multilateral assistance agencies should be submitted to the administration for transmittal to Congress. The Comptroller General shall review these reports and make suggestions or recommendations relating to them to both the President and Congress.

Background

Section 406 substitutes for FAA section 301(e) which provided for the establishment of independent evaluation units in the multilateral assistance organizations and the transmission of their reports to the executive branch and Congress. These units have been established and are functioning. Therefore, it is only necessary to retain the provision relating to transmission of reports.

TITLE II—INTERNATIONAL FINANCIAL INSTITUTIONS

SECTION 411

Text

SEC. 411. GENERAL POLICY.—The Congress finds that in addition to the general characteristics set out in section 401, the international financial institutions—

(1) have maintained a sound financial record, in which no recourse has been made to callable capital;

(2) can provide credit to developing countries on terms which correspond to the development level and financial capabilities of particular countries;

(3) are able to work with developing countries in formulating sound development policies; and

(4) can strengthen the capability of governments of developing countries to work with private financial institutions.

The Congress recognizes that the international financial institutions must have the capacity to make long-term plans, and therefore require that donors maintain their long-term commitments. The Congress declares that the United States will continue to participate at significant levels in the international financial institutions as an essential element in promoting economic development.

Purpose

Section 411 lists several characteristics of the international financial institutions (including the World Bank Group and the regional de-

velopment banks, but not the IMF), which, in addition to the general characteristics of international development assistance agencies outlined in section 401, enable the international financial institutions to perform critically important functions in the international development process. These characteristics include:

- A sound financial record, with no recourse to callable capital;
- The provision of credit to developing countries on terms which correspond to their development levels and financial capabilities;
- The ability to work with developing countries in formulating sound development policies; and
- Strengthening the capability of governments of developing countries to work with financial institutions, hence preparing them to work with private financial markets.

The section states that the banks, given the complexity and long-term nature of their projects and dependence on many donors, must be able to make long-term plans, which in turn require that donors maintain their commitments. In the section, Congress declares that the United States will continue to participate in the international financial institutions at significant levels as an essential element in overall U.S. economic development policy.

Background

The bill consolidates policy for all U.S. international development activities. This new section outlines the characteristics of the international financial institutions which need be considered in determining their appropriate role in overall U.S. development strategy and allocation of development assistance resources. In particular, the section stresses the fact that because U.S. callable capital has never been needed, no budget outlays have been required for this purpose. Furthermore, the banks, to a greater degree than bilateral assistance programs, have the ability to work with developing countries in making difficult development decisions. The experience with these institutions, as a country moves from receiving highly concessional loans to loans which are more nearly on commercial terms, helps prepare developing countries for greater reliance on private capital markets and investment for their foreign capital needs.

The section acknowledges that the international financial institutions must be able to plan ahead, and hence need firm long-term commitments from donor nations.

SECTION 412

Text

SEC. 412. POLICY GUIDANCE AND COORDINATION.—The Administrator shall be responsible for formulating United States positions and instructing representatives of the United States to the international financial institutions.

Purpose

This new section confers on the Administrator by statute the authority for formulating positions and instructing the U.S. representatives to the international financial institutions. This section is not intended to derogate from the overall responsibility of the Secretary of the Treasury for the financial integrity of these institutions. In

particular, it is anticipated that the Secretary of the Treasury will continue to chair the National Advisory Council on International Monetary and Financial Policies, which reviews proposed individual loan, financial, exchange, or monetary transactions of the international financial institutions, the IMF, the Ex-Im Bank, and other U.S. agencies, in order to coordinate U.S. economic policies.

Background

Currently Executive Order 11269 of February 14, 1966, delegates to the Secretary of the Treasury the "authority to instruct representatives of the United States to the international financial organizations." Section 412 would transfer this authority in the case of the World Bank and regional banks to the Administrator. If U.S. development assistance policy is to be internally consistent, the Administrator should have day-to-day responsibility for administration of bilateral development programs and policy oversight of the U.S. representatives in these international financial institutions.

It is anticipated that the Administrator will consult closely with the Secretary of the Treasury on policy relating to the international financial institutions. Furthermore, the Secretary of the Treasury will continue his role as Chairman of the National Advisory Council, which has an overall coordinating responsibility for U.S. international loan, financial, exchange, and monetary transaction policy. In particular, the Secretary of the Treasury should review U.S. policy regarding the international financial institutions to assure that such policy is consistent with maintenance of the long-run financial soundness and viability of those institutions. Presumably, although the functions of Treasury's Office of International Development Banks would be transferred to the Administration, Treasury would maintain its Office of the National Advisory Council. It is anticipated that a number of the professionals (currently 12) in the Office of International Development Banks would be detailed to the administration during a transition period.

The bill does not require that authorizations for the international financial institutions be brought to Congress in the same annual legislation as bilateral assistance programs. Funds for those institutions may continue to be authorized under their own legislation.

CHAPTER IV. MULTILATERAL DEVELOPMENT ASSISTANCE

Chapter IV provides a policy framework within which the United States may channel a significant share of its development resources through international development assistance agencies. It also assigns the Administrator the responsibility for formulating policy and instructing U.S. representatives to the international financial institutions and certain United Nations development agencies and programs, and provides the basic authority required to provide grant voluntary contributions to United Nations organizations and programs.

TITLE III—UNITED NATIONS PROGRAMS

SECTION 421

Text

SEC. 421. GENERAL POLICY.—When the President determines it to be in the national interest, the Administrator is authorized to make voluntary contributions on a grant basis to international organizations and to programs administered by such organizations, on such terms and conditions as he may determine, in order to further the purposes of this chapter. The Administrator shall be responsible for formulating United States positions and instructing representatives of the United States to the international organizations receiving funds under this title.

Purpose

Section 421 authorizes the President to make voluntary contributions on a grant basis to international organizations and programs when he determines it to be in the national interest. The section also states that the Administrator shall be responsible for formulating U.S. positions and instructing representatives of the United States to the international organizations which receive funds authorized by this title.

Background

Section 421 directs that the Administrator shall be responsible for formulating U.S. positions and instructing U.S. representatives to the international organizations which receive voluntary contributions from the United States. The United States makes voluntary contributions to U.N. agencies and programs as well as for certain activities of the Organization of American States.

Currently, although the funds for voluntary contributions to U.N. agencies and programs are authorized in FAA section 302, the Department of State is responsible for day-to-day supervision of U.S. policy toward and participation in international organizations. Section 421 would shift this responsibility to the Administration. The Department of State would continue its responsibility for the formulation of over-

all U.S. policies and positions in the U.N. and its responsibility for supervision of U.N. agencies to which assessed contributions are made.

The division between voluntary and assessed contributions roughly parallels the division between those U.N. agencies which are primarily responsible for development activities (for example, the United Nations development program) and those which are not (for example, the International Civil Aviation Organization). The Administrator would also be responsible for U.S. participation in the two other international organizations for which funds are authorized in this title.

Section 421 is derived from FAA section 301 which contains the authority to make voluntary contributions as well as several specific policy directives concerning those contributions. The policy directives of FAA section 301 were not included in section 421 as explained below.

FAA section 301(b), which established a ceiling of 40 percent on U.S. contributions to the UNDP, has been overtaken by events because the U.S. contribution has been less than 25 percent for several years. Because the executive branch has obtained an assurance from UNDP that U.S. funds will not be used for contributions to Cuba, and a similar assurance that no U.S. contributions to UNRWA will be furnished to members of guerrilla organizations, the specific prohibitions in FAA section 301 (b) and (c) are not retained.

FAA section 301 (d) and (e) are no longer necessary because inspection and evaluation organizations have been established for the U.N. IBRD, and the ADB.

SECTION 422

Text

SEC. 422. AUTHORIZATION.—There are authorized to be appropriated to the Administrator for grants to carry out the purposes of this chapter, in addition to funds available under any other Acts for such purposes, for the fiscal year 1979, \$ _____ which amounts are authorized to remain available until expended.

Purpose

This section provides the authorization for the appropriation of funds to carry out the purposes of the title—voluntary contributions to programs of international organizations. The section specifies that this authorization is in addition to funds available under any other acts for such purposes and that these amounts may remain available until expended.

Background

Section 422 is derived from FAA section 302. The earmarkings in FAA section 302 which pertain to past fiscal years have not been retained. FAA section 302(c) prohibiting contributions to international organizations or foreign governments to pay the costs of developing or operating any volunteer programs has not been retained because the executive branch has no plans to provide such assistance and section 301 of the Peace Corps Act specifically prohibits the use of funds authorized under that act for such purposes. FAA section 302 (h) pertaining to contributions to UNESCO has not been continued because the President has provided the certification required by the subsection.

SECTION 423

Text

SEC. 423. INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT.—The Administrator shall be responsible for formulating United States positions and instructing representatives of the United States to the International Fund for Agricultural Development. The Administrator shall submit to the Congress full and complete data concerning United States participation in, and operation of, the International Fund for Agricultural Development in the annual presentation materials on proposed economic assistance programs.

Purpose

Section 423 assigns to the Administrator the responsibility for formulating U.S. policy toward the International Fund for Agricultural Development (IFAD) and for reporting to Congress annually on U.S. participation in the Fund.

Background

Section 423 is derived from FAA section 103(e) through (g), which authorized U.S. participation in IFAD if certain conditions were fulfilled. The conditions have been met, IFAD is operating and the United States has made the authorized contribution. This section of the bill specifies that the Administrator will establish U.S. policy for IFAD, whereas FAA section 103 refers to the President.

The bill retains the existing reporting requirement. It further transfers the IFAD provision from FAA Sec. 103 (food and nutrition) to the multilateral chapter of the bill because IFAD is an international development assistance agency.

SECTION 424

Text

SEC. 424. INTERNATIONAL FERTILIZER DEVELOPMENT CENTER.—The President is authorized to permit United States participation in the International Fertilizer Development Center and is authorized to use any of the funds made available under this Act for the purpose of furnishing assistance to the Center on such terms and conditions as he may determine.

Purpose

Section 424 authorizes U.S. participation in the International Fertilizer Development Center (IFDC). It also authorizes uses of funds under this bill to furnish assistance to the Center.

Background

Section 424 is derived from FAA Section 301(f). The IFDC was established in 1974, and through fiscal year 1977 has received \$16.7 million from AID.

CHAPTER V--SPECIAL PROGRAMS

General

This chapter authorizes funds and sets guidelines for special economic assistance programs. It recognizes that under special circumstances, economic assistance should be provided to countries on terms and in amounts not necessarily justified under the policy directions of chapter II of this bill. These programs include economic support for countries where economic, political, or security conditions may effect the national interests of the United States and assistance to countries struck by natural or manmade disasters.

TITLE I--ECONOMIC SUPPORT FUND

SECTION 501

Text

SEC. 501. GENERAL AUTHORITY.—The Congress recognizes that under special economic, political, or security conditions the national interests of the United States may require economic support for countries or in amounts which could not be justified solely under chapter II. In such cases the President is authorized to furnish assistance to countries and organizations on such terms and conditions as he may determine unless otherwise specified in this Act, in order to promote economic or political stability. In planning assistance intended for economic development under this chapter the President shall take into account, to the maximum extent feasible, the policy directions of section 201. Programs authorized under this chapter shall be administered by the Administration.

Purpose

Section 501 authorizes the President to furnish economic assistance to countries and organizations under the terms and conditions he determines necessary in order to promote economic and political stability in countries of special interest to the United States. The section states that assistance under this title intended to promote economic development shall take into account to the maximum extent feasible the policy guidance in section 201 of the bill. The administration would administer the programs.

Background

This section is the successor of FAA section 531 which authorized the security supporting assistance program. The bill stresses the development and economic support potential of the program by titling it the economic support fund. Since political and security justifications form the basis for these programs, funds are authorized to the President. It is assumed the Secretary of State will play the principal role in recommending to the President the justification and allocation for

these authorizations. Because significant economic benefits can be derived from these programs, the Administrator is to participate in formulating justification and allocation recommendations, and will administer the programs. The provision setting the section 201 guidelines for the economic support program is essentially identical to that imposed on security supporting assistance under the FAA by the International Security Assistance Act of 1977.

In the past, security supporting assistance has included funds for peacekeeping operations such as the U.S. Sinai support mission and for base rights countries. Because of the nature of these programs, they are more properly funded as security assistance and they will be included in an expanded version of the Arms Export Control Act. Similarly, refugee relief programs for Cyprus are more properly authorized as part of the migration and refugee authorizations.

Programs for two regions of the world—the Middle East and southern Africa—are authorized under this title by region and in some cases by country. Because specific authorization would be required for each region, the 12-country program limitation contained in FAA section 531 has been dropped.

SECTION 502

Text

SEC. 502. MIDDLE EAST POLICY STATEMENT.—The Congress recognizes that a peaceful and lasting resolution of the divisive issues that have contributed to tension and conflict between countries in the Middle East is essential to the security of the United States and the cause of world peace. The Congress declares and finds that the United States can and should play a constructive role in securing a just and durable peace in the Middle East by facilitating increased understanding between the Arab countries and Israel, and by assisting the nations in the region in their efforts to achieve economic progress and political stability, which are the essential foundations for peace. It is the sense of Congress that United States assistance programs in the Middle East should be designed to promote mutual respect and security among the countries in the area and to foster a climate conducive to increased economic development, thereby contributing to a community of free, secure, and prospering countries in the Middle East.

Purpose

Section 502 states that a peaceful and lasting resolution to the divisive issues in the Middle East is essential to the security of the United States. It further states that the United States can play a constructive role in securing a just and durable peace by assisting the nations of the region to achieve economic progress and political stability. It states that it is the sense of Congress that U.S. assistance programs should be designed to promote mutual respect and security among the countries of the region.

Background

This Middle East policy statement is derived from FAA section 901.

SECTION 503

Text

SEC. 503. MIDDLE EAST AUTHORIZATION.—(a) There are authorized to be appropriated to the President to carry out the purposes of this

chapter for the fiscal year 1979 \$ for economic support programs in the Middle East.

(b) Of the amount authorized in subsection (a), not less than \$ shall be available for Israel. Of this amount two-thirds shall be available on a grant basis, and one-third as loans with a cash grant amount not to exceed \$. Economic support funds are provided to Israel so that it can maintain its economic position without reducing its deterrent military strength.

(c) Of the amount authorized in subsection (a), not less than \$ shall be available for Egypt, of which \$ shall be available on a grant basis. Unless the President so determines and communicates in writing to the chairmen of the appropriate authorizing committees, not less than \$ of these funds available for Egypt under this section will be used consistent with the policy directions of section 201 of this Act. Economic support funds are furnished for Egypt to provide both short-term balance of payments assistance and longer term development assistance in order to support and sustain Egypt's desire to bring peace to the Middle East. It is the sense of Congress that the President should take whatever steps necessary consistent with sound management policies to expedite assistance for Egypt. Further, the President is directed to establish in cooperation with Egypt a multiyear development assistance plan which takes into account basic human needs and infrastructure requirements. Such plan should be submitted to Congress by December 31, 1978, and should serve as the basis for greater United States cooperation with other aid donors.

(d) Of the amount authorized in subsection (a), not less than \$ shall be available for Jordan, with a grant budget support component of not more than \$. Not less than \$ of the funds available for Jordan under this section shall be used consistent with the policy directions of section 201 of this Act. Economic support funds are provided for Jordan to support its economic development and help sustain its moderating influence in the Middle East.

(e) Of the amount authorized in subsection (a) not more than \$ shall be available in Syria. Not less than \$ of these funds shall be used consistent with the policy directions of section 201. Economic support funds are provided to Syria to support its economic development and thereby strengthen its desire for a peaceful solution to the problems of the region.

(f) Of the amounts authorized in subsection (a), not more than \$ shall be available for Lebanon to assist in the reconstruction of its war-torn economy and to strengthen its national unity.

(g) It is the sense of Congress that regional programs which stress scientific and technical cooperation between Israel and its Arab neighbors can contribute in an important way to the mutual understanding that must serve as the basis for permanent peace in the Middle East. Of the amount authorized in subsection (a), not less than \$ shall be available on a grant basis to fund regional program which stress technical and scientific cooperation between Israel and its Arab neighbors.

(h) Of the amount authorized in subsection (a), not more than \$ shall be available to meet special requirements arising from time to time in carrying out the purposes of sections 502 and 503. The President may obligate or expend funds earmarked under this subsection—

(1) after he reports to the Speaker of the House of Representatives and the Committee on Foreign Relations and the Committee on Appropriations of the Senate concerning—

(A) the name of each country or international organizations for which such funds would be obligated;

(B) the amount of such funds to be made available to such country or organization; and

(C) the purpose for which such funds are to be made available to such country or organization; and

(2) unless the Congress, within thirty calendar days after receiving any report under paragraph (1), adopts a concurrent resolution stating in substance that it does not favor the provisions of the report provided by clauses (A), (B), and (C) of paragraph (1).

Purpose

Section 503 authorizes economic support funds for the Middle East region for fiscal year 1979. Specific earmarkings, policy guidance, and program justifications are provided for Israel, Egypt, Jordan, Syria, and Lebanon.

Subsection (b) earmarks funds for Israel, specifies the portion of the assistance that would be grant, and states that funds are provided so that Israel can maintain both its economic position and its deterrent strength.

Subsection (c) earmarks funds for Egypt and specifies the grant portion. It further earmarks a portion of the program which is to be consistent with the policy guidelines of section 201. The subsection also states that the President should take whatever steps necessary, consistent with sound management policies, to expedite assistance for Egypt. Finally, it directs him to establish a multiyear development plan for Egypt and submit it to Congress by December 31, 1978.

Subsection (d) earmarks funds for Jordan and specifies the budget support portion of the program. It further earmarks a portion of the assistance which is to be consistent with policy guidelines in section 201.

Subsection (e) authorizes not more than a certain amount of funds for Syria and specifies that not less than a specific amount of those funds shall be used consistent with the policy guidelines of section 201.

Subsection (f) authorizes not more than a certain amount of economic support funds for reconstruction in Lebanon.

Subsection (g) creates a new regional program which would stress scientific and technical cooperation between Israel and its Arab neighbors. This reflects the belief that a small pilot program for regional programs can contribute in an important way to mutual understanding in the Middle East.

Subsection (h) authorizes funds for a Middle East special requirements fund, establishes reporting provisions for the President prior to obligation of funds under the subsection, and provides, during a

30-day period, for concurrent resolution disapproval of funds to be obligated.

Background

Security Supporting Assistance funds in the past have been authorized as a lump sum with only a few country earmarkings. Congress has seldom stipulated the terms of the assistance or provided country-specific guidance for its use. The program has grown rapidly from 6 countries and \$680 million in 1975 to 16 countries and \$2.2 billion in 1977. The programs have increasingly become an extremely important aspect of U.S. foreign policy in troubled parts of the world.

Section 503 provides greater congressional guidance for the critical Middle East economic support programs. By authorizing funds for each country in a separate subsection, the section allows Congress to scrutinize more closely each of these country programs and provide guidance where necessary. It allows Congress not only to set country levels, but also to indicate how much of the assistance should be grant, and how much should follow the guidelines provided in section 201.

In the case of Egypt where only about 12 percent of authorized supporting assistance funds have been disbursed, and where comprehensive longer term U.S. assistance planning is just beginning, the section directs the President to expedite funds and develop a multiyear assistance plan by December 31, 1978.

Section (g) is a new initiative aimed at creating a regional pilot program for scientific and technical cooperation between Israel and Arab countries. Several projects have been suggested which would help promote peace in the region by demonstrating the rewards of mutual cooperation in these areas.

Section (h) recreates the Middle East Special Requirements Fund currently authorized in part VI of the FAA (section 903). It excludes authorization for the Sinai support mission which would be transferred to the Arms Export Control Act.

SECTION 504

Text

SEC. 504. SOUTHERN AFRICA POLICY STATEMENT.—The Congress recognizes that the unstable political situation in southern Africa, resulting from the struggle to establish systems where all people have equal political rights, is a cause for concern by the United States. It is therefore the policy of the United States to support an internationally recognized constitutional settlement of the Rhodesian conflict leading promptly to majority rule based upon democratic principles and upholding basic human rights. The Congress has declared its intent to support a Zimbabwe Development Fund when progress toward such an internationally recognized settlement will permit its establishment. The Congress, further, recognizes that (1) the conflict has caused severe economic hardship for countries neighboring the minority-ruled regimes of Rhodesia and South Africa and (2) that these countries are economically dependent upon those minority-ruled countries. It is, therefore, the sense of Congress that the United States should provide economic support programs for southern African countries (Zambia, Botswana, Lesotho, Swaziland, and Mozambique) to strengthen their economies and minimize their dependency on minority-ruled regimes.

Purpose

Section 504 reaffirms that it is U.S. policy to support an internationally recognized constitutional settlement of the Rhodesian conflict leading promptly to majority rule based upon democratic principles. It also reaffirms congressional intent to support a development fund for Zimbabwe—Rhodesia—when such a settlement will permit its establishment. Finally, the section states the sense of the Congress that the United States should provide economic support funds for southern African countries—such as Zambia, Botswana, Lesotho, Swaziland, and Mozambique—to strengthen those economies affected by the conflict and minimize their dependency on the minority-ruled regimes of the area.

Background

This section reaffirms the policy statement contained in FAA section 533(d) with regard to the conflict in Rhodesia. It further clearly states the purposes for providing economic assistance to several majority-ruled states in southern Africa.

SECTION 505

Text

SEC. 505. SOUTHERN AFRICA AUTHORIZATION.—There are authorized to be appropriated to the President in the fiscal year 1979 not more than \$ _____ to be used in the countries of southern Africa to address the problems caused by the economic dislocation resulting from the conflict to relieve economic dependencies on the minority-rule regimes of South Africa and Rhodesia, to provide education and job training assistance to African refugees and persons displaced by war and internal strife in the region from Namibia, Rhodesia, and South Africa.

Purpose

This section authorizes funds for countries in southern Africa for fiscal year 1979 for three reasons: One, to relieve economic dislocations resulting from conflict in the area; two, to relieve economic dependencies on the minority-ruled regimes; and three, to provide education and job training assistance to persons displaced by conflicts in the area.

Background

This section simplifies the authorization language for the Southern African Special Requirements Fund contained in FAA section 533(a). Specific country earmarkings and reporting requirements have been deleted until the executive branch's fiscal year 1979 authorization request for the area can be studied. Similarly, the prohibition in FAA section 533(c) (2) on aid to Mozambique, Angola, Tanzania, and Zambia without a Presidential determination has been deleted until the fiscal year 1979 request has been thoroughly studied.

SECTION 506

Text

SEC. 506. GENERAL PROVISIONS AND PROHIBITIONS.—(a) Funds authorized under this title shall remain available until expended.

(b) Funds authorized under this title shall be available for economic programs only and shall not be used for military or paramilitary purposes.

(c) Policy justifications for economic support programs shall be provided by the Secretary of State in cooperation with the Administrator.

(d) Counties to whom economic support funds are provided under this chapter are prohibited from receiving funds authorized under title I of chapter II unless the Congress has specifically authorized such use of those funds.

(e) It is the sense of Congress that none of the funds authorized by this Act should be provided to any country which denies its citizens the right or opportunity to emigrate.

Purpose

Subsection (a) stipulates that funds authorized under this title shall remain available until expended.

Subsection (b) prohibits the use of economic support funds for military or paramilitary purposes including police training.

Subsection (c) states that the Secretary of State shall be primarily responsible for justification of the economic support fund programs, but in cooperation with the Administrator.

Subsection (d) prohibits countries that receive economic support funds from also receiving bilateral development assistance funds unless Congress specifically authorizes dual programs for such a country.

Subsection (e) states the sense of Congress that no funds authorized under the bill should be provided to countries which deny their citizens the right or opportunity to emigrate.

Background

All of the general provisions and prohibitions in section 506 with the exception of (c) are contained in the FAA. The prohibition contained in subsection (b) previously applied to southern African programs only, but has been expanded by this section to include all programs. Subsection (c) places the burdens and responsibilities of justifying country program levels for the economic support fund primarily with the Department of State. AID currently has much of this responsibility despite the fact that ultimately the programs are justified for political reasons.

TITLE II—INTERNATIONAL DISASTER ASSISTANCE

SECTIONS 521, 522, AND 523

Text

SEC. 521. POLICY AND GENERAL AUTHORITY.—(a) The Congress, recognizing that prompt United States assistance to alleviate human suffering caused by natural and manmade disasters is an important expression of the humanitarian concern and tradition of the people of the United States, affirms the willingness of the United States to provide assistance for the relief and rehabilitation of people and countries affected by such disasters.

(b) Subject to the limitation on appropriations in section 522, and notwithstanding any other provision of this Act or any other provision of law, the President is authorized to furnish assistance to any foreign country or international organization on such terms and conditions as he may determine, for international disaster relief and rehabilitation, including assistance relating to disaster preparedness,

and to the prediction of, and contingency planning for, natural disasters abroad.

(c) In carrying out the provisions of this section the Administrator shall insure that the assistance provided by the United States shall, to the greatest extent possible, reach those most in need of relief and rehabilitation as a result of natural and manmade disasters.

SEC. 522. AUTHORIZATION.—There are authorized to be appropriated to the Administrator to carry out section 521, \$ _____ for the fiscal year 1979. Amounts appropriated under this section are authorized to remain available until expended.

SEC. 523. DISASTER ASSISTANCE COORDINATION.—The President is authorized to appoint a Special Coordinator for International Disaster Assistance whose responsibility shall be to promote maximum effectiveness and coordination by United States agencies and between the United States and other donors in response to foreign disasters. Included among the Special Coordinator's responsibilities shall be the formulation and updating of contingency plans for providing disaster relief.

Purpose

In subsection 521(a), the Congress affirms the willingness of the United States to provide assistance for the relief and rehabilitation of people and countries affected by disasters. The Congress recognizes that prompt U.S. disaster assistance is an important expression of the humanitarian concern and tradition of the people of the United States.

Subsection 521(b) authorizes the President, subject to the appropriation limits of section 522, but notwithstanding any other provision of law, to furnish assistance to any foreign country or international organization for international disaster relief and rehabilitation, including assistance relating to disaster preparedness, and to the prediction of, and contingency planning for, natural disasters abroad.

Subsection 521(c) requires the Administrator to insure that the assistance provided by the United States shall, to the greatest extent possible, reach those most in need of relief and rehabilitation.

Section 522 authorizes the appropriation of funds to carry out section 521.

Section 523 authorizes the President to appoint a Special Coordinator in International Disaster Assistance whose responsibility shall be to promote maximum effectiveness and coordination by U.S. agencies and between the United States and other donors in response to foreign disasters. Included among the Special Coordinator's responsibilities are the formulation and updating of contingency plans for providing disaster relief.

Background

Sections 521, 522, and 523 are derived from and are essentially the same as FAA section 491, 492, and 493. The requirement for a quarterly report concerning the programming and obligation of funds, which is contained in FAA section 492, is not included in the bill.

FAA sections 494, 494 A and B, 495, and 495-D pertain to specific disasters for which funds have already been expended or for which special authority is no longer required. These sections are not included in the bill.

CHAPTER VI. PRIVATE INITIATIVE IN DEVELOPMENT

SECTION 601

SEC. 601. EXPANDED ROLE OF PRIVATE VOLUNTARY ORGANIZATIONS AND COOPERATIVES IN OVERSEAS DEVELOPMENT.—(a) The Congress finds that the participation of rural and urban poor people in their countries' development can be effectively assisted and accelerated in an effective manner through an increase in activities planned and carried out by private voluntary organizations and cooperatives. Such organizations and cooperatives, embodying the American spirit of mutual self-help and assistance to others to improve their lives and incomes, constitute an important means of mobilizing private American financial and human resources on behalf of poor people in developing countries. The Congress declares that, without compromising the private and independent nature of such organizations and cooperatives, it is in the interest of the United States that such organizations and cooperatives expand their overseas development efforts. Congress further declares that the financial resources of such organizations and cooperatives should be supplemented by the contributions of public funds for the purpose of undertaking development activities in accordance with the principles set forth in section 201. The Administrator is authorized to furnish assistance for public and private voluntary initiatives in development, on such terms and conditions as he may determine.

(b) High priority shall be given to programs of technical and capital assistance for development of cooperatives in developing countries.

(c) In cooperation wherever practicable with institutions and organizations in developing countries concerned with fostering sustained economic and social progress, assistance activities carried out pursuant to this section should—

(1) strengthen the bonds of friendship and understanding between the people of the United States and the people of developing countries;

(2) support self-help initiatives designed to enlarge the opportunities for individual and community development and to improve the quality of life for the people of the developing countries;

(3) stimulate and assist effective participation of the poor people of developing countries in their development process; and

(4) encourage the establishment and growth of indigenous, participatory institutions, both private and governmental, that can respond effectively to the needs of rural and urban people.

(d) The Administrator, in implementing programs authorized under this Act, shall, to the maximum extent practicable, draw on the resource of private and voluntary organizations and cooperatives to plan and carry out development activities.

(e) Nothing in this title may be construed to prohibit or limit private and voluntary organizations and cooperatives from serving as implementing contractors or coordinators of programs authorized by other sections of this Act, in particular sections 202 through 205.

Purpose

This section contains a policy statement emphasizing the role of private and voluntary organizations and cooperatives in development. It asserts that an increase in the activities of these organizations and an expansion of their overseas development efforts, without com-

promising their private and independent nature, can assist and accelerate the participation of rural and urban poor people in their country's development. While these organizations constitute an important means of mobilizing private American resources on behalf of poor people in developing countries, their resources should also be supplemented by the contribution of public funds for development activities which are in accordance with the principles contained in the bilateral policy statement, section 201. High priority is given to programs of technical and capital assistance to co-operatives in developing countries.

In cooperation, wherever practicable, with local institutions, programs carried out under this section should: strengthen bonds of friendship between United States and developing countries, support self-help initiatives designed to improve the quality of life in developing countries, and encourage the development of indigenous, participatory institutions, in which poor people are fully involved.

The Administrator is called upon to use the resources of private and voluntary organization to the maximum extent practicable in implementing programs under the entire act. Finally, the section makes it clear that private and voluntary organizations can continue to participate in programs authorized under other sections of the act.

Background

This section is a general policy statement unifying previous scattered provisions encouraging private, voluntary, and cooperative development efforts. It reflects recognition that expanded development activities of private and voluntary organizations and cooperatives are an important element of the development strategy for U.S. assistance, as contained in section 201 of the bill. This section subsumes FAA section 111 and the portions of FAA section 106 concerning programs of technical cooperation and development involving U.S. private and voluntary organizations and FAA section 601 which provided for carrying out, to the maximum extent practicable, programs of assistance through private channels.

SECTION 602

Text

SEC. 602. PAYMENT OF TRANSPORTATION CHARGES.—(a) In order to further the efficient use of United States voluntary contributions for development, relief, and rehabilitation of needy peoples, the Administrator is authorized to pay transportation charges on shipments by the American Red Cross and United States voluntary agencies registered with the Advisory Committee on Voluntary Foreign Aid.

(b) Reimbursement under this section may be provided for transportation charges on shipments from the United States ports, or, in the case of excess property supplied by the United States, from foreign ports to ports of entry abroad or to points of entry abroad in cases—

- (1) of landlocked countries;
- (2) where ports cannot be used effectively because of natural or other disturbances;
- (3) where carriers to a specified country or unavailable; or
- (4) where a substantial savings in costs or time can be effected by the utilization of points of entry other than ports.

(c) Where practicable the Administrator shall make arrangements with the receiving country for free entry of such shipments and for the making available by such country of local currencies for the purpose of defraying the transportation costs of such shipments from the port of entry of the receiving country to the designated shipping point of the consignee.

SECTION 602

Purpose

This section authorizes the Administrator to pay transportation charges on shipments by the American Red Cross and registered voluntary agencies. Reimbursements may be provided for shipment charges from U.S. ports or in the case of American excess property, from foreign ports to ports of entry abroad. Reimbursements to entry points other than ports may be made if: (1) the country of destination is landlocked, (2) where available ports cannot be effectively utilized, (3) if carriers to a port of entry in a recipient country are unavailable or (4) where a substantial saving in cost or time can be effected. The Administrator is authorized, where practicable, to arrange with the receiving country for free entry of such shipments and for local currencies to be made available to defray local transport costs.

Background

Section 602 substitutes for FAA section 216 which authorizes reimbursement of shipping costs of Private and Voluntary Organizations (PVO) and identifies the source of funding as FAA section 211. FAA section 106 also authorizes support for PVO activities in general and specifies an earmarking to cover extra transportation costs incurred from 1975 to 1977. This earmarking has been dropped since it is outdated. Actual funding for the activities specified under section 602 would be provided under the authorization of appropriations contained in section 603 (f).

The new section 602 adds three new categories for which funding to points of entry other than ports can be provided: FAA sections 216 refers only to landlocked countries. The authorities vested by the bill in the Administrator were vested in the President by the FAA.

SECTION 603

Text

SEC. 603. INTERNATIONAL DEVELOPMENT INSTITUTE. — (a) There shall be in the Administration an International Development Institute (hereinafter referred to as the "Institute"). The Institute shall be headed by a Director who shall have the rank of Associate Administrator of the Administration. The Director shall be assisted by two Deputy Directors, one of whom shall be the Director of the Peace Corps, established under the Peace Corps Act, as amended (22 U.S.C. 2501 et seq.).

(b) The purposes of the Institute shall be to—

(1) mobilize and facilitate application of a wide range of private and public American human and financial resources to help people in developing countries improve their lives, incomes, and access to basic services and increase their participation in and contribution to the development efforts of their countries; and

(2) help strengthen the bonds of friendship and promote a better understanding of the American people on the part of the people of the developing nations and a better understanding of other people on the part of the American people thereby complementing and contributing more effectively to the international development objectives and foreign policy of the United States.

(c) In carrying out its purposes, the Institute shall undertake—

(1) to plan and carry out, or coordinate the carrying out of, development activities involving cooperation of American volunteers, private and voluntary agencies and cooperatives, and others with the people of developing countries;

(2) to finance development activities planned and carried out by or through private and voluntary agencies, cooperatives, and the Peace Corps;

(3) to provide technical and administrative support, including research and information services, to the activities of private and voluntary agencies and the Peace Corps;

(4) to insure that activities authorized under this chapter are not inconsistent with activities authorized under other chapters of this Act;

(5) to register private and voluntary organizations and other bodies for purposes of receiving funds under this chapter; and

(6) to carry out such other development projects consistent with section 201 and the purposes of the Institute.

To advise in the planning and administration of programs authorized by the chapter, there shall be established a permanent Advisory Board to the Institute. The Board shall consist of seven members, to be appointed by the President, of whom five members shall be selected from the private sector. Board members who are not officials of the United States Government shall be compensated at a rate equivalent to that of level IV of the Executive Schedule (5 U.S.C. 5315) when actually engaged in the business of the Institute and may be paid per diem in lieu of subsistence at the applicable rate prescribed in the standardized Government travel regulations, as amended, from time to time, while away from their homes or usual place of business.

(e) SPECIAL PROVISION.—Funds made available for the purposes of this chapter may be utilized for the following:

(1) Procurement of goods and services notwithstanding the provisions of section 742(a), outside of the United States.

(2) Contracting as required with individuals for personal services within the United States or abroad: *Provided*, That such individuals shall not be regarded as employees of the United States Government for the purpose of any law administered by the Civil Service Commission.

(f) AUTHORIZATION.—There is authorized to be appropriated to the Administrator for the purposes of this title, in addition to funds otherwise available for such purposes, \$ _____ for fiscal year 1979, of which \$ _____ shall be available for the Peace Corps to carry out the purposes of the Peace Corps Act, which amounts are authorized to remain available until expended.

SECTION 603

Purpose

Section 603 establishes an International Development Institute as the focal point within the Government for voluntary and small-scale resource transfer (people to people) type assistance conducted largely at the grassroots level and implemented by private and voluntary organizations, cooperatives, Peace Corps, and other small-scale resource transfer institutions. The structure, purposes, functions, and authorization for the Institute are contained in this section.

The Institute will be headed by a Director with the rank of Associate Administrator of the Administration, to be assisted by two Deputy Directors, one of whom will be the Director of the Peace Corps. The Institute will have a permanent Advisory Board of seven members, five of whom will be selected from the private sector. Compensation and per diem regulations for the Board members while on duty are specified.

The purposes of the Institute shall be (1) to help mobilize a wide range of private and public American resources to assist people in developing countries improve their standard of living, and (2) to help strengthen mutual understanding and friendship between the people of the United States and developing countries.

The functions of the Institute shall include planning, implementing, coordinating, financing, and providing technical and administrative support for development activities undertaken by public and private voluntary organizations, cooperatives, and others together with the people of developing countries; insuring that activities carried out under this chapter are not inconsistent with other activities authorized under this act; registering private and voluntary organizations for the purpose of receiving funds, formerly performed by the Advisory Committee on Voluntary Foreign Assistance; and implementing other development projects consistent with both the general policy for bilateral assistance and this chapter.

Authorization of funds to carry out the activities of the Institute together with a specific earmarking for the Peace Corps is contained in subsection (f). Special provisions contained in subsection (e) provide that the Institute's funds may be used to procure goods and services outside the United States and to contract for personal services to be performed within the United States as well as overseas, as long as the individual is not regarded as an employee of the U.S. Government for the purpose of laws administered by the Civil Service Commission.

Background

This is a new section developed in response to the need for a stronger mechanism within the U.S. Government to facilitate more extensive and effective participation of private and public voluntary efforts in the accomplishment of U.S. development assistance objectives. With the adoption of the new U.S. development strategy in 1973, assistance at the grassroots level takes on a far greater significance within total development efforts than in the past.

The assistance activities for which the Institute will be the focal point will provide the means of building at the local level needed technical and other skills among the target people so that initiatives can

be translated into effective, sustained self-help programs. This type of assistance makes available persons possessing technical and organizational skills, able to function in an often remote environment (geographically and culturally) and capable of providing organization and training to local people. Such programs are small in cost compared to other Government-sponsored aid activities since people are the main component, often volunteers or others receiving comparatively low pay.

At present, administration and funding of such assistance is fragmented in several bureaus of the AID and in ACTION, which combines the Peace Corps with a number of domestic volunteer initiatives. There is little coordination between U.S. development programs, carried out by AID, programs of voluntary organization or cooperatives, and Peace Corps efforts. The Institute would consolidate and facilitate the efforts of the groups while retaining operational autonomy for the Peace Corps. It would—

(1) Provide funding for voluntary organizations and cooperatives to carry out technical cooperation activities overseas and to increase their capacity to plan and implement programs.

(2) Coordinate the various people-to-people programs, including Peace Corps, and coordinate people-to-people programs with other U.S. development assistance.

(3) Undertake small-scale projects directly; and with U.S. Government personnel or through use of small independent contractors.

SECTION 604

Text

SEC. 604. THE PEACE CORPS.—(a) The Congress declares that the availability of men and women of the United States who are willing and qualified to serve as volunteers overseas, under conditions of hardship if necessary, to help the people of the developing countries to improve their lives and their capacity to participate in the development of their countries can be a key element necessary in order to carry out the international development and foreign policy of the United States. Therefore, the Congress declares that an innovative Peace Corps enjoying wide administrative autonomy is a key instrumentality for the accomplishment of international development objectives in concert and coordination with other development activities carried out under the authority of this Act.

(b) The Peace Corps, established by the Peace Corps Act, as amended (22 U.S.C. 2501 et seq.) shall be a part of the International Development Institute.

Purpose

Section 604 contains a policy statement for the Peace Corps which recognizes its current and potential role in overall U.S. development and foreign policy. It states that an innovative Peace Corps, enjoying wide administrative autonomy but working in concert with other development activities, is a key instrumentality for the accomplishment of U.S. international development objectives. Peace Corps is incorporated into the International Development Institute in order to further and facilitate the accomplishment of these objectives.

Background

This is a new section which transfers Peace Corps from ACTION to the Institute, a constituent element of the Administration.

Current law establishing and setting policy for the Peace Corps itself (The Peace Corps Act as amended) has not been changed.

CHAPTER VII. ADMINISTRATIVE

Chapter VII provides the basic description and operating authorities for the International Development Cooperation Administration. Particularly important is the establishment of an International Development Corps to staff most policy and program positions in the Administration; the enumeration of certain prohibitions on the use of funds provided under the bill; and the repeal of the Foreign Assistance Act of 1961, with a few specific exceptions.

TITLE I—ORGANIZATION

SECTION 701

Text

SEC. 701. PRINCIPAL OFFICERS.—(a) The Administration shall be headed by an Administrator who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be compensated at the rate provided for level I of the Executive Schedule under section 5313 of title 5, United States Code. Under the supervision and direction of the President, the Administration shall be administered, in accordance with the provisions of this Act, by the Administrator.

(b) There shall be in the Administration a Deputy Administrator who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be compensated at the rate provided for level II of the Executive Schedule under section 5313 of title 5, United States Code. The Deputy Administrator shall act for and exercise the functions of the Administrator during the absence or disability of the Administrator or in the event the office of Administrator becomes vacant.

(c) There shall be in the Administration an Associate Administrator who shall be appointed by the President, by and with the advice and consent of the Senate, and who shall be compensated at the rate provided for level III of the Executive Schedule under section 5313 of title 5, United States Code. The Associate Administrator shall serve as Director of the Institute for International Development and shall act for and exercise the functions of the Administrator during the absence or disability of both the Administrator and Deputy Administrator or in the event of vacancies in both of those offices.

(d) There shall be in the Administration not more than twelve Assistant Administrators, each of whom shall be appointed by the President, by and with the advice and consent of the Senate. Each Assistant Administrator shall be compensated at the rate provided for at level IV of the Executive Schedule under section 5315 of title 5, United States Code. The Administrator shall designate the order in which the Assistant Administrators and other officials shall act for and perform the functions of the Administrator during the absence or disability of the Administrator, Deputy Administrator, and Associate Administrator, or in the event of vacancies in any of those offices.

Purpose

Subsection (a) provides that the Administration will be administered by an Administrator, who will be assisted by a Deputy Administrator, an Associate Administrator who shall serve as Director of the International Development Institute, and not more than 12 Assistant Administrators, appointed by the President by and with the advice and consent of the Senate. Their ranks and rates of compensation are set by subsections (a), (b), (c), and (d).

The section provides that the order of succession during the absence or disability of the Administrator or if the position becomes vacant shall be the Deputy Administrator, then the Associate Administrator, then the Assistant Administrators and other officials in succession as designated by the Administrator.

Background

The Administrator will be an executive level I position. The management of the U.S. foreign assistance program and the responsibility for ensuring that development concerns are fully reflected in U.S. foreign policy are of sufficient importance that the Administrator should have rank and position equivalent to other major policy advisors to the President.

Within the Administration, the International Development Institute is to be a major force for providing U.S. assistance. Because of the importance of the IDI to the achievement of the policy objectives of the bill the Associate Administrator is given responsibility over it.

The bill authorizes Assistant Administrators who will have responsibilities as decided by the Administrator. AID currently has 10 Assistant Administrators, and two additional Assistant Administrators should be sufficient to handle the additional responsibility of the new Administration. With the establishment of the Associate Administrator, this gives the Administration three new positions at the executive level four and above.

SECTION 702

Text

SEC. 702. COORDINATION.—(a) The President shall establish a Development Coordination Committee which shall advise him with respect to coordination of U.S. policies and programs affecting the development of the developing countries, including programs of bilateral and multilateral development assistance. The committee shall include the Administrator as Chairman, and representatives of the Departments of State, Treasury, Commerce, Agriculture, and Labor, the Executive Office of the President, and other executive departments and agencies, as the President shall designate.

(b) Nothing contained in this act shall be construed to infringe upon the powers or functions of the Secretary of State.

Purpose

Subsection 702(a) requires the President to establish a Development Coordination Committee (DCC) to advise him on coordination of U.S. policies and programs affecting the development of developing countries. The committee, which will include the Administrator as Chairman, plus representatives of the Department of State, Treasury,

Commerce, Agriculture, and Labor, plus other executive departments and agencies, will continue the DCC now under the chairmanship of the Administrator of AID. Subsection (b) declares that nothing contained in the bill shall be construed to infringe upon the powers or functions of the Secretary of State.

Background

Subsection 702(a) is largely derived from FAA section 640B(a). FAA section 640B(d) has been transferred to a reporting requirements section of the bill—section 781(a)(1). Other subsections of FAA 640 B have been dropped because they are either included elsewhere in the bill or are unnecessary. It is intended that the DCC, which was given new emphasis in the International Development and Food Assistance Act of 1977, will have even greater prominence under the bill, as its chairman will be the Administrator, who reports to the President and has responsibility for the administration of or policy guidance for most U.S. assistance efforts. The DCC would advise the President on both bilateral and multilateral development assistance issues. The DCC's mandate goes beyond issues of development assistance, so that it should also be used as a forum to discuss other important development issues, such as trade, commodities, private investment, debt, employment, and natural resources.

Subsection 702(b) is taken without change from FAA section 622 (a). FAA subsections 622 (b) and (c) have been dropped as either nongermane, as regards coordination of military programs, or as adequately handled by Executive orders. The intention of this subsection is to make clear that the creation of the Administration is not intended to diminish the Secretary of State's foreign policy responsibilities. Section 101 of the bill declares that supporting development efforts is a principal objective of U.S. foreign policy. In foreign countries, the Ambassador will supervise the entire country team including representatives of the Administration in the country. In Washington, interagency coordination and cooperation will continue. Preparation of the Administration's annual budget requests will require active consultation between country and regional desk officers in State and Administration. Furthermore, the economic support funds provided in title I of chapter V is to provide funds which are primarily justified on political grounds by the Secretary of State.

SECTION 703

Text

SEC. 703. ADMINISTRATIVE PROVISIONS.—(a) To the extent necessary or appropriate to perform any function transferred by this Act, the Administrator or any officer or employee of the Administrator may exercise, in carrying out the functions so transferred, any authority or part thereof available by law, including appropriation Acts, to the official or agency from which such function was transferred.

(b) The Administrator may from time to time promulgate such rules and regulations as may be necessary to carry out any function conferred upon the Administrator by this Act and may delegate authority to perform any such functions, including, if such delegation so specifies, the authority successively to redelegate to subordinates.

(c) The Administrator is authorized to establish, alter, consolidate, or discontinue such organizational units or components within the Administration as he may deem to be necessary or appropriate. Such authority shall not extend to the abolition of organizational units or components established by this Act, or to the transfer of functions vested by this Act in any organizational unit or component.

Purpose

Subsection (a) provides that the Administrator may, to the extent necessary to perform a function transferred from another organization, exercise the authorities available by law, including appropriation acts, to the agency from which the function was transferred.

Subsection (b) provides that, regarding any function conferred upon the Administrator, he may promulgate rules and regulations and may delegate the authority (including redelegation authority) to perform it.

Subsection (c) provides that the Administrator may organize the Administration as he deems appropriate, except that organizational units or components established by the bill or functions specifically transferred to a particular unit, may not be changed.

Background

These authorities are similar to those found in laws establishing other agencies (e.g., the Department of Energy or NASA) and enable the chief officer to carry out the functions he is assigned in a manner that he deems best.

SECTION 703 (d)-(e)

Text

(d) There are hereby transferred to the Administrator, except as otherwise provided in the Act, the offices, entities, functions, property, records, assets, and liabilities held by the Agency for International Development or the Administrator thereof immediately prior to the effective date of this Act.

(e) (1) Subject to the provisions of this section, the President, for a period of four years after the date of enactment of this Act, may transfer to the Administration any function (including powers, duties, activities, facilities, and parts of functions) of any other department or agency of the United States, or of any officer or organizational entity thereof, which relate primarily to the functions, powers, and duties of the Administration as prescribed by this Act. In connection with any such transfer, the President may, under this section or under other applicable authority, provide for appropriate transfers of records, property, personnel, and funds.

(2) Whenever any such transfer is made before January 1, 1979, the President shall transmit to the Speaker of the House of Representatives and the President pro tempore of the Senate a full and complete report concerning the nature and effect of such transfer.

(3) After December 31, 1978, no transfers shall be made under this section until—

(A) a full and complete report concerning the nature and effect of such proposed transfer has been transmitted by the President to the Congress; and

(B) the first period of sixty calendar days of regular session of the Congress following the date of receipt of such report by the Congress has expired without the adoption by the Congress of a concurrent resolution stating that the Congress does not favor such transfer.

Purpose

Subsection (d) transfers the offices, entities, functions, property, records, assets, and liabilities of AID to the Administrator once the bill goes into effect. Subsection (e) provides that the President may transfer to the Administration any functions which relate primarily to the functions of the Administration as provided for in the bill. This authority extends for 4 years. If such transfer is made within 3 months after the effective date of this act, the President shall so notify Congress. If such transfer is contemplated after that, the President shall notify Congress of the proposed transfer and Congress has 60 days to adopt a concurrent resolution against the transfer.

Background

The majority of functions to be transferred to administration are now performed by AID; therefore, the bill specifies that all of the property, files, office space, etc., belonging to AID shall be transferred to the Administrator. To the extent that functions now performed by the Department of State, the Department of the Treasury, and ACTION are transferred by the bill to administration, the President may determine the most appropriate transfer mechanisms for the employees and records, etc., that should be transferred along with the functions and legal authorities transferred by the bill. Other functions which the President determines are primarily related to the role of administration may be transferred for a 4-year period, in accordance with the section.

SECTION 703(f)

Text

(f) Notwithstanding any other provision of law, an employee of the Agency for International Development, who is participating in the Foreign Service retirement and disability system under title VIII of the Foreign Service Act of 1946, as amended, and who is otherwise eligible for retirement under that system, electing to retire at any time during the period October 1, 1978, through September 30, 1979, shall have his annuity computed on the basis of his highest year of basic salary rather than the highest three consecutive years.

Purpose

Subsection (f) provides that employees of AID eligible for retirement under the Foreign Service retirement system may retire during fiscal year 1979 based on their highest single year's salary rate, rather than the top 3 years as provided by current law.

Background

AID has senior employees who are now eligible to retire in a few years. This provision would encourage such employees to retire during the first year of the administration to provide desirable flexibility in staffing the new organization. This section was also intended to include potential civil service retirees, and can be so modified.

SECTION 704

Text

SEC. 704. OPERATING EXPENSES.—(a) There are authorized to be appropriated to the Administrator, in addition to funds otherwise available for such purposes, for the fiscal year 1979—

(1) \$ _____ for necessary operating expenses of the Administration; and

(2) such amounts as may be necessary for increases in salary, pay, retirement, and other employee benefits authorized by law, and for other nondiscretionary costs of such Administration.

(b) Amounts appropriated under this section are authorized to remain available until expended.

Purpose

Section 704 authorizes the appropriation of funds for necessary operating expenses for fiscal year 1979. It also authorizes the appropriation of such amounts as may be necessary for increases in salary, pay, retirement, and other employee benefits authorized by law, and for other nondiscretionary costs.

Background

This section is essentially identical to FAA section 667.

Appropriation requests under section 704(a)(2) should be made only in extraordinary instances. This authority is not intended to cover routine but unforeseen cost increases.

TITLE II—PERSONNEL

SECTION 721(a)

Text

SEC. 721. EMPLOYMENT OF PERSONNEL IN THE UNITED STATES.—(a) The Administrator is authorized to employ such personnel as he deems necessary to carry out the provisions and purposes of this Act.

Purpose

This subsection is the basic authority for the Administrator to hire employees. By long-established precedent, unless specific provision is made to the contrary, such language is interpreted as requiring compliance with the civil service regulations.

Background

This subsection is derived from FAA section 625(a). It provides a basic authority for the employment of personnel to carry out functions under the bill.

SECTION 721(b)

Text

(b) Of the personnel employed in the United States to carry out this Act not to exceed one hundred and ten may be appointed, compensated, and removed without regard to the provisions of any law, of whom not to exceed fifty-one may be compensated at rates higher than those provided for grade 15 of the General Schedule established by section 5332 of title 5 of the United States Code, but not in excess of the highest rate of grade 18 of such General Schedule: *Provided*, That, under such regulations as the Administrator shall prescribe, officers and employees of the United States Government who are appointed to any of the above positions may be entitled, upon removal

from such position, to reinstatement to the position occupied at the time of appointment or to a position of comparable grade and salary. Such positions shall be in addition to those authorized by law to be filled by Presidential appointment, and in addition to the number authorized by section 5108 of title 5 of the United States Code.

Purpose

This subsection permits the employment in the United States of not to exceed 110 persons who may be appointed, compensated, or removed without regard to the provisions of any law, that is, "excepted personnel" of whom 51 may be compensated at above GS-15, but not in excess of the highest rate of GS-18.

The subsection permits the Administrator by regulation to afford to persons employed by the U.S. Government prior to an appointment under this section reemployment rights to the position or a similar position to that which they occupied at the time of their appointment. This authority is to enable employees of Government agencies to accept these top-level jobs without sacrificing their long-run career positions with their agency.

Background

Section 721 (b) is essentially identical to FAA section 625 (b). This existing authority is carried forward, without any increase in numbers, to allow the Administrator to appoint persons of his choosing to appropriate positions in the administration.

SECTION 722(a)

Text

SEC. 722. INTERNATIONAL DEVELOPMENT OFFICERS.—(a) The Congress finds that the effective administration of the programs authorized by this Act requires—

- (1) the employment of personnel with a set of professional qualifications distinct from those of other United States career services;
- (2) the continuing training and education of those employees to meet the changing demands of professional service in the international development process; and
- (3) regular service abroad by employees responsible for formulation of policy or the implementation of programs authorized by this Act.

In order to meet these requirements, there is hereby established a career personnel system of officers of the Administration who shall be known as International Development Officers. Such Officers shall be appointed in accordance with the provisions of subsection (b).

Purpose

This subsection establishes a new career personnel system based on a corps of officers known as International Development Officers (IDO's). The subsection states that the IDO system is required in order to: (1) Employ personnel with qualifications distinct from other career services, (2) provide for a continuing system of training designed for professional service in the international development process, and (3) to provide for regular service abroad by employees responsible for the formulation of policy or the implementation of programs authorized by the bill.

Background

This is a new provision. The bill establishes a unified personnel system which places a premium on career professionalism for the effective planning and administration of the programs carried out by the administration. This personnel system is based on the recognition that firsthand experience with: (1) conditions in developing countries; (2) dealing with governments and individuals in developing countries; and (3) conditions of overseas service in developing countries are prerequisites for performing certain key tasks, both overseas and in the United States.

Such professional qualifications are needed to insure that development officers can work with governments and people of developing countries.

Generally, International Development Officers (IDO's) will be required to have the following professional qualifications:

(1) Knowledge, experience, and analytical ability in a technical or other professional field directly relevant to developing countries and the development process. A superior capability to adapt and apply information and skills to problems and conditions in widely differing countries.

(2) Specific knowledge concerning the political, economic, social, and cultural conditions in the developing countries especially as development assistance programs relate to and have an effect on these conditions. In addition, IDOs will need to have proficiency in the language of the country or area in which they work.

(3) Understanding of the dynamics of economic, social and cultural change, and ability to gather, analyze and apply data so that development personnel can function as agents of change solving identifiable local problems.

(4) Managerial and administrative skills that are pertinent to design, carry out and evaluate development activities.

(5) Ability to deal effectively at all levels of a developing country's government and society, as well as with American and other donor personnel engaged in development work.

The IDO corps will be the heart of the Administration's personnel system. It would function within the Administration as the foreign service officer corps functions within the Department of State. It would provide the professional, career nucleus and leadership for the Administration to its highest levels. Hence, it would be the principal career vehicle through which individuals rise to policymaking and other top positions within the Administration, including leadership of its overseas missions.

Creation of a unitary personnel system for the Administration, including the IDO corps, does not mean that all positions in the administration must be included within the corps or that regular overseas service is required as a condition of employment for all employees. However, in an agency whose principal functions are performed overseas, its key officers must have sufficient overseas experience and background.

Employment of workers under civil service authorities in the United States is authorized by section 721 of the bill. This authority is intended to provide positions in Washington that require neither service overseas nor significant familiarity with overseas programs and conditions

of service. Examples of such positions are: Data management specialists, statisticians, clerk, messengers, et cetera. This authority is intended to provide for employment of personnel whose functions are performed primarily in the United States but who, for adequate performance of their duties, must have familiarity with overseas programs and conditions of service and who should serve overseas for at least one tour of duty. That duty would be performed under a limited IDO appointment with requisite reemployment rights. Such employees could include personnel recruitment, assignment, and counseling specialists, commodity specialists, contracting officers, certain lawyers and engineers, and others.

SECTION 722 (b)

Text

(b) The Administrator may under such regulations as he may prescribe, appoint International Development Officers on the basis of qualifications and experience. The Administrator may make provisions for temporary, limited, and such other types of appointments as he may deem necessary. He is authorized to establish appropriate probationary periods during which newly appointed Officers, other than those appointed for temporary or limited services, will be required to serve. The Administrator may terminate at any time the service of Officers appointed for temporary or limited service and Officers who have not completed probationary periods, except that if such separation is by reason of misconduct the provisions of section 637 of the Foreign Service Act of 1946, as amended, would be applicable.

Purpose

This subsection provides that the Administrator, by regulation, may appoint IDO's based on qualifications and experience. The subsection authorizes temporary, limited and other types of appointments, along with probationary periods for appointments other than temporary or limited. The Administrator, at any time, may terminate the employment of those on temporary or limited appointments or in probationary periods, except that if misconduct is the reason for termination, then the applicable provisions of the Foreign Service Act of 1946 shall apply.

Background

This new subsection provides to the Administrator appointment authority for IDO's similar to that authorized to the Secretary of State for foreign service officers. The Administrator is expected to establish procedures, by regulation, which will ensure that IDO appointments will be made only on the basis of qualification and experience.

This subsection also provides necessary authorities for initial limited or probationary appointments to lead to conversion to full IDO status upon satisfactory completion of a prescribed time period of service. This would be the principal means of recruiting substantive personnel at entrance levels for the Administration.

The subsection also provides for such other appointments as the Administrator may deem necessary. This is intended to provide sufficient flexibility for the hiring under devices such as time limited—reserve—appointments of specialists, most likely to be engaged in program design and implementation work, but for whom a continuing

long-term need is not foreseen and to whom it would not be appropriate to offer a permanent IDO appointment. If the specialized need were to become permanent, such reserve personnel would be converted to IDO status. It must be stressed that this authority is intended to be used only for the purpose of insuring availability of specialized personnel, not as a means for circumventing procedures for appointment or to compromise safeguards, privileges and other benefits of employment as IDO's or other employees of the administration for whom there is likely to be a continuing long-term need.

SECTION 722(c)

Text

(c) International Development Officers will be primarily engaged in the formulation and implementation of programs, projects, and activities authorized under this Act with the exception of persons provided for in sections 701 and 721(b). To the extent that the functions of formulating and implementing policy, programs, projects, and activities authorized under this Act are performed in the United States, the Administrator shall assign International Development Officers, while on assignment in the United States, to these functions.

Purpose

This subsection provides that IDO's will be the personnel within administration primarily engaged in the formulation and implementation of policy programs, projects, and activities authorized under the bill. To the extent that the functions of formulating and implementing policy, programs, projects and activities authorized by the bill are performed in the United States, they will be performed by IDO's. The Presidential appointees and the 110 persons who may be appointed by the Administrator without regard to any law may also be so engaged.

Background

This subsection reflects that the professional nucleus of the new agency will be provided through the International Development Officer (IDO) corps which will be primarily engaged in the key functions of formulating and implementing policy, programs, projects, and activities authorized in the bill, both overseas and in the United States. The bill's intent is that the only non-IDO's authorized in the bill also to perform these functions are the 15 persons in leadership positions within the agency provided for in section 701, and the 110 administratively determined appointments provided for in section 721(b).

With respect to certain administrative support personnel such as executive officers, general service officers, and others, whose duties are also performed in the main overseas, it is the bill's intent that insofar as the administration has need of such individuals for its operations, they would be included in the IDO corps in a similar manner as the administrative core is a component of the State Department's foreign service officer corps. However, the bill is not intended to preclude further consolidation of administrative and other support functions under Embassy joint services sections where this is appropriate. It is the intent of the bill to allow to the Administration the means for effective yet economical support for its various programs, taking duly into account the specialized needs of personnel that must operate and live outside of capital cities and whose needs a joint administrative services branch of an Embassy may not always be able to service effectively.

SECTION 722(d)

(d) The Administrator may, under such regulation as he may prescribe, provide for supporting staff to the International Development Officers and may use the authorities of the Foreign Service Act of 1946, as amended, relating to Foreign Service staff, in order to implement this provision.

Purpose

This subsection provides that the Administrator may provide, by regulation, for a supporting staff and may use the authorities of the Foreign Service Act of 1946, relating to Foreign Service Staff, in order to do so.

Background

Under this subsection, the Administrator is authorized to provide support staff for the IDO's, both in the United States and overseas, and may make use of the authorities of the Foreign Service Act of 1946 relating to Foreign Service staff. By support staff is meant occupational categories such as secretaries and other personnel who are currently Foreign Service employees of AID. It is intended to give sufficient flexibility to the Administrator subject to orderly procedures to be developed by him, for utilization of secretaries and similar support personnel, both in Washington and overseas, so that the needs of the agency may be fully met while also taking into account the preferences of employees as to whether they wish to serve in Washington or overseas. It is foreseen that service overseas would be at pay and benefits under the authorities of the Foreign Service Act of 1946, while employees electing to serve in Washington would be under civil service. However, the bill intends that the Administrator operate the system in such a way that maximum opportunity is offered to civil service secretarial personnel to serve overseas on limited or reserve staff appointments while insuring that support personnel primarily serving overseas are required to rotate to serve in the administration's headquarters and that appropriate positions are available for them.

SECTION 722(e)

Text

(e) No person shall be eligible for appointment as an International Development Officer unless he is a citizen of the United States.

Purpose

This subsection provides that all IDO's must be U.S. citizens.

Background

This subsection carries forward the citizenship requirement applicable to personnel of U.S. foreign affairs agencies.

SECTION 722(f)

Text

(f) International Development Officers appointed pursuant to subsection (b) shall be assigned for service by the Administrator in consideration of the Officer's (1) mastery of the technical field in which he is to serve, (2) reasonable proficiency in the principal working language or dialect of the country in which he is to serve, and (3)

knowledge and understanding of the country's history, culture, and economic and political institutions. An International Development Officer or supporting Staff member may be assigned by the Administrator to serve in any other capacity for which he is eligible to serve under the terms of this or any other Act. In accordance with such regulations as he may prescribe, an International Development Officer or Staff member may be transferred from one position to another by order of the Administrator in furtherance of the purpose of this Act.

Purpose

This subsection provides the criteria for the assignment of IDO's: Mastery of his or her technical field, language capability, and knowledge and understanding of the country of assignment. It also provides that IDO's and staff may be assigned in any capacity for which he or she is eligible to serve, whether the position is provided for under the terms of the bill or another. IDO's and staff may also be transferred from one position to another by the Administrator in accordance with regulations as he may prescribe.

Background

This subsection adds emphasis to the professionalism that the Administration and its personnel are expected to exhibit. Specifically the section is intended to emphasize the need for technical competence and the ability to function effectively in a country of assignment.

SECTION 722(g)

Text

(g) In accordance with regulations which the Administrator may prescribe, International Development Officers may receive compensation at rates provided to Foreign Service Reserve and Staff by the Foreign Service Act of 1946, as amended, together with the allowances, benefits, and protections afforded by title VI (Personnel Administration) of the Foreign Service Act of 1946, as amended. International Development Officers and Staff members shall participate in the Foreign Service Retirement and Disability System established by title VIII of the Foreign Service Act of 1946, as amended and shall be governed by the Foreign Service Grievance procedures set forth in part J of title VI of the Foreign Service Act of 1946, as amended.

Purpose

This subsection provides that IDO's may be compensated, in accordance with regulations prescribed by the Administrator, at rates, together with allowances, benefits, and protections, provided under the Foreign Service Act of 1946. IDO's shall participate in the retirement system and use the grievance procedures established in the Foreign Service Act.

Background

This subsection is derived, in part, from FAA section 625(d) (1). Rather than recreate all of the parts of a personnel system, this subsection provides that in certain matters such as compensation, retirement, and grievances, the provisions of the Foreign Service Act will apply.

SECTION 722(h)

Text

(h) Every International Development Officer shall be assigned to duty abroad in the implementation of projects and activities in developing countries, except, as the Administrator may provide in regulations, for periods of training or assignment in the United States.

Purpose

This subsection provides that every IDO shall be assigned to duty abroad in the implementation of Administration activities in the developing countries, except for periods of training or assignment in the United States, to be established by regulation.

Background

In view of the requirements of the Administration, IDO's are expected to serve overseas regularly and be available for assignment on a worldwide basis, with rotation to the United States for periods of training or assignment.

SECTION 722(i)

Text

(i) The Administrator shall insure that every International Development Officer shall receive training needed to improve language proficiency and periodic training to keep him familiar with developments in his area of special expertise and in the general subject of political, economic, and social change in the developing world.

Purpose

This subsection provides that every IDO shall receive needed language training and periodic training in his specialty and in the general subjects of political, economic, and social change.

Background

A principal reason for establishing the IDO system is to provide the trained personnel necessary for carrying out development activities. So that the professional and operational standards specifically mandated for IDO's in the bill are maintained, provision is made in this subsection that the Administrator shall insure that IDO's—and implicitly support personnel as appropriate—shall receive needed training to improve language capability and periodic training to insure that IDO's are currently informed with respect to developments in their area of special expertise and in the topics of political, economic, and social change in the developing world. The bill thus foresees that throughout their careers, IDO's will require training and that the Administration will insure that they receive it. The Administration will thus need to assign greater value to training than has been the case in AID, with respect to both the benefit derived by the agency from trained individuals and the value that employees obtain in the performance of their duties and with respect to career advancement from undergoing training. Accordingly, the training dimension will need to be considered extensively in the process of personnel assignment, career counseling and consideration for promotion of IDO's.

It should be stressed that this does not imply that the Administration must plan and undertake expensive new training programs to be responsive to the concerns of the bill. One of the bill's main premises

(section 101) is that development concerns shall be more fully reflected in U.S. foreign policy and international economic policy. Accordingly, it is the bill's intent that a maximum effort be made to design and implement adequate training programs concerned with development-related subjects wherever practicable in concert with recognized and reputable training facilities of the U.S. Government, such as the Foreign Service Institute (especially with respect to language and area studies), and inter alia the National War College, the Federal Executive Institute, and facilities being used by the Peace Corps for training its own staff and volunteers. This will also have the beneficial effect of offering training opportunities in development topics to key employees in other U.S. Government departments and agencies such as Agriculture, State, and the International Communication Agency whose work may have a distinct development impact.

SECTION 722(j)

Text

(j) In carrying out the provisions of this section, no political test shall be required and none shall be taken into consideration, nor shall there be any discrimination against any person on account of race, creed, sex, or natural origin.

Purpose

This subsection provides that there shall be no political test for IDO's nor shall there be discrimination against any IDO applicant or employee on account of race, creed, sex, or national origin.

Background

The IDO system will be a career personnel system based on merit. No account shall be taken of political persuasion, race, creed, sex, or national origin.

SECTION 722(k)

Text

(k) The Administration shall pay particular attention to the effective recruitment and promotion of women as International Development Officers.

Purpose

This subsection provides that particular effort should be made to recruit and promote women as IDO's.

Background

This section expresses the intention of Congress that the Administration should pay particular attention to effective recruitment and promotion of women as professionals in the International Development Service.

SECTION 722(l)

Text

(l) The Administrator is authorized to prescribe by regulation standards or other criteria for maintaining adequate performance levels for personnel appointed or assigned pursuant to subsection (b) of this section and section 625(d)(2) of the Foreign Assistance Act of 1961, as amended, and may, notwithstanding any other law, but subject to an appropriate administrative appeal, separate employees

who fail to meet such standard or other criteria, and also may grant such personnel severance benefits of one month's salary for each year's service, but not to exceed one year's salary at the then current salary rate of such personnel.

Purpose

This subsection authorizes the Administrator to set up standards of performance and to terminate appointments for failure to meet such standards as long as the standards are adequately set forth in the regulations and as long as the regulations provide for an administrative appeal, notwithstanding any other provision of law. Severance benefits may be provided on the basis of 1 month's salary at the current salary rate for each year of service, up to a maximum of 1 year's salary.

Background

This subsection is essentially identical to FAA section 625(e). IDO's will be appointed on the basis of merit and their performance will be judged on the basis of merit; tenure alone is not sufficient. A high standard of performance from each IDO throughout his or her career will be expected. No other law, affecting other career services such as the civil service, shall be used to lessen or change this requirement for performance.

SECTION 722(m)

Text

(m) Funds provided for in agreements with foreign countries for the furnishing of services under this Act with respect to specific projects shall be deemed to be obligated for the services of personnel employed by agencies of the United States Government other than the Administration as well as personnel not employed by the United States Government.

Purpose

This subsection provides that program funds obligated by international agreements for specific projects may be used to pay for the services of personnel in U.S. agencies other than the Administration as well as for the services of personnel not employed by the U.S. Government.

Background

This subsection is essentially identical to FAA section 625(f). It recognizes that expertise available in other U.S. agencies may be used, for instance, in technical assistance projects under participating agency service agreements (PASA's), in the same way as services may be contracted for from the private sector, with these costs being part of the project expense rather than operating expenses. This subsection also resolves a past question of the Comptroller General as to whether, in the example provided above, funds for personal services of U.S. Government employees should be obligated only on a month-to-month basis.

SECTION 722(n)

Text

(n) The principles regarding foreign language competence set forth in section 578 of the Foreign Service Act of 1946, as amended, shall be applicable to personnel carrying out functions under this Act

and the Administrator shall make appropriate designations and standards for such personnel.

Purpose

Section 578 of the Foreign Service Act requires the Secretary of State to designate every FSO position which requires foreign language competence and provides that after December 31, 1963, each designated position shall be filled only by an incumbent having such competence. The language of this subsection requires the principles of section 578 to be applicable to personnel of the Administration. The Administrator shall make similar designations and standards for Administration personnel as the Secretary of State does for FSO's.

Background

This subsection is derived from FAA section 625(g) without substantive change. It is intended that a special effort be made to insure that Administration personnel have appropriate language capabilities.

SECTION 722(o)

Text

(o) Notwithstanding any other provision of law, officers and employees of the United States Government performing functions under this Act shall not accept from any foreign country any compensation or other benefits. Arrangements may be made by the President with such countries for reimbursement to the United States Government or other sharing of the cost of performing such functions.

Purposes

This subsection prohibits officers and employers of the U.S. Government performing aid functions from receiving any compensation or other benefits from any foreign country. If situations arise in which compensation or other benefits should be received from foreign countries, the Administrator is authorized to arrange for reimbursement to or other sharing of costs with the U.S. Government. It is possible, for example, to channel payments from a foreign government to U.S. employees through a mission trust account.

Background

This subsection is essentially identical to FAA section 625(h). Officers and employees of the U.S. Government should not directly receive compensation from any foreign government. If the foreign government should make any such payments, the Administrator can make appropriate arrangements for its use.

SECTION 722(p)

(p) The President may appoint or assign a United States citizen to be representative of the United States to the Inter-American Economic and Social Council and, in his discretion, may terminate such appointment or assignment notwithstanding any other provision of law. Such person may be compensated at a rate not to exceed that authorized for a chief mission, class 2, within the meaning of the Foreign Service Act of 1946, as amended.

Purpose

This subsection permits the President to appoint or assign a U.S. citizen to be U.S. representative to the Inter-American Economic and Social Council. The compensation is specified. Such an appointment may be terminated by the President notwithstanding any other law.

Background

This subsection is derived from FAA section 625(j).

SECTION 723

SEC. 723. EXPERTS AND CONSULTANTS.—(a) Experts and consultants of organizations thereof may, as authorized by section 3109 of title 5 of the United States Code, be employed for the performance of functions under this Act, and individuals so employed may be compensated at rates not in excess of the daily equivalent of the highest rate which may be paid to an employee under the General Schedule established by section 5332 of title 5 of the United States Code, and while away from their homes or regular places of business, they may be paid actual travel expenses and per diem in lieu of subsistence at the applicable rate prescribed in the standardized Government travel regulations, as amended from time to time.

(b) Service of an individual as an expert or consultant under subsection (a) of this section shall not be considered as employment or holding of office or position bringing such individual within the provisions of section 3323(a) of title 5 of the United States Code.

(c) Persons of outstanding experience and ability may be employed without compensation by an agency of the United States Government for the performance of functions under this Act in accordance with the provisions of section 710(b) of the Defense Production Act of 1950, as amended (50 U.S.C. App. 2160(b)), and regulations issued thereunder.

Purpose

Subsection (a) authorizes the employment of individual experts or consultants in accordance with section 15 of the Administrative Expenses Act of 1946. It permits them to be compensated up to the daily equivalent of the highest rate which may be paid to an employee under the general schedule established by section 5332 of title 5, United States Code and to receive travel expenses and per diem at a rate provided in the Standardized Government Travel Regulations. The subsection also authorizes the employment of organizations of experts and consultants.

Subsection (b) allows the employment of a person as an expert or consultant who would otherwise not be eligible because he or she is older than an applicable mandatory retirement age for Government service.

Subsection (c) authorizes the employment of persons of outstanding experience and ability without compensation in accordance with the applicable provisions of the Defense Production Act of 1950 (50 U.S.C. section 2160(b) (appendix, 1970)) and regulations issued thereunder.

Background

This section continues the authority in FAA section 626 to employ experts and consultants. It omits from subsection (a) the reference to retired officers and the restrictions on annual renewals. The new administration is expected to properly manage its resources and will be given an opportunity to do so. However, this authority will be continually reviewed and restrictions will be imposed if deemed necessary.

Subsection (b) is identical to FAA section 626(b). FAA section 626(b) had been amended in 1977 to delete earlier provisions exempting an expert or consultant from laws governing the simultaneous receipt of compensation and of Government retirement pay or annuity. Experts and consultants retained by the administration who are Federal annuitants will receive compensation on the same basis as Federal annuitants who are retained by other Federal agencies.

Subsection (c) is a continuation of existing authority of long standing.

SECTION 724

Text

SEC. 724. DETAIL OF PERSONNEL TO FOREIGN GOVERNMENTS.—Whenever the Administrator determines it to be in furtherance of the purposes of this Act, the head of any agency of the United States Government is authorized to detail or assign any officer or employee of his agency to any office or position with any foreign government or foreign government agency, where acceptance of such office or position does not involve the taking of an oath of allegiance to another government or the acceptance of compensation or other benefits from any foreign country by such officer or employee.

Purpose

This section provides that, when in furtherance of the purposes of the bill, employees or officers may be assigned to an office or position in a foreign government, as long as no oath of allegiance to that government is required.

Background

This section is essentially identical to section 627 of the FAA. This is a useful authority allowing U.S. Government employees, in limited instances, to work with, and under the same conditions as, officers of the government of developing nations.

Text

SEC. 725. DETAIL OF PERSONNEL TO INTERNATIONAL ORGANIZATIONS.—Whenever the Administrator determines it to be consistent with and in furtherance of the purposes of this Act, the head of any agency of the United States Government is authorized to detail, assign, or otherwise make available to any international organization any officer or employee of his agency to serve with, or as a member of, the international staff of such organization, or to render any technical, scientific, or professional advice or service to, or in cooperation with, such organizations.

Purpose

This section provides that, consistent with and in furtherance of the principles of the bill, U.S. Government employees or officer may be assigned or detailed to international organizations.

Background

This section is essentially identical to section 628 of the FAA. This authority allows U.S. Government employees to gain experience with international organizations and to insure adequate U.S. representation on the staffs of such organizations.

SECTION 726

Text

SEC. 726. STATUS OF PERSONNEL DETAILED.—(a) Any officer or employee, while assigned or detailed under section 724 or 725 of this Act, shall be considered, for the purpose of preserving his allowances, privileges, rights, seniority, and other benefits such as, an officer or employee of the United States Government and of the agency of the United States Government from which detailed or assigned, and he shall continue to receive compensation, allowances, and benefits from funds appropriated to that agency or made available to that agency under this Act.

(b) Any officer or employee assigned, detailed, or appointed under section 722, 724, 725, or 728 of this Act is authorized to receive under such regulations as the Administrator may prescribe, representation allowances similar to those allowed under section 901 of the Foreign Service Act of 1946, as amended. The authorization of such allowances and other benefits and the payment thereof out of any appropriations available therefor shall be considered as meeting all the requirements of section 5536 of title 5 of the United States Code.

Purpose

Subsection (a) provides for persons assigned to foreign governments or international organizations to be considered as employees of the agency from which they are assigned. Subsection (b) authorizes representation allowances, similar to those allocated under the Foreign Service Act, for employees appointed as IDO's or detailed or assigned to foreign governments, to international organizations, or to special missions abroad.

Background

This section is derived from section 629 of the FAA. Subsection (a) is essentially identical to the FAA provision from which it derives. Subsection (b) deletes the reference to the Inspector General of Foreign Assistance, whose functions have been abolished and adds a reference to section 722 which establishes the new IDO personnel corps.

SECTION 727

Text

SEC. 727. TERMS OF DETAIL OR ASSIGNMENT.—Details or assignments may be made under section 724 or 725 of this Act—

- (1) without reimbursement to the United States Government by the foreign government or international organization;
- (2) upon agreement by the foreign government or international organization, to reimburse the United States Government for compensation, travel expenses, benefits, and allowances, or any part thereof, payable to the officer or employee concerned during the period of assignment or detail; and such reimbursements (in-

cluding foreign currencies) shall be credited to the appropriation, fund, or account utilized for paying such compensation, travel expenses, benefits, or allowances, or to the appropriation, fund, or account currently available for such purposes;

(3) upon an advance of funds, property, or services by the foreign government or international organization to the United States Government accepted with the approval of the President for specified uses, and to be used for reimbursement of appropriations or direct expenditure subject to the provisions of this Act, any unexpended balance of such account to be returned to the foreign government or international organization; or

(4) subject to the receipt by the United States Government of a credit to be applied against the payment by the United States Government of its share of the expenses of the international organization to which the officer or employee is detailed or assigned, such credit to be based upon the compensations, travel expenses, benefits, and allowances, or any part thereof, payable to such officer or employee during the period of detail or assignment in accordance with section 725.

Purpose

This section provides the terms of financial compensation for assignments of U.S. Government employees to foreign governments or international organizations. Each of these arrangements provide that all compensation shall go to the U.S. Government and not to the individual employee. (who shall, under section 726(a), receive his or her normal salary and allowances).

Background

This section is essentially identical to section 630 of the FAA.

SECTION 728

Text

SEC. 728. MISSIONS AND STAFFS ABROAD.—(a) The Administrator may maintain special missions or staffs outside the United States in such countries and for such periods of time as may be necessary to carry out the purposes of this Act. Each such special mission or staff shall be under the direction of a chief.

(b) The chief and his deputy of each special mission or staff shall be appointed by the Administrator, and may, notwithstanding any other law, be removed by the Administrator at his discretion: *Provided*, That, under such regulations as the Administrator shall prescribe, officers and employees of the United States Government who are appointed to any of the above positions may be entitled, upon removal from such position, to reinstatement to the position occupied at the time of appointment or to a position of comparable grade and salary. Such chief shall be entitled to receive (1) in cases approved by the Administrator the same compensation and allowances as a chief of mission, class 3, or chief of mission, class 4, within the meaning of the Foreign Service Act of 1946, as amended, or (2) compensation and allowances in accordance with section 722, as the Administrator shall determine to be appropriate.

(c) The President may appoint any United States citizen who is not an employee of the United States Government or may assign any

United States citizen who is a United States Government employee to serve as Chairman of the Development Assistance Committee or any successor committee thereto of the Organization for Economic Cooperation and Development upon election thereto by members of said Committee, and, in his discretion, may terminate such appointment or assignment, notwithstanding any other provision of law. Such person may receive such compensation and allowances as are authorized by the Foreign Service Act of 1946, as amended, not to exceed those authorized for a chief of mission, class 2, within the meaning of said Act, as the President may determine. Such person may also, in the President's discretion, receive any other benefits and perquisites available under this Act to chiefs of special missions or staffs outside the United States established under this section.

(d) Especially in the case of the smaller programs, assistance authorized under this Act may be administered abroad under the direction of the Chief of the United States Diplomatic Mission by the principal economic officer of the mission.

Purpose

Subsections (a) and (b) of this section give the Administrator authority to maintain missions and staffs outside the United States, to appoint and remove the chief and his deputy of those missions and staffs, and to determine their compensation, in order to carry out the purposes of the bill. Directors and Deputies who are removed may be afforded reemployment rights to their former, or equivalent, positions with the U.S. Government.

Subsection (c) gives the Administrator authority to appoint, terminate the appointment of, and determine the salary of a U.S. citizen, whether already employed by the U.S. Government or not, to serve as Chairman of the Development Assistance Committee or its successor of the Organization for Economic Cooperation and Development upon election thereto by such Committee. The subsection was originally enacted and is carried forward to enable the United States to pay the salary of this Committee Chairman and to permit the salary to be high enough to attract a person with the prestige and ability needed to develop the Committee's full potential.

Subsection (d) allows the administration of assistance by the diplomatic mission's chief economic officer, especially when smaller programs are involved.

Background

This section is derived from section 631 of the FAA. Subsection (a) is essentially identical to the earlier subsection.

Subsection (b) afford reemployment rights to mission directors and deputies. It is intended that career employees be fully considered for appointment as mission directors and this addition should encourage career employees to accept such appointments who might otherwise be reluctant to do so. While this has been the practice, the intention has not been made clear in the FAA. Congressional intent is made explicit by this addition.

Subsection (c) is essentially identical to the FAA provision.

Subsection (d) has been modified from the FAA: Rather than requiring the chief economic officer to handle the aid program "whenever practicable," the provision now allows him to do so, especially in the case of smaller programs.

SECTION 729

Text

SEC. 729. TRANSFER OF PERSONNEL.—On the date of the creation of the Administration the President shall transfer to the Administration the personnel of the Agency for International Development.

Purpose

This section transfers all of the personnel of AID to the administration.

Background

This section does not attempt to resolve the administrative issues likely to arise in transferring all the staff of AID to the administration, given the latter's emphasis on IDO's and the stringent requirements for appointments of IDO's. The Administrator will have to resolve any such issues administratively.

TITLE III—ADMINISTRATIVE REQUIREMENTS

SECTION 741

SEC. 741. COMPLETION OF PLANS AND COST ESTIMATES.—(a) No agreement or grant which constitutes an obligation of the United States Government in excess of \$100,000 under section 1311 of the Supplemental Appropriation Act, 1955, as amended (31 U.S.C. 200), shall be made for any assistance authorized under title I of chapter II and title I of chapter V, if such agreement or grant requires—

(1) substantive technical or financial planning, until engineering, financial, and other plans necessary to carry out such assistance, and a reasonably firm estimate of the cost to the United States Government of providing such assistance, have been completed; and

(2) legislative action within the recipient country, unless such legislative action may reasonably be anticipated to be completed in time to permit the orderly accomplishment of the purposes of such agreement or grant.

(b) To the maximum extent practicable, all contracts for construction outside the United States made in connection with any agreement or grant subject to subsection (a) shall be made on a competitive basis.

(c) Subsection (a) shall not apply to any assistance furnished for the sole purpose of preparation of engineering, financial, and other plans.

(d) In addition to any other requirements of this section, no assistance authorized under title I of chapter II or title I of chapter V of this Act shall be furnished with respect to any capital assistance project estimated to cost in excess of \$1,000,000 until the Administrator has received and taken into consideration a certification from the principal officer of the Administration in the country in which the project is located as to the capability of such country's resources, both financial and human, to maintain effectively and utilize the project, taking into account among other things the maintenance and utilization of projects in such country previously financed or assisted by the United States.

Purpose

Subsection (a) establishes certain procedures for obligation of funds used for assistance from the bilateral functional accounts (title I of chapter II) and from the economic support fund (title I of chapter V). The subsection requires that no agreement or grant constituting an obligation in excess of \$100,000 may be entered into—

(1) if it requires substantive technical or financial planning, until engineering, financial and other plans necessary to carry out such assistance (for example, an engineering survey to determine feasibility), and a reasonably firm estimate of the cost to the U.S. Government have been completed; and if it requires legislative action within the recipient country, unless such action may reasonably be anticipated to be completed in time to permit the orderly accomplishment of the purposes of the agreement or grant.

Subsection (b) requires that all contracts for construction outside the United States which are made in connection with any agreement subject to subsection (a) of the section should be made to the maximum extent practicable on a competitive basis.

Subsection (c) exempts from the requirements of subsection (a) assistance furnished solely for the purpose of preparing engineering, financial, and other plans.

Subsection (d) prohibits assistance under the bilateral functional accounts and from economic support funds for any capital assistance project estimated to cost over \$1 million, until the Administrator of the Administration has received and taken into consideration of certification from the principal Administration officer in the country in which the project is located as to the capability of the country to maintain and use the project effectively, taking into account among other things the maintenance and use of projects in that country to which the United States has previously furnished assistance.

Background

This section is derived from FAA section 611. The provision is essentially identical to its FAA predecessor except that the subsection dealing with the specialized requirement for plans for water or related land resource construction projects has been omitted (FAA section 661 (b)). That subsection tied plans for water projects to the Memorandum of the President dated May 15, 1962, which required a particular computation of benefits. In the United States, this is a useful requirement. In developing countries, it is not as useful as it is usually difficult to obtain data accurately enough for the precise computation required. Plans and estimates are still required for water projects by section 741 (a) of the bill, however.

SECTION 742

Text

SEC. 742. PROCUREMENT.—(a) Funds made available under title I of chapter II and under chapter V of this Act may be used for procurement outside the United States only if the Administrator determines that such procurement shall not result in adverse effects upon the economy of the United States, with special reference to any areas

of high unemployment and to the net position of the United States in its balance of payments with the rest of the world, which outweigh the economic or other advantages to the United States of less costly procurement outside the United States.

Purpose

This subsection provides that funds under the bilateral functional accounts, and from economic support funds and disaster assistance may be used for procurement of items outside the United States only if the Administrator determines that such procurement will not result in adverse effects to the United States which outweigh the economic or other advantages to the United States of less costly procurements outside the United States.

Background

This subsection is derived from FAA section 604(a). However, reference to the "industrial mobilization base" has been omitted, the phrase "areas of high unemployment" has been used in lieu of "areas of labor surplus" and the reference to "bulk commodities" has been deleted. The effect of FAA sec. 604(a) has not been changed by this subsection; more relevant language is used and the redundancy with sec. 742(b), which deals with bulk commodities, is omitted.

Section 742 is not made applicable to the International Development Institute and the Peace Corps.

SECTION 742(B)

Text

(b) No funds made available under this Act may be used to finance directly the purchase in bulk of any commodities at prices higher than the market price prevailing in the United States at the time of purchase, adjusted for differences in the cost of transportation to destination, quality, and in terms of payment.

Purpose

This subsection provides that funds made available under the bill may not be used to finance directly the purchase for nonproject assistance of commodities at prices higher than the prevailing U.S. market prices, adjusted for certain specified differences such as transportation costs. This section should not be construed beyond its intent of affecting the direct assistance of the U.S. Government. For example, voluntary contributions to international organizations would not directly finance purchases, nor would grants to private and voluntary organizations.

Background

This subsection is essentially similar to FAA section 604(b), except that the word "directly" has been added to clarify the intention described above.

SECTION 742 (c) AND (d)

Text

(c) In providing for the procurement of any agricultural commodity or product thereof available for disposition under the Agricultural Trade Development and Assistance Act of 1954, as amended, for transfer by grant under this Act to any recipient country in ac-

accordance with its requirements, the Administrator shall, insofar as practicable and when in furtherance of the purposes of this Act, authorize the procurement of such agricultural commodity only within the United States except to the extent that such agricultural commodity is not available in the United States in sufficient quantities to supply emergency requirements of recipients under this Act.

(d) In providing assistance in the procurement of commodities in the United States, United States dollars shall be made available for marine insurance on such commodities where such insurance is placed on a competitive basis in accordance with normal trade practice prevailing before the outbreak of World War II: *Provided*, That in the event a participating country, by statute, decree, rule, or regulation, discriminates against any marine insurance company authorized to do business in any State of the United States, then commodities purchased with funds provided hereunder and destined for such country shall be insured in the United States against marine risk with a company or companies authorized to do a marine insurance business in any State of the United States.

Purpose

Subsection (c) requires that insofar as practicable agricultural commodities or products available under Public Law 480, which are to be furnished under the bill on a grant basis, must be bought only in the United States except to the extent that they are not available here in sufficient quantities to meet emergency requirements in the recipient country. Subsection (d) provides U.S.-registered marine insurance companies the assurance that they may compete on an equal basis with foreign insurance companies for the business of insuring foreign aid shipments.

Background

These subsections are essentially identical to the corresponding subsections (c) and (d) of FAA section 604 and are carried forward into this bill for the same purposes.

SECTION 742(e)

Text

(e) No funds made available under this Act may be used for the procurement of any agricultural commodity or product thereof outside the United States when the domestic price of such commodity is less than parity.

Purpose

This subsection provides that neither agricultural commodities nor products thereof may be purchased outside the United States when the domestic price of such commodity is less than parity. The purpose of this subsection is primarily directed toward U.S. Government programs involving the purchase of agricultural commodities. Because of the fact that voluntary contributions to the international organizations are intermingled with contributions from other countries, this provision does not have application to the activities of the international organizations. This provision is intended to insure that the Administration does not maintain general programs authorizing the purchase of agricultural commodities outside the United States when American farmers are getting less than parity for their commodities.

Background

This subsection is essentially identical to FAA section 604(e).

SECTION 742(f)

Text

(f) Notwithstanding any other provision of this Act, none of the funds made available to carry out title I of chapter II and chapter V of this Act may be used to finance the purchase, sale, long-term lease, exchange, or guaranty of a sale of motor vehicles unless such motor vehicles are manufactured in the United States: *Provided*, That where special circumstances exist including, but not limited to, the safety of personnel and prevailing conditions of operation, the Administrator is authorized to waive the provisions of this section in order to carry out the purposes of this Act.

Purpose

This subsection provides that funds under the bilateral functional accounts, the economic support funds and the disaster assistance shall not be used to finance non-U.S.-manufactured vehicles unless because of special circumstances the Administrator has waived this requirement.

Background

This subsection is derived from FAA section 636(i). However, AID has in the past refrained from utilizing the special waiver authority in the FAA provision in some cases where to do so might have been appropriate. The phrase "including, but not limited to, the safety of personnel and prevailing conditions of operation" has, therefore, been added to make clear to the Administrator of the Administration that the Congress does not expect American vehicles to be required to be used if the safety of personnel and conditions of the country make them inappropriate.

SECTION 743

Text

SEC. 743. SHIPPING DIFFERENTIAL.—For the purpose of facilitating implementation of section 901(b) of the Merchant Marine Act, 1936 (46 U.S.C. 1241(b)), Funds made available for the purposes of title I of chapter II or for the purposes of chapter V may be used to make grants to recipients to pay all or any portion of such differential as is determined by the Secretary of Commerce to exist between United States and foreign-flag vessel charter or freight rates. Grants made under this section shall be paid with U.S.-owned foreign currencies wherever feasible.

Purpose

This section authorizes the use of funds made available in the bilateral functional accounts, the economic support funds, and disaster assistance to make grants to defray the freight differential between U.S.- and foreign-flag vessels on cargoes financed under the act. This differential results from compliance with the 50-percent requirement of section 901(b) of the Merchant Marine Act of 1936.

The grants authorized here would cover this difference between U.S.- and foreign-flag shipping costs and would relieve the importing country and end user of bearing this added cost.

Background

This section is essentially identical to FAA section 640C.

SECTION 744

Text

SEC. 744. SHIPPING ON UNITED STATES VESSELS.—The ocean transportation between foreign countries of commodities purchased with foreign currencies made available or derived from funds made available under this Act or the Agricultural Trade Development and Assistance Act of 1954, as amended, and transfers of fresh fruit and products thereof under this Act shall not be governed by the provisions of section 901(b) of the Merchant Marine Act, of 1936, as amended (46 U.S.C. 1241(b)), or any other law relating to the ocean transportation of commodities on United States flag vessels.

Purpose

This section exempts from the 50-50 shipping requirement transportation between foreign countries of (1) goods purchased with foreign currency acquired under the FAA and Public Law 480, and (2) fresh fruits and the products thereof. The situation to which this section most usually applies is the second leg of a so-called triangular transaction in which, for example, surplus agricultural commodities are sold to a Western European country in exchange for that country's currency which in turn on the "second leg" is used to buy goods for use in the AID program in the third country. Similar triangular arrangements may be made under title I of Public Law 480 (e.g., see Public Law 480 section 104(d)) and are exempt from the 50-50 shipping requirement as a result of this section.

Fresh fruits and the products thereof are exempted because of their perishable nature and the necessity for refrigeration facilities which are limited in number on U.S.-flag vessels. A similar exemption is also provided for sales of fresh fruit under Public Law 480.

Background

This section is essentially identical to FAA section 603 in that it is carried forward as a still applicable and useful authority.

SECTION 745

Text

SEC. 745. PATENTS AND TECHNICAL INFORMATION.—(a) Whenever, in connection with the furnishing of assistance under title I of chapter II and under chapter V of this Act—

(1) an invention or discovery covered by a patent issued by the United States Government is practiced within the United States without the authorization of the owner, or

(2) information, which is (A) protected by law and (B) held by the United States Government subject to restrictions imposed by the owner, is disclosed by the United States Government or any of its officers, employees, or agents in violation of such restrictions,

the exclusive remedy of the owner, except as provided in subsection (b) is to sue the United States Government for reasonable and entire compensation for such practice or disclosure in the district court of

the United States for the district in which such owner is a resident, or in the Court of Claims, within six years after the cause of action arises. Any period during which the United Government is in possession of a written claim under subsection (b) before mailing a notice of denial of that claim does not count in computing the six years. In any such suit, the United States Government may plead any defense that may be pleaded by a private person in such an action. The last paragraph of section 1498(a) of title 28 of the United States Code shall apply to inventions and information covered by this section.

(b) Before suit against the United States Government has been instituted, the head of the agency of the United States Government concerned may settle and pay any claim arising under the circumstances described in subsection (a). No claim may be paid under this subsection unless the amount tendered is accepted by the claimant in full satisfaction.

(c) Funds appropriated pursuant to this Act shall not be expended by the United States Government for the acquisition of any drug product or pharmaceutical produce manufactured outside the United States if the manufacture of such drug produce or pharmaceutical products in the United States would involve the use of, or be covered by, an unexpired patent of the United States which has not previously been held invalid by an unappealed or unappealable judgment or decree of a court of competent jurisdiction, unless such manufacture is expressly authorized by the owner of such patent.

Purpose

Section 745(a) provides an exclusive remedy against the United States Government for unauthorized "practice" within the United States of a patent or violation of other proprietary rights in connection with the furnishing of foreign assistance by the United States Government. Remedy may be obtained by suit in the appropriate district court or the court of claims within 6 years after the cause of action arises (but such 6-year period shall not begin while the United States Government is in possession of the claim and has not mailed a notice of denial thereof. The reference to the last paragraph of section 1498(a) of title 28 of the United States Code incorporates existing law allowing Government employees to bring patent suits against the Government in certain instances.

Section 745(b) provides that the head of the United States Government agency concerned may settle and pay any claim under Section 745(a) provided the claimant accepts the payment as full satisfaction of his claim.

Section 745(c) prohibits expenditures by the United States Government of the identified funds under the act for the acquisition of any drug or pharmaceutical product manufactured outside the United States if the "manufacture" thereof in the United States would have infringed a U.S. patent. Thus, the fact that the actual use of the patented information may be in a country which does not itself recognize the patent does not remove the prohibition of this section. The intent of this subsection continues to be (as in the FAA) that it apply only to procurement by the United States Government and not to foreign government purchases.

Background

This section is essentially identical to FAA section 606 and is carried forward in order to retain a method of handling patent infringement which is valuable to the Government and provides reasonable compensation to the patentor.

SECTION 746

SEC. 746. USE OF FOREIGN CURRENCIES.—(a) Any Act of Congress making appropriations to carry out programs under this Act or any other law for United States operations abroad is authorized to provide for the utilization of United States-owned excess foreign currencies to carry out any such operations authorized by law.

(b) In furnishing assistance under this or any other Act in or to any country, the Administrator shall take all appropriate steps to assure that, to the maximum extent possible, United States-owned foreign currencies are utilized in lieu of dollars. In those countries in which the United States owns foreign currencies determined by the United States Treasury to be excess to the needs of the United States Government, excluding those currencies generated under the Agricultural Trade Development and Assistance Act of 1954, as amended, the Administrator is authorized to utilize such currencies to the extent agreed upon with the government of such country to carry out purposes for which new funds authorized by this Act would be available; and, notwithstanding the requirements of section 1415 of the Supplemental Appropriation Act, 1953, such funds may be used for such purposes.

Purpose

Subsection (a) authorizes any appropriation act to provide for the utilization of U.S.-owned foreign currencies determined to be excess to the normal needs of the U.S. Government. This allows any U.S. agency to make use of such funds, if included in its appropriation act.

Subsection (b) requires the Administrator, whenever appropriate, to use U.S.-owned foreign currencies in lieu of dollars. It authorizes the Administrator to use excess foreign currencies, excluding currencies generated under Public Law 480, without the requirement of an appropriation if the government of the recipient country agrees and if the currencies are used in accordance with purposes authorized under the bill.

Background

Subsection (a) is derived from FAA section 612(b). Subsection (b) is new authority with respect to non-Public Law-480 generated currencies. Section 104 of Public Law 480 currently authorizes the use of Public Law 480 generated excess currencies without appropriation. This authority is intended to make excess currencies generated under other laws available to the same extent as they are available under Public Law 480.

Currently the excess currency countries are Burma, Egypt, Guinea, India, and Pakistan. The excess currencies on hand as of December 31, 1977 (except for India), totaled approximately \$296 million from Public Law 480 sources and \$109 million from non-Public Law 480 sources. Approximately \$427 million of Indian rupees are available from non-Public Law 480 sources. India's Public Law 480 generated

currency on hand amounts to only \$13 million because of the 1973-75 local currency agreements.

Section 104 of Public Law 480 (final proviso), requires a report to certain congressional committees, including the Senate Committee on Foreign Relations, regarding the uses, and the effects of uses, of excess foreign currency. It is further intended that this requirement shall be observed with respect to all uses of any excess currencies, including those allowed by this section.

SECTION 747

Text

SEC. 747. WAIVERS OF CERTAIN LAWS.—Whenever the Administrator determines it to be in furtherance of the purposes of this Act, the functions authorized under this Act may be performed without regard to such provisions of law (other than the Renegotiation Act of 1951, as amended (50 U.S.C. App. 1211 et seq.)), regulating the making, performance, amendment, or modification of contracts and the expenditure of funds of the United States Government, as the Administrator may specify.

Purpose

Section 747 authorizes the waiver of certain laws to minimize the difficulties and complexities of carrying out the foreign assistance program by permitting the performance of functions authorized under the bill without regard to laws regulating the making, performance, amendment, or modification of contracts and the expenditure of U.S. Government funds, other than the Renegotiation Act of 1951, as amended, as the Administrator may specify.

Background

This section is essentially identical to FAA Section 633(a).

SECTION 748

Text

SEC. 748. RETENTION AND USE OF CERTAIN ITEMS AND FUNDS.—(a) Any commodity procured to carry out this Act shall be retained by, or upon reimbursement, transferred to and for the use of, such agency of the United States Government as the Administrator may determine in lieu of being disposed of to a foreign country or international organization, whenever in the judgment of the Administrator the best interests of the United States will be served thereby or whenever such retention is called for by concurrent resolution. Any commodity so retained may be disposed of without regard to provisions of law relating to the disposal of property owned by the United States Government, when necessary to conserve the usefulness thereof. Funds realized from any disposal or transfer shall revert to the respective appropriation, funds, or account used to procure such commodities or to the appropriation, funds, or account currently available for the same general purpose.

(b) Whenever any commodity is transferred to the United States Government as repayment of assistance under this Act, such commodity may be used in furtherance of the purposes and within the limitations of this Act.

(c) Funds realized as a result of any failure of a transaction financed under authority of this Act to conform to the requirements of this Act, or to applicable rules and regulations of the United States Government, or to the terms of any agreement or contract entered into under authority of this Act, shall revert to the respective appropriation, fund, or account used to finance such transaction or to the appropriation, fund, or account currently available for the same general purpose.

Purpose

Subsection (a) makes provision for cases which may arise when changing circumstances make it inadvisable to deliver goods which have already been procured for aid programs. It permits any commodities procured to carry out the bill to be retained or transferred to any agency of the U.S. Government upon reimbursement, rather than be transferred to an aid recipient, when the Administrator determines that such retention or transfer will serve the best interests of the United States or when such retention is called for by concurrent resolution. Disposal of such items to prevent their spoilage or wastage or to preserve their usefulness may be made without regard to laws governing disposal of U.S. Government property. Money received from such disposal or transfer reverts to the account from which the original procurement was made or to the account from which similar procurement would currently be made.

Subsection (b) provides that whenever commodities are transferred to the U.S. Government as repayment of assistance under the bill, such commodities may be used in furtherance of the bill's purposes and within its limitations. It makes possible arrangements whereby, for example, the United States may furnish a country with one kind of commodity in return for a second kind which in turn is then furnished to another country.

Subsection (c) provides that refunds, received as a result of the failure of a transaction under the bill to conform to applicable requirements or regulations, shall revert to the appropriation or other account used, or to the appropriation or account currently available for the same general purpose.

Background

This section is essentially identical to FAA section 605 except that it omits reference to military programs, to be handled by a separate authorization.

SECTION 749(a)

Text

SEC. 749. PROVISIONS ON USES OF FUNDS.—(a) Appropriations for the purposes of or pursuant to this Act, allocations to any agency of the United States Government, from other appropriations, for functions directly related to the purposes of this Act, and funds made available for other purposes to the Administration shall be available for—

(1) rent of buildings and space in buildings in the United States, and for repair, alteration, and improvements of such leased properties;

(2) expenses of attendance at meetings concerned with the purposes of such appropriations of this Act, including (notwithstanding the provisions of section 9 of Public Law 60-328 (31

U.S.C. 673)) expenses in connection with meetings and persons whose employment is authorized by section 723;

(3) contacting with individuals for personal service abroad: *Provided*, That such individuals shall not be regarded as employees of the United States Government for the purpose of any law administered by the Civil Service Commission;

(4) purchase, maintenance, operation, and hire of aircraft: *Provided*, That aircraft for administrative purposes may be purchased only as specifically provided for in an appropriation or other Act;

(5) purchase and hire of passenger motor vehicle: *Provided*, That except as may otherwise be provided in an appropriation or other Act, passenger motor vehicles for administrative purposes outside the United States may be purchased for replacement only, and such vehicles may be exchanged or sold and replaced by any equal number of such vehicles and the cost, including exchange allowance, or each such replacement shall not exceed \$3,500 in the case of an automobile for the chief of any special mission or staff outside the United States established under section 728: *Provided further*, That passenger motor vehicles other than one for the official use (without regard to the limitations contained in section 5 of Public Law 63-127, as amended (31 U.S.C. 638a(c)(2)), and section 201 of Public Law 85-468 (31 U.S.C. 638(c))) of the Administrator may be purchased for use in the United States only as may be specifically provided in an appropriation or other Act;

(6) entertainment (not to exceed \$25,000 in any fiscal year except as may otherwise be provided in an appropriation or other Act);

(7) exchange of funds without regard to section 3651 of the Revised Statutes (31 U.S.C. 543) and loss by exchange;

(8) expenditures (not to exceed \$50,000 in any fiscal year except as may otherwise be provided in an appropriation or other Act) of a confidential character other than entertainment: *Provided*, That a certificate of the amount of such expenditure, the nature of which it is considered inadvisable to specify, shall be made by the Administrator or such person as he may designate, and every such certificate shall be deemed a sufficient voucher for the amount therein specified;

(9) insurance of official motor vehicles or aircraft acquired for use in foreign countries;

(10) rent or lease outside the United States for not to exceed ten years of offices, buildings, grounds, and quarters, including living quarters to house personnel, and payments therefor in advance; maintenance, furnishings, necessary repairs, improvements, and alterations to properties owned or rented by the United States Government or made available for use to the United States Government outside the United States; and costs of fuel, water and utilities for such properties;

(11) expenses of preparing and transporting to their former homes, or, with respect to foreign participants engaged in any program under this Act to their former homes or places of burial, and of care and disposition of, the remains of persons or members of the families of persons who may die while such persons are

away from their homes participating in activities carried out with funds covered by this subsection;

(12) purchase of uniforms;

(13) payment of per diem in lieu of subsistence to foreign participants engaged in any program under this Act while such participants are away from their homes in countries other than the United States, at rates not in excess of those prescribed by the standardized Government travel regulations, notwithstanding any other provision of law;

(14) use in accordance with authorities of the Foreign Service Act of 1946, as amended, not otherwise provided for;

(15) ice and drinking water for use outside the United States; and

(16) expenses in connection with travel of personnel outside the United States, including travel expenses of dependents (including expenses during necessary stopovers while engaged in such travel), and transportation of personal effects, household goods, and automobiles of such personnel when any part of such travel or transportation begins in one fiscal year pursuant to travel orders issued in that fiscal year, notwithstanding the fact that such travel or transportation may not be completed during the same fiscal year, and cost of transporting automobiles to and from a place of storage, and the cost of storing automobiles of such personnel when it is in the public interest or more economical to authorize storage.

Purpose

The purpose of this section is to provide basic legislative authority of an administrative nature for particular purposes which are considered necessary and important in carrying out the purposes of the act. While, as a general matter, funds may be used for any necessary expenses of carrying out the programs for which the funds are made available, several of the provisions in this section are included because of special statutes or Comptroller General rulings which require, or may require, express statutory authorizations to use funds for these particular types of expenses.

The provisions in subsection (a) apply to appropriations for the purposes of or pursuant to the bill, to funds allocated to any U.S. Government agency from any other appropriations for functions directly related to the purposes of the bill, and to funds made available for other purposes to the administration.

Paragraph (a) (1) permits funds to be used for payment of rents in the United States, including the District of Columbia, without regard to the prohibitions contained in 40 U.S.C. 34 and 304c. It also permits the repair, alteration, and improvement of such leased properties without regard to the limitation contained in 40 U.S.C. 278a which sets a limitation on the value of improvements, alterations, and repair to such premises. Authority to pay rent for space in buildings outside the District of Columbia would permit the administration to acquire needed warehouse or storage space to facilitate the advance procurement of supplies, such as excess property, for use in the program.

Paragraph (a) (2) permits funds to be used for attendance at meetings despite the prohibitions contained in 31 U.S.C. 551 and 5 U.S.C. 5946, and further authorizes payment of incidental expenses related to

arrangements for meetings of groups of consultants in connection with performance of functions authorized by the bill.

Paragraph (a) (3) authorizes the employment by contract of individuals (whether Americans or foreign nationals) for personal services abroad. The proviso insures that persons serving under contract pursuant to the provisions of this paragraph are not considered employees of the U.S. Government for the purpose of any law administered by the Civil Service Commission. The contractual services involved range from professional technical advice to foreign governments, to custodial and housekeeping services for missions.

Paragraph (a) (4) authorizes the purchase, maintenance, operation, and hire of aircraft except that aircraft for administrative purposes may be purchased only as specifically provided for in an appropriation or other act. It is included in view of 31 U.S.C. 638a(b) which would, in the absence of this express authorization, prohibit the purchase, maintenance, or operation of any aircraft; 31 U.S.C. 638a(b) specifies that purchases of aircraft with funds for administrative expenses may be made only as expressly provided in an appropriation or other act.

Paragraph (a) (5) contains the express authorization which is required by 31 U.S.C. 638(a) for the purchase or hire of passenger motor vehicles for use by a U.S. Government agency. It specifies that, except as may otherwise be provided in an appropriation or other act, passenger motor vehicles for use outside the United States may be purchased by a U.S. Government agency for administration purposes on a replacement basis only. The language makes it clear that program purchases for use as part of the aid being delivered to a foreign country are not limited by the restrictive language of the paragraph.

The proviso, which specifies that passenger motor vehicles for use in the United States may be purchased only as may subsequently be expressly provided in an appropriation or other act, provides authorization to purchase a vehicle for the use of the head of the administration and, in addition, provides that such purchase shall be without regard to the limitation as to price contained in 31 U.S.C. 638a(a) or the limitation as to use set forth in 31 U.S.C. 638a(c) (2). The language also permits the administration to pay not to exceed \$3,500 for vehicles for chiefs of missions.

Paragraph (a) (6) is included in view of Comptroller General rulings that express authorization is required to pay expenses which are classified as entertainment. Not to exceed \$25,000 may be used for such expenses in any fiscal year except as may subsequently be expressly provided in an appropriation or other act. Expenses contemplated under this paragraph would include expenses incurred by high-ranking U.S. officials responsible for administration of this program and expenses in connection with foreign nationals participating in activities under the act in the United States, insofar as such expenditures are classified as entertainment. These expenses are in addition to representation expenses authorized under, that is, sections 726(b) and 728(b) of the bill.

Paragraph (a) (7) provides authority to exchange dollars for foreign currencies in connection with the carrying out of programs in foreign countries, and to protect personnel from losses which may result from fluctuations in exchange rates. Paragraph (a) (8) authorizes payment of expenses (not to exceed \$50,000 in any fiscal year except

as may otherwise be provided in an appropriation or other act) of a confidential character upon certification by the Administrator, or his designee, that it is considered inadvisable to specify the nature of the expenditure.

Paragraph (a) (9) provides basic authority to obtain insurance on official motor vehicles and aircraft acquired whether by purchase, lease, hire, or otherwise for use in connection with the AID program outside the United States. It is intended that appropriate insurance will be obtained in countries where required by law and also in countries where the policy of the foreign office of the country concerned or the interest of the United States makes it important to procure such insurance.

Paragraph (a) (10) provides basic authority to rent or lease outside the United States for periods not to exceed ten years offices, buildings, grounds, and quarters, including living quarters to house personnel, and to make advance payments for such purposes. In addition, it provides authority to procure furnishings for such living quarters, offices, et cetera, and to maintain, make necessary repairs, alterations and improvement to properties owned or leased by the United States or made available for use to the United States in connection with programs under the bill and additionally, to pay the costs of fuel, water and facilities for such properties.

The ten-year leasing authority and the authority to make advance payments is included because experience has demonstrated that it is the custom in many countries to require long-range leases and also that rental payments be made in advance. The language contemplating buildings other than those owned or rented by the United States would include, for example, buildings made available by the host country.

Paragraph (a) (11) authorizes payment of costs of preparing and transporting to their former homes, or, with respect to foreign participants engaged in programs under the act, to their former homes or to a place of burial, and of care and disposition of, the remains of persons or of members of their families while such persons are away from their homes, engaged in aid programs. This permits, for example, the payment of funeral and related expenses in cases where circumstances do not permit the return to their homes for burial of persons or of members of their families who die while such persons are away from their homes, engaged in activities authorized by the bill.

Paragraph (a) (12) provides express statutory authorization for the purchase of uniforms for civilian employees and thereby avoids the limitation of \$100 prescribed by the Federal Employees Uniform Allowance Act of September 1, 1954, and is generally used only where local custom requires them for such positions as chauffeurs, messengers, nurses, elevator operators, doormen, etc.

Paragraph (a) (13) authorizes the establishment of per diem rates for foreign participants engaged in program activities under the bill while such persons are undergoing training away from their homes in countries other than the United States. Paragraph (a) (14) makes clear that funds may be used in accordance with the authorities of the Foreign Services Act, not otherwise provided for.

Paragraph (a) (15) authorizes purchase of ice and drinking water for use outside the United States. It is included because of Comptroller General rulings which require express authorization to pay for ice and drinking water.

Paragraph (a)(16) provides for payment of travel expenses of employees and their dependents (including expenses during necessary stopovers while engaged in such travel), as well as expenses of transportation of household goods, personal effects, and vehicles, charging all such expenses to the appropriation available during the fiscal year in which any part of the expenses incident to such travel were first incurred regardless of the year in which the balance of the costs were incurred. Transportation of automobiles for storage and payment of storage will be authorized when it is in the public interest (such as in case of evacuation or while in transit to an area where disturbed conditions prevent onward shipment) or when it is more economical or otherwise in the public interest to authorize storage.

Background

This subsection is derived from section 636(a) of the FAA. A review of each of these paragraphs was made in an effort to omit any that are obsolete or unnecessary. Only one, FAA sec. 636(a)(16), has been deleted; it dealt with services from the Environmental Science Services Administration (now the National Oceanic Affairs Administration). That authority is no longer regarded as necessary. It was concluded that the other subparagraphs are needed.

SECTION 749(b)

Text

(b) Funds made available for the purposes of this Act may be used for compensation, allowances, and travel of personnel including Foreign Service personnel whose services are utilized primarily for the purposes of this Act, for printing and binding without regard to the provisions of any other law, and for expenditures outside the United States for the procurement of supplies and services and for other administrative and operating purposes (other than compensation of personnel) without regard to such laws and regulations governing the obligation and expenditure of funds of the United States Government as may be necessary to accomplish the purposes of this Act.

Purpose

Section 749(b) permits the use of funds for compensation, allowances, and travel of personnel. It permits printing and binding without regard to provisions of any other law. The provision with respect to printing and binding is primarily to permit use of contract printing services rather than the GPO when use of its services is not practical. The subsection further provides for the waiver of such laws and regulations as may be necessary for expenditures outside the United States in connection with the procurement of supplies and services and administrative and operating purposes.

Background

This section is essentially identical to FAA section 636(b).

This section was originally enacted as section 114(d) of the FAA of 1948.

SECTION 749(c)

Text

(c) (1) Notwithstanding any other law, not to exceed \$ of the funds available under section 704 may be used in any fiscal year (in addition to funds available for such use under other authorities

in this Act) to construct or otherwise acquire outside the United States (1) essential living quarters, office space, and necessary supporting facilities, and (2) schools, including dormitories and boarding facilities, and hospitals for use of personnel carrying out activities authorized by this Act, United States Government personnel, and their dependents. In addition, funds made available under section 704 may be used, notwithstanding any other law, to equip, staff, operate, and maintain such schools and hospitals.

Purpose

Section 749(c) authorizes no funds, but is a diversionary authority which authorizes the use in each year and notwithstanding any other law, of not to exceed a stipulated amount of \$ _____ of funds from the operating expense account. It authorizes such use to construct or acquire (which includes long-term leasing) living quarters, office space, necessary supporting facilities (such as warehouses, and necessary facilities for recreation and civic needs), schools (including dormitories and boarding facilities), and hospitals, and to equip, staff, operate, and maintain such schools and hospitals.

The subsection authorizes school and hospital facilities to be provided for the use of other U.S. Government personnel and their dependents in addition to personnel carrying out activities under the bill. It should be noted that no funds are appropriated for this subsection and that operating funds must be used for such facilities. Accordingly, the authority should be used primarily for administration personnel. The subsection contemplates the provision of facilities for other Government personnel where the administration already has or is planning such facilities for personnel performing administration functions and can provide such services for other personnel incidentally to, or by a minor addition to, its own needs.

Background

This section is essentially identical to FAA section 636(c) which incorporated a similar provision from the Mutual Security Act of 1956. This authority is not needed as widely as it was in the 1950's and early 1960's, especially with regard to the construction of schools and hospitals. However, it is recognized that there may be situations in which any or all of this authority might be used. The funds which can be used are limited to operating expenses and the administration will be expected to justify its use as a part of its justification for its operating expenses budget.

SECTION 749(d)

(d) Not to exceed \$ _____ of funds available under section 704 may be used in any fiscal year to provide assistance, on such terms and conditions as are deemed appropriate, to schools established, or to be established, outside the United States whenever it is determined that such action would be more economical or would best serve the interests of the United States in providing for the education of dependents of personnel carrying out activities authorized by this Act and dependents of United States Government personnel, in lieu of acquisition or construction pursuant to subsection (c) of this section.

Purpose

This section authorizes no funds but is a diversionary authority which authorizes the use in each year, of not to exceed a stipulated amount from the operating expense account for assistance to schools abroad where such assistance is the most economical or otherwise practical way to provide for the education of dependents of administration personnel and other U.S. Government personnel. The authority is to be used in lieu of construction or acquisition, but the expenditures authorized hereunder are in addition to the amount provided in section 749(c). Like the authority contained in section 749(c), this authority is to be used primarily for personnel implementing administration functions.

Background

This subsection is essentially identical to FAA section 636(d) except that the funds used for this purpose may only come from the operating expense account. This authority is preferred over the construction of schools authorized in section 749(c). There are schools located abroad which are willing to admit dependents of personnel performing functions under the bill and of U.S. Government personnel, and which can, with some financial assistance, expand or improve their facilities (such as library, laboratory, physical plant) to meet minimal U.S. educational standards.

SECTION 749(e)

Text

(e) Funds available under section 704 may be used to pay costs of training United States citizen personnel employed or assigned pursuant to section 721 or 723 (through interchange or otherwise) at any State or local unit of government, public or private nonprofit institution, trade, labor, agricultural, or scientific association or organization, or commercial firm; and the provisions of Public Law 91-648 (5 U.S.C. 3371 et seq.) may be used to carry out the foregoing authority notwithstanding that interchange of personnel may not be involved or that the training may not take place at the institutions specified in that Act. Such training shall not be considered employment or holding of office under section 5533 or title 5 of the United States Code, and any payments or contributions in connection therewith may, as deemed appropriate by the head of the agency of the United States Government authorizing such training, be made by private or public sources and be accepted by any trainee, or may be accepted by and credited to the current applicable appropriation of such agency: *Provided, however,* That any such payments to any employee in the nature of compensation shall be in lieu, or in reduction, of compensation received from the United States Government.

Purpose

Section 749(e) appropriates no funds but provides that funds available under the operating expense account may be used to pay costs of training U.S. citizen personnel employed or assigned under section 721 or 723 (note 723 should read 722; this is a printing error.) at any State or local unit of government, any public or private nonprofit institution, trade, labor, agricultural, and scientific association or organization, or commercial firm.

Training provided under this section is not considered employment under title 5 United States Code section 62 (relating to dual office holding) and payments or contributions in connection with the training, as deemed appropriate by the head of the agency authorizing the training, may be made to the trainee or the agency. If payments in the nature of compensation are made to the employee, his or her salary from the U.S. Government should be reduced by the amount of the payment. If made to the agency, the payment should be credited to the current account of the agency.

Background

This section is derived from FAA section 636(e). The bill's provision now restricts the source of funds for this section to the operating expenses account and changes the reference from a law now repealed to the current reference, the Intergovernmental Personnel Act of 1970 (Public Law 91-648). Also, the provision now makes clear that civil service personnel may take advantage of this authority.

SECTION 750

Text

SEC. 750. SMALL BUSINESS.—(a) Insofar as practicable and to the maximum extent consistent with the accomplishment of the purposes of this Act, the Administrator shall assist American small business to participate equitably in the furnishing of commodities and services financed with funds authorized under this Act—

(1) by causing to be made available to suppliers in the United States, and particularly to small independent enterprises, information, as far in advance as possible, with respect to purchases proposed to be financed with such funds;

(2) by causing to be made available to prospective purchasers in the countries and areas receiving assistance under this Act information as to such commodities, articles, and services produced by small independent enterprises in the United States; and

(3) by providing for additional services to give small business better opportunities to participate in the furnishing of such commodities, articles, and services financed with such funds.

(b) There shall be an Office of Small Business, headed by a Special Assistant for Small Business in the Administration to assist in carrying out the provisions of subsection (a).

Purpose

Section 750(a) provides that insofar as practicable American suppliers, especially small independent enterprises, are to be informed as far in advance as possible of purchases to be financed with foreign aid funds. Further, prospective purchasers in countries receiving assistance are to be informed of goods and services produced by small independent business in the United States. Finally, the Administrator is directed to provide for "additional services to give small business a better opportunity to participate in providing goods and services" under the bill.

Section 750(b) creates an Office of Small Business, headed by a Special Assistant for Small Business.

Background

This section is derived from FAA sec. 602 and is essentially identical to the latter's provisions except that reference to military assistance is omitted since military assistance will be authorized by separate legislation. In the implementation of this section, the Administrator is expected to take into account the report required by sec. 133 of the International Development and Food Assistance Act of 1977 and, to the maximum extent possible, to carry out the report's plan of action.

TITLE IV—GENERAL PROVISIONS

SECTION 761

Text

SEC. 761. SPECIAL AUTHORITIES.—(a) The President may authorize in each fiscal year the use of funds authorized under this Act in a total amount not to exceed \$25,000,000 and the use of not to exceed \$10,000,000 of foreign currencies accruing under this Act or any other law without regard to the requirements of this Act, any law relating to receipts and credits accruing to the United States, any Act authorizing or appropriating funds for use under this Act, or the Mutual Defense Assistance Control Act of 1951 (22 U.S.C. 1611 et seq.), in furtherance of any of the purposes of this Act, when the President determines that such authorization is important to the security of the United States. The authority of this subsection shall not be used to waive the limitations on transfers contained in subsections (c) and (d).

(b) Whenever the Administrator determines it to be necessary for the purposes of title I of chapter II, not to exceed 15 per centum of the funds authorized under any provision of such title may be transferred to, and consolidated with the funds authorized under any other provision of such title, and may be used for any of the purposes for which such funds may be used, except that the total in the provisions for the benefit of which the transfer is made shall not be increased by more than 25 per centum of the amount of funds made available for such provision.

(c) Whenever the Administrator determines it to be necessary for the purposes of this Act, not to exceed 15 per centum of the funds authorized under title I of chapter V may be transferred to, and consolidated with the funds authorized under title I of chapter II, title II of chapter V, or title I of chapter VI, and may be used for any of the purposes for which such funds may be used, except that the total in the provision for the benefit of which the transfer is made shall not be increased by more than 25 per centum of the amount of funds made available for such provision.

(d) Whenever the Administrator determines it to be necessary for the purposes of this Act, the funds authorized under this Act may be used to augment the appropriations made available pursuant to section 704 by not more than 5 per centum.

(e) Neither the President nor the Administrator shall exercise any special authority granted to him above unless, before the date he intends to exercise such authority, he notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate in writing of each such intended exercise, the section of this Act under which such authority is to be exercised, and the justification for, and the extent of, the exercise of such authority.

Purpose

Subsection 761(a) permits the President to authorize the use of funds authorized under this bill and other specified acts without regard to the requirements of this bill or other specified acts in furtherance of any of the purposes of this bill. The President must determine that such authorization is important to the security of the United States. In any fiscal year, the authority is limited to \$25 million of the funds authorized under this bill and \$10 million of foreign currencies accruing under this bill or other specified acts. The authority of subsection 761(a) cannot be used to waive the limitations on transfer contained in subsections 761(c) and (d) pertaining to transfers among development accounts and the operating expenses account.

Subsection 761(b) authorizes the Administrator to transfer within and to consolidate funds authorized under title I of chapter II—the functional development account. The Administrator must determine that the transfer and consolidation are necessary for purposes of titles I of chapter II. The transfer is limited to 15 percent of the funds authorized under any provision of the title. The total amount in the provisions for the benefit of which the transfer is made shall not be increased by more than 25 percent of the amount of funds made available for the provision. The transferred funds may be used for any of the authorized purposes for which the funds into which they are transferred may be used.

Subsection 761(c) authorizes the Administrator to transfer and consolidate funds authorized under title I of chapter V—Economic Support Fund—with funds authorized under title I of chapter II—Grant and Loan Assistance—title II of chapter —International Disaster Assistance—or title I of chapter VI—Private Initiatives in Development. Not to exceed 15 percent of the funds authorized under title I of chapter V may be transferred. The total in the provision for the benefit of which the transfer is made shall not be increased by more than 25 percent of the amount of funds made available for that provision. The transferred funds may be used for any of the purposes for which the funds authorized under any provision of the specified titles may be used.

Subsection 761(d) authorizes the Administrator to augment the appropriations made available pursuant to section 704—Operating Expenses—by not more than 5 percent. The Administrator must determine this augmentation to be necessary for the purposes of the bill.

Subsection 761(e) prohibits the President and the Administrator from exercising any special authority granted in section 761 unless the Speaker of the House of Representatives and the Committee on Foreign Relations are informed in writing of each exercise of authority before the authority is exercised.

Background

Section 761 provides the President and the Administrator with special transfer and consolidation authorities similar to those now provided in FAA sections 641(a), 109 and 610.

Subsection 761(a) has two principal effects. First, it permits the President to use up to \$25 million in funds authorized under the bill and up to \$10 million of foreign currencies accruing under this bill or other specified acts without regard to the requirements of this bill.

Second, the subsection not only authorizes the transfer of funds, it also permits the waiver of other requirements of the bill.

To exercise these waiver and transfer authorities, the President must determine that it is important to the security of the United States.

This provision is derived from FAA section 614(a). However, certain programs authorized in the FAA with respect to which the authorities in section 614(a) have been used—such as the military assistance program—are not carried forward as part of this bill. Thus, the limits of \$250 million of funds authorized under this act and \$100 million of foreign currencies accruing under other acts have been reduced to \$25 million and \$10 million, respectively. Therefore, the authorities provided under FAA section 614(a) are not as broad in this bill.

The special authorities contained in FAA sections 614(b) and (c) pertaining to use of funds to meet the responsibilities or objectives of the United States in Germany, and the President's authority to use not to exceed \$50 million of the funds made available under the FAA pursuant to his certification that it is inadvisable to specify the nature of the use of such funds, are not included in the bill.

Subsection 761(b) permits the transfer or consolidation of funds within title I of chapter II—the functional development accounts. The effect of this provision is to permit the Administrator to transfer funds from one of the functional development accounts to another. No account may be reduced by more than 15 percent, and no account may be increased by more than 25 percent under the authorities of this subsection. This subsection is derived from FAA section 109 without substantive change.

Subsection 761(c) permits the Administrator to transfer up to 15 percent of the funds authorized for the Economic Support Fund to the functional development, the international disaster assistance, and the private initiatives in development accounts. The individual account into which funds were transferred may not be increased by more than 25 percent. FAA subsection 610(a) limited to 10 percent the funds which could be transferred from other parts of the act to functional development accounts and limited to 20 percent the amount by which a provision in a functional development account could be increased by a transfer.

Subsection (d) and (e) are derived from FAA section 109 and FAA section 652, respectively.

SECTION 762. FINDINGS AND DETERMINATIONS

Text

SEC. 762. FINDINGS AND DETERMINATIONS.—(a) In any case in which the President or Administrator is required to make a report to the Congress, or to any committee or officer of either House of Congress, concerning any finding or determination under any provision of this Act or of the Foreign Assistance and Related Programs Appropriations Act for each fiscal year, that finding or determination shall be reduced to writing and signed by the appropriate official.

(b) No action may be taken pursuant to any such finding or determination prior to the date on which that finding or determination has been reduced to writing and signed by the appropriate official.

(c) Each such finding or determination shall be published in the Federal Register as soon as practicable after it has been reduced to writing and signed by the appropriate official. In any case in which the President concludes that such publication would be harmful to the national security of the United States, only a statement that a determination or finding has been made by the appropriate official including the name and section of the Act under which it was made, shall be published.

(d) No committee or officer of either House of Congress may be denied any requested information relating to any finding or determination which is required to be reported to the Congress, or to any committee or officer of either House of Congress, under any provision of this Act, or the Foreign Assistance and Related Appropriations Act for each fiscal year, even though such report has not yet been transmitted to the appropriate committee or officer of either House of Congress.

Purpose

(a) This section requires that any findings or determinations as to which the President or the Administrator is required to report to Congress, under this act or an appropriations act, must be in writing and signed by the appropriate official.

(b) Until the finding or determination is reduced to writing and signed, action pursuant to it cannot be taken.

(c) Such findings and determinations must be published in the Federal Register as soon as practicable after signature, except that if the President concludes that such publication would be harmful to national security, there shall be published only a statement that a determination or finding has been made by the appropriate official, including the name and section of the act under which made.

(d) Congress cannot be denied any requested information relating to any finding or determination required to be reported, even though such report has not yet been transmitted to the appropriate committee or officer of either House of Congress.

Background

This section is derived from and very similar to existing FAA section 654. The section omits references to military assistance, which is not covered by the bill, and covers findings or determinations made by either the President or the Administrator which are required by S. 2420 to be reported to Congress.

SECTION 763. TERMINATION OF ASSISTANCE

Text

SEC. 763. TERMINATION OF ASSISTANCE.—Assistance authorized under this Act may, unless sooner terminated by the Administrator, be terminated by concurrent resolution. Funds made available under this Act shall remain available for a period not to exceed eight months from the date of termination of assistance authorized under this Act for the necessary expenses of winding up programs related thereto.

Purpose

This section provides that assistance authorized under this act, unless sooner terminated by the Administrator, may be terminated by

concurrent resolution. Funds made available under this act shall remain available for a period of not to exceed 8 months from the date of any termination of assistance for the necessary expenses of winding up programs relating thereto.

Background

This section is identical in substance to FAA section 617. It provides for the termination of assistance, but also provides for the continued availability of funds for 8 months after termination for the "winding up" of programs. The term "winding up" means that when appropriate, programs may be brought to an orderly conclusion or completion after a decision to terminate them has been made.

SECTION 764. AVAILABILITY OF FUNDS

Text

SEC. 764. AVAILABILITY OF FUNDS.—Except as otherwise provided in this Act, funds shall be available to carry out the provisions of this Act as authorized and appropriated each fiscal year.

Purpose

This section provides that, except as otherwise provided in the bill, funds shall be available to carry out its provisions only as authorized and appropriated each fiscal year.

Background

This section is identical in substance to FAA section 616. It insures that, except as the bill may provide otherwise, the bill's provisions will not be considered to be continuing authorizations of appropriations, but that authorizations must be requested for new money when needed.

The opening clause is intended to make clear that this section does not affect, for example, funds made available on a no-year basis under the bill, fee income or interest income which may be available to OPIC or for other guaranty operations under the bill, or any donations to the Administration accepted pursuant to section 765(f) of the bill.

SECTION 765. GENERAL AUTHORITIES

Text

SEC. 765. GENERAL AUTHORITIES.—(a) Except as otherwise specifically provided in this Act, assistance authorized under this Act may be furnished on a grant basis or on such terms, including cash, credit, or other terms of repayment (including repayment in foreign currencies or by transfer to the United States Government of commodities) as may be determined to be best suited to the achievement of the purposes of this Act.

Purpose

Subsection (a) provides that, except as the bill otherwise specifies, assistance authorized under the bill may be furnished on a grant basis, or on such terms, including cash, credit, repayment in foreign currencies or transfer to the U.S. Government of commodities, as may be determined to best suit the purposes of the act.

Background

Subsection (a) is based on FAA section 635(a). This subsection provides a general statement of the terms upon which assistance under

the bill may be furnished, but makes clear that this general authority to furnish assistance on a grant or loan basis or on any other terms deemed suitable to achieve purposes of the bill is subject to explicit provisions in the bill, such as those relating to development lending, which limit the terms on which assistance may be provided.

SECTION 765(b)

Text

(b) The Administrator may make loans, advances, and grants to, make and perform agreements and contracts with, or enter into other transactions with, any individual, corporation, or other body of persons, government or government agency, whether within or without the United States and international organizations in furtherance of the purposes and within the limitations of this Act.

Purpose

Subsection (b) authorizes the Administrator to make loans, advances, and grants to, and make and perform agreements and contracts or enter into other transactions with, any person or body of persons, or any government, agency, or international organization, within or without the United States for the purposes of and within the limitations of the bill.

Background

Subsection (b) is derived from FAA section 625(b).

SECTION 765(c)

Text

(c) The Administrator is authorized to make loans payable as to principal and interest in United States dollars on such terms and conditions as he may determine, in order to promote the economic development of developing countries with emphasis upon assisting long-range plans and programs. In so doing, the Administrator shall take into account—

(1) whether financing could be obtained in whole or in part from other free world sources on reasonable terms, including private sources within the United States;

(2) the economic and technical soundness of the activity to be financed, including the capacity of the recipient country to repay the loan at a reasonable rate of interest;

(3) the consistency of the activity with, and its relationship to, other development activities being undertaken or planned, and its contribution to realizable long-range objectives;

(4) the possible effects upon the United States economy, with special reference to areas of substantial labor surplus, of the loan involved; and

(5) whether or not the activity to be financed will contribute to the achievement of self-sustaining growth with an equitable distribution of benefits.

Purpose

Subsection (c) authorizes the Administrator to make dollar-repayable loans to promote the economic development of developing countries, with emphasis on assisting long-range plans and programs. In making such loans the Administrator must take into account:

(1) whether other free-world sources, including U.S. private sources, could provide all or part of the financing on reasonable terms;

(2) the economic and technical soundness of the activity, including the capacity of the country to repay the loan at a reasonable interest rate;

(3) whether the activity is consistent with, and how it relates to, other development activities, and its contribution to realizable long-range objectives;

(4) the loan's possible effects on the U.S. economy, with special reference to areas of substantial unemployment; and

(5) whether the activity will contribute to achieving self-sustaining growth with an equitable distribution of the benefits.

Background

Subsection (c) is derived from FAA Section 201(b), the FAA's initial basic development lending authority. FAA section 201(b) listed nine considerations to be taken into account; subsection (c) reduces this number to five. The remaining items are generally addressed in other sections of the bill, e.g., sec. 201 and criteria in the functional bilateral development assistance accounts of sections 202-205 of the bill.

SECTION 765(d)

Text

(d) Funds made available for chapter II shall not be loaned or reloaned at rates of interest excessive or unreasonable for the borrower and in no event shall such funds be loaned at a rate of interest of less than 3 per centum per annum commencing not later than ten years following the date on which the funds are initially made available under the loan, during which ten-year period the rate of interest shall not be lower than 2 per centum per annum, nor higher than the applicable legal rate of interest of the country in which the loan is made.

Purpose

Subsection (d) provides that funds under chapter II of the bill shall not be loaned or reloaned at excessive or unreasonable rates of interest, or at a rate of interest of less than 3 percent commencing not more than 10 years after when the funds are first made available under the loan, in which 10-year period the rate of interest shall not be lower than 2 percent, nor higher than the applicable legal rate of interest of the country in which the loan is made.

Background

This subsection is derived from FAA section 201(d). It sets minimum interest rates for development loans made with funds authorized under chapter II of the bill.

SECTION 765(e)

Text

(e) In carrying out chapter II, the Administrator shall not allocate, reserve, earmark, commit, or otherwise set aside, funds aggregating in excess of \$100,000 for use in any country under chapter II unless—

(1) an application for such funds has been received for use in

such country together with sufficient information and assurances to indicate reasonably that the funds will be used in an economically and technically sound manner; or

(2) the Administrator determines with respect to each such allocation, reservation, earmarking, commitment, or set-aside that it is in the national interest to use such funds pursuant to multi-lateral plans.

Purpose

Subsection (e) provides that in carrying out chapter II, the Administrator shall not allocate, reserve, earmark, commit, or otherwise set aside funds aggregating in excess of \$100,000 for use in any country unless—

(1) an application for such funds has been received, together with sufficient information and assurances to indicate reasonably that the funds will be used in an economically and technically sound manner; or

(2) the Administrator determines with respect to each such allocation, reservation, earmarking, commitment, or set-aside, that it is in the national interest to use such funds pursuant to multi-lateral plans.

Background

Subsection (e) is derived from FAA section 201(e). FAA section 201(e) was enacted to end the practice of advance earmarking, or "contingent commitment," which led the recipient government to believe that funds were coming for a particular project before they were in fact obligated, resulting in pressure to approve projects as put forward rather than evaluation of each project on its merits.

Subsection (e) applies to bilateral development assistance funds lent or granted under chapter II, whereas FAA section 201(e) applied to development loans only.

SECTION 765(f)

Text

(f) The Administrator may accept and use in furtherance of the purposes of this Act, money, funds, property, and services of any kind made available by gift, devise, bequest, grant, or otherwise for such purpose.

Purpose

Subsection (f) authorizes the Administrator to accept and use any kind of property or services donated for use in furtherance of the purposes of the bill.

Background

Subsection (f) is substantially identical to FAA section 635(d).

SECTION 765(g)

Text

(g) Any agency of the United States Government is authorized to pay the cost of health and accident insurance (1) for foreign participants in any program of furnishing technical information and assistance administered by such agency while such participants are

absent from their homes for the purpose of participation in such program; and (2) for foreign employees of that agency while those employees are absent from their places of employment abroad for purposes of training or other official duties.

Purpose

Subsection (g) authorizes any U.S. agency to pay the cost of health and accident insurance:

(1) for foreign participants in any program of furnishing technical information and assistance administered by such agency while such participants are absent from their homes to participate in the program, or

(2) for foreign employees of that agency while such employees are absent from their places of employment for training in their official duties.

Background

Subsection (g) is substantially identical to FAA section 635(e). It permits health and accident insurance coverage to be provided for the indicated foreign participants and foreign employees while away from their homes or places of employment. Such insurance can avoid serious financial hardship to the participant or employee as well as costs to the U.S. Government in its role as sponsor or employer.

SECTION 765(h)

Text

(h) Alien participants in any program of furnishing technical information and assistance under this Act may be admitted to the United States if otherwise qualified as nonimmigrants under section 101(a)(15) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101(a)(15)), for such time and under such conditions as may be prescribed by regulations promulgated by the Secretary of State and the Attorney General.

Purpose

Subsection (h) provides that foreign participants in any program of furnishing technical information and assistance under the bill may, if otherwise qualified, be admitted as nonimmigrants under the Immigration and Nationality Act in accordance with regulations promulgated by the Secretary of State and the Attorney General.

Background

Subsection (h) is identical to FAA section 635(h).

SECTION 765(i)

Text

(i) In making loans under this Act, the Administrator—

(1) may issue letters of credit and letters of commitment;

(2) may collect or compromise any obligations assigned to, or held by, and any legal or equitable rights accruing to him, and, as he may determine, refer any such obligations or rights to the Attorney General for suit or collection;

(3) may acquire and dispose of, upon such terms and conditions as he may determine, any property, including any instrument evidencing indebtedness or ownership (provided that equity secu-

rities may not be directly purchased although such securities may be acquired by other means such as by exercise of conversion rights or through enforcement of liens or pledges or otherwise to satisfy a previously incurred indebtedness), and guarantee payment against any such instrument;

(4) may determine the character of, and necessity for, obligations and expenditures of funds used in making such loans and the manner in which they shall be incurred, allowed, and paid, subject to provisions of law specifically applicable to corporations of the United States Government; and

(5) shall cause to be maintained an integral set of accounts which shall be audited by the General Accounting Office in accordance with principles and procedures applicable to commercial corporate transactions as provided by the Government Corporation Control Act, as amended (31 U.S.C. 841 et seq.).

Purpose

Subsection (i), paragraphs (1) to (4), authorizes the Administrator, in making loans under the bill, to exercise powers and authorities of a type normally made available for business-type operations conducted by corporate or other agencies of the U.S. Government. Paragraph (5) applies to lending functions the auditing procedures applied to U.S. Government corporations by the Government Corporation Control Act.

Background

Subsection (i) is identical in substance with FAA section 635(g).

The enumeration of these powers and authorities of the Administrator when making loans is not intended to rule out similar powers and authorities he has by virtue of other authority, when making grants or entering into other agreements under the bill.

SECTION 765(j)

Text

(j) Claims arising as a result of investment guaranty operations may be settled, and disputes arising as the result thereof may be arbitrated with the consent of the parties, on such terms and conditions as the Administrator may direct. Payment made pursuant to any such settlement, or as a result of an arbitration award, shall be final and conclusive notwithstanding any other provision of law.

Purpose

Subsection (j) provides that claims under investment guaranty operations may be settled, and disputes arbitrated with the consent of the parties, on such terms and conditions as the Administrator may direct. Payment pursuant to such a settlement or arbitration award shall be final and conclusive notwithstanding any other provision of the law.

Background

Subsection (j) is identical in substance with FAA section 635(i).

SECTION 765(k)

Text

(k) The provisions of section 955 of title 18 of the United States Code shall not apply to prevent any person, including any individual,

partnership, corporation or association, from acting for, or participating in, any operation or transaction arising under this Act, or from acquiring any obligation issued in connection with any operation or transaction arising under this Act.

Purpose

Subsection (k) provides that section 955 of title 18, United States Code, shall not prevent any person or firm from acting for, or participating in, any operation or transaction under the bill, or from acquiring any obligation issued in connection therewith.

Background

Subsection (k) is identical with FAA section 635(j).

The subsection exempts operations under the bill from the Johnson Act (18 U.S.C. 955) which prohibits American citizens from making loans to countries in default of their obligations to the U.S. Government. Without this exemption, private business would from time to time be prohibited from participating in the program in some countries, despite the emphasis which the bill puts on private participation.

SECTION 765(1)

Text

(1) Any cost-type contract or agreement (including grants) entered into with a university, college, other educational institution, or voluntary organization for the purpose of carrying out programs authorized under this Act may provide for the payment of the reimbursable indirect costs of said university, college, other educational institution or voluntary organization on the basis of predetermined fixed percentage rates applied to the total or an element thereof, of the reimbursable direct costs incurred.

Purpose

Subsection (1) provides that any cost-type contract or agreement (including grants) with an educational institution to carry out programs authorized by the bill may allow for the payment of the reimbursable indirect costs of such institutions on the basis of predetermined fixed percentage rates applied to the total, or an element, of the reimburseable direct costs incurred.

Background

Subsection (1) is identical in substance with FAA section 635(k). By allowing payment of a university's reimbursable indirect costs on the basis of a predetermined percentage of the direct costs, the subsection permits simplified accounting and auditing procedures.

SECTION 766. ALLOCATION AND REIMBURSEMENT AMONG AGENCIES

SECTION 766(a)

Text

SEC. 766 ALLOCATION AND REIMBURSEMENT AMONG AGENCIES.—(a) The Administrator may allocate or transfer to any agency of the United States Government, as the President may direct or with the consent of such agency any part of any funds authorized under this Act, including any advance to the United States Government by any

country or international organization for the procurement of commodities or services. Such funds shall be available for obligation and expenditure for the purposes for which authorized in accordance with authority granted in this Act or under authority governing the activities of the agencies of the United States Government to which such funds are allocated or transferred.

Purpose

Subsection (a) authorizes the Administrator to allocate or transfer to any U.S. agency, as the President may direct or with the consent of such agency, funds authorized under the bill, including any funds advanced to the U.S. Government by a country or international organization to procure commodities or services. Such funds can be obligated and expended, for the purpose for which they are authorized, in accordance with the authorities in this bill or under the authorities of the U.S. agencies to which the funds are allocated or transferred.

Background

Subsection (a) is derived from FAA section 632(a). This section involves what are essentially bookkeeping transactions among Government agencies.

Subsection (a) permits funds under the bill, or funds advanced by a country or international organization, to be allocated to another Government agency. This allocation can take place with the consent of such agency, or by direction of the President. Funds so allocated can be obligated and expended by such agency either in accordance with its own regular authorities, or in accordance with the authorities in this bill, but the funds must still be obligated and expended for the purposes for which they were authorized.

SECTION 766(b)

Text

(b) Any officer of the United States Government carrying out functions under this Act may utilize the services and facilities of, or procure commodities, from any agency of the United States Government as the President shall direct, or with the consent of the head of such agency, and funds allocated pursuant to this subsection to any such agency may be established in separate appropriate accounts on the books of the Treasury.

Purpose

Subsection (b) authorizes any officer of the United States carrying out functions under the bill to utilize services and facilities of, or procure commodities from, any agency of the U.S. Government, with the consent of the head of such agency or as the President shall direct. The subsection also provides that funds allocated pursuant to it may be established in separate Treasury appropriation accounts.

Background

Subsection (a) is derived from FAA sections 632 (a) and (b). Under subsection (b), a U.S. Government officer carrying out functions under the bill can obtain services, facilities, or commodities from another U.S. Government agency.

SECTION 766(c)

Text

(c) In the case of any commodity, service, or facility procured from any agency of the United States Government to carry out this Act, reimbursement or repayment shall be made to such agency from funds available to carry out such part. Such reimbursement or payment shall be at replacement cost, or, if required by law, at actual cost, or at any other price authorized by law and agreed to by the owning or disposing agency. The amount of any such reimbursement or payment shall be credited to current applicable appropriations, funds, or accounts, from which there may be procured replacements of similar commodities, services, or facilities, except that where such appropriations, funds, or accounts are not reimbursable except by reason of this subsection, and when the owning or disposing agency determines that such replacement is not necessary, any funds received in payment therefor shall be deposited into the Treasury as miscellaneous receipts.

Purpose

Subsection (c) sets forth the manner in which reimbursement or payment, when required, is made to another agency furnishing facilities, services, or commodities to carry out the bill. The subsection provides that for any commodity, service, or facility procured from any U.S. agency to carry out the bill, reimbursement or payment will be made to such agency from funds under the bill. This reimbursement or payment will be at replacement, or, if required by law, at actual cost, or at any other legal price agreed to by the owning or disposing agency. Such reimbursement or payment will be credited to current applicable accounts from which there may be procured replacements, except that where such accounts are not reimbursable except by reason of this subsection, and when the owning or disposing agency determines that such replacement is not necessary, any funds received in payment therefor will be deposited into the Treasury as miscellaneous receipts.

Background

Subsection (c) is identical in substance to FAA section 632(c).

SECTION 766(d)

Text

(d) In furnishing assistance under this Act, accounts may be established on the books of any agency of the United States Government or, on terms and conditions approved by the Secretary of the Treasury, in banking institutions in the United States—

(1) against which letters of commitment may be issued which shall constitute recordable obligations of the United States Government, and moneys due or to become due under such letters of commitment shall be assignable under the Assignment of Claims Act of 1940, as amended (second and third paragraphs of 31 U.S.C. 203 and 41 U.S.C. 15); and

(2) from which disbursements may be made to, or withdrawals may be made by, recipient countries or agencies, organizations or persons upon presentation of contracts, invoices, or other appropriate documentation.

Expenditure of funds which have been made available through accounts so established shall be accounted for on standard documentation required for expenditure of funds of the United States Government: *Provided*, That such expenditures for commodities, services, or facilities procured outside the United States may be accounted for exclusively on such certification as may be prescribed in regulations approved by the Comptroller General of the United States.

Purpose

Subsection (d) authorizes, in furnishing assistance under the bill, accounts to be established on the books of any U.S. agency, or, on Treasury-approved terms and conditions, in U.S. banks, (1) against which letters of commitment may be issued, which will constitute recordable U.S. Government obligations, and moneys becoming due under which shall be assignable; and (2) from which disbursements for or withdrawals by recipients, organizations, or persons may be made on presentation of appropriate documentation.

Expenditures of funds through such accounts shall be accounted for on standard U.S. Government documentation, except that for procurement outside the United States, commodities, services, or facilities may be accounted for exclusively on such certification as may be provided in regulations approved by the Comptroller General.

Background

Subsection (d) is substantially identical to FAA section 632(e). It authorizes basic procedures widely used in financing commodities and services through commercial channels.

SECTION 766(e)

Text

(e) Credits made by the Export-Import Bank of the United States with funds allocated thereto under subsection (a) or under section 522(a) of the Mutual Security Act of 1954, as amended, shall not be considered in determining whether the Bank has outstanding at any one time loans and guaranties to the extent of the limitation imposed by section 7 of the Export-Import Bank Act of 1945, as amended (12 U.S.C. 635e).

Purpose

Subsection (e) provides that funds under the bill or predecessor legislation, allocated to the Export-Import Bank and lent by it shall not be considered in determining the ceiling on Exim's own loan and guaranty operations.

Background

This subsection is substantially identical to FAA section 632(f).

It should be noted that Exim has not for some years handled any loan operations for the foreign aid agency. Formerly, it handled "Cooley" loans under Public Law 480.

SECTION 766(f)

Text

(f) Any appropriation or account authorized under this Act may initially be charged in any fiscal year, within the limit of available funds, to finance expenses for which funds are available in other ap-

appropriations or accounts authorized under this Act: *Provided*, That as of the end of such fiscal year such expenses shall be finally charged to applicable appropriations or accounts with proper credit to the appropriations or accounts initially utilized for financing purposes: *Provided further*, That such final charge to applicable appropriations or accounts shall not be required in the case of expenses (other than those provided for under section 704) incurred in furnishing assistance by the Administration where it is determined that the accounting costs of identifying the applicable appropriation or account to which such expenses should be charged would be disproportionate to the advantage to be gained.

Purpose

Subsection (f) allows an initial charging of expense against any appropriation authorized by the bill (within the limits of available funds), so long as the expense is finally charged to the applicable appropriation, with a credit to the appropriation initially charged, by the termination of the same fiscal year; however, such year-end allocation is not required in the case of expenses (other than operating expenses) incurred in furnishing assistance where it is determined that such allocation would result in an accounting expense disproportionate to the advantage of the allocation.

Background

This bookkeeping provision is identical in substance to FAA section 632(g).

SECTION 767(a)

Text

SEC. 767. PROHIBITIONS.—(a) HUMAN RIGHTS.—(1) No assistance authorized under this Act may be provided to the government of any country which engages in a consistent pattern of gross violations of internationally recognized human rights, including torture or cruel, inhuman, or degrading treatment or punishment, prolonged detention without charges, or other flagrant denial of the right to life, liberty, and the security of person, unless such assistance will directly benefit the needy people in such country.

(2) In determining whether this standard is being met with regard to funds allocated under this Act, the Committee on Foreign Relations of the Senate or the Committee on International Relations of the House of Representatives may require the Administrator to submit in writing information demonstrating that such assistance will directly benefit the needy people in such country together with a detailed explanation of the assistance to be provided (including the dollar amounts of such assistance) and an explanation of how such assistance will directly benefit the needy people in such country. If either committee or either House of Congress disagrees with the Administrator's justification, it may initiate action to terminate assistance to any country by a concurrent resolution under section 763 of this Act.

(3) In determining whether or not a government falls within the provisions of subsection (a) and in formulating development assistance programs under this Act, the Administrator shall consider, in consultation with the Assistant Secretary for Human Rights and Humanitarian Affairs of the Department of State—

(A) the extent of cooperation of such government in permitting an unimpeded investigation of alleged violations of internationally human rights by appropriate international organizations, including the International Committee of the Red Cross, or groups or persons acting under the authority of the United Nations or of the Organization of American States; and

(B) specific actions which have been taken by the President or the Congress relating to multilateral or security assistance to a less developed country because of the human rights practices or policies of such country.

Purpose

This subsection requires that no assistance authorized under the bill can be furnished to the Government of any country engaging in a consistent pattern of gross violations of internationally recognized human rights, unless such assistance will directly benefit needy people in such country. The Committee on Foreign Relations of the Senate, or the Committee on International Relations of the House, may require the Administrator to demonstrate in writing the fact that assistance will directly benefit the needy people of a particular country. The subsection further provides that if either committee or either house disagrees with the Administrator's determination, Congress may terminate assistance to the relevant country pursuant to the provisions of section 763 of the bill.

In determining whether a government engages in a consistent pattern of gross violations of human rights, and in formulating programs, the Administrator must consider the cooperation of such government in permitting international investigations of alleged human rights violations and any specific actions which might have been taken by the President or Congress relating to multilateral or security assistance with respect to human rights practices or policies of such country.

Background

This subsection reenacts FAA section 116(a-c) without substantive change. FAA subsection 116(d) (reporting requirement) is included in section 781(a) (5) of the bill.

SECTION 767(b)

Text

(b) **DISCRIMINATION AGAINST UNITED STATES PERSONNEL.**—(1) The Administrator shall not take into account, in assigning officers and employees of the United States to carry out any economic development assistance programs for which funds are authorized under this Act in any foreign country, the race, religion, national origin, or sex of any such officer or employee. Such assignments shall be made solely on the basis of ability and relevant experience.

(2) None of the funds which are authorized under this Act may be used to provide economic development assistance to any country which objects to the presence of any officer or employee of the United States who is present in such country for the purpose of carrying out any program of economic development assistance authorized by the provisions of this Act on the basis of the race, religion, national origin, or sex of such officer or employee.

Purpose

This subsection requires that the Administrator shall not take into account the race, religion, national origin, or sex of any officer or employee of the United States in assigning such officers to carry out economic development assistance programs funded under the bill in any foreign country. No funds authorized under the bill may be used to provide economic development assistance to any country which objects to the presence of any officer or employee of the United States assigned to such country to carry out economic development assistance programs, on any of the grounds indicated above.

Background

This subsection is substantively the same as FAA section 666. The subsection requiring the Secretary of State to promulgate such rules and regulations as he deemed necessary had been omitted, as such rules are now established.

SECTION 767(c)

Text

(c) DEBTS.—(1) No assistance authorized under this Act may be furnished to any country which is in default, during a period in excess of six calendar months, in payment to the United States of principal or interest on any loan made to such country under this Act or the Foreign Assistance Act of 1964, as amended, unless such country meets its obligations under the loan or unless the Administrator determines that assistance to such country is in the national interest and notifies the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate of such determination.

(2) No recipient of a loan made under the authority of this Act or the Foreign Assistance Act of 1961, as amended, any part of which is outstanding on or after the date of enactment of this subsection, shall be relieved of liability for the repayment of any part of the principal of or interest on such loan.

Purpose

The first paragraph of this subsection prohibits the furnishing of assistance authorized under the bill to any country which is in default, during a period in excess of 6 calendar months, in payment to the United States of principal or interest on any loan made to such country under the authority of the bill or the FAA of 1961, as amended. Such assistance may be restored or continued only if the country meets its obligations or if the President determines that continuance of assistance is in the national interest.

The second paragraph prevents the conversion to grants of loans made under the authority of the bill or the FAA of 1961, as amended. The paragraph does not preclude the Administrator from renegotiating outstanding loans.

Background

The first paragraph is taken without substantive change from FAA section 620(q). The second paragraph is taken without substantive change from FAA section 620(r).

SECTION 767(d)

Text

(d) INTERNATIONAL TERRORISM.—(1) Except where the President finds national security to require otherwise, the Administrator shall terminate all assistance authorized under this Act to any government which aids or abets, by granting sanctuary from prosecution to, any individual or group which has committed an act of international terrorism and the Administrator may not thereafter furnish assistance to such government until the end of the one-year that if during its period of ineligibility for assistance under this section such government aids or abets, by granting sanctuary from prosecution to, any other individual or group which has committed an act of international terrorism, such government's period of ineligibility shall be extended for an additional year for each such individual or group.

(2) If the President finds that national security justifies a continuation of assistance to any government described in paragraph (1), he shall report such finding to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate.

Purpose

Subsection 767(d) requires the Administrator to terminate assistance authorized under the bill to any government which, by granting sanctuary from prosecution, aids or abets an individual or group which has committed an act of international terrorism. A termination of assistance which becomes effective under this subsection remains in force for 1 year, but is extended by an additional year in the event the ineligible government again grants sanctuary to another terrorist individual or group. The President may waive this provision in the interest of national security.

Background

This subsection is taken without substantive change from FAA section 620A.

SECTION 767(c)

Text

(e) COMMUNIST COUNTRIES.—No assistance authorized under this Act may be furnished to any Communist country. The restriction of the preceding sentence may not be waived pursuant to any authority contained in this Act unless the President finds and promptly reports to Congress that—

(1) such assistance is vital to the security of the United States; and

(2) such assistance will promote the independence of the recipient country from other Communist states.

Purpose

This subsection prohibits assistance authorized under the bill to Communist countries. This restriction may not be waived under any general waiver authority by the President, unless the President finds that such assistance is vital to the security of the United States and will promote the independence of the recipient country from other Communist states.

Background

This subsection reflects the prohibitions in FAA subsections 620(b) and 620(f). The prohibition in the bill is modified to reflect current conditions. FAA section 620(b) denies assistance to countries dominated or controlled "by the international Communist movement;" and section 620(f) refers to countries controlled by the "international Communist conspiracy," and lists specific countries as being Communist.

Section 767(e) would prohibit assistance to Communist countries, which would be defined by the President or the Secretary of State, but allows a waiver in accordance with section 761(a) of the bill, based on national security interests, if such assistance would promote the independence of the aid recipient from other Communist states. This waiver provision more accurately reflects existing conditions in which several Communist countries are seeking to exert influence over other Communist states. Such efforts are not necessarily part of an "international conspiracy," but indeed may be counter to one another. The President must weigh such influences and the likely impact of U.S. assistance in determining whether a national security waiver is justified. Under current circumstances, this subsection would preclude assistance to Cuba and Vietnam, unless the President made the findings required by this subsection and exercised the special authority provided in section 761(a).

SECTION 767(f)

Text

(f) CONSTRUCTION LIMITS.—Without the express approval of Congress, no assistance authorized under this Act shall be furnished to any country for construction of any productive enterprise with respect to which the aggregate value of assistance to be furnished by the United States will exceed \$100,000,000. No provision of this or any other Act shall be construed to authorize the President to waive the provisions of this subsection.

Purpose

This subsection provides that without the express approval of Congress, no assistance authorized by the bill shall be furnished for the construction of any productive enterprise where the aggregate value of assistance furnished by the United States will exceed \$100 million. The provision cannot be waived by the President under any other authority.

Background

This subsection is taken from FAA section 620(k).

TITLE V—REPORTING REQUIREMENT

SECTION 781

Text

SEC. 781. ANNUAL REPORT.—(a) In order that the Congress and the American people may be better and more currently informed regarding United States development policy, including the amounts and effectiveness of assistance provided by the United States Govern-

ment to developing countries and international organizations, the Chairman of the Development Coordination Committee shall transmit to the Congress not later than February 1 of each year a report on foreign assistance for the fiscal year ending the previous September 30. Such report shall include—

(1) (A) a comprehensive and coordinated review of all United States policies and programs having a major impact on the development of developing countries, including but not limited to bilateral and multilateral assistance, trade, debt, employment, food, energy, technology, population, oceans, environment, human settlements, natural resources, and participation in international agencies concerned with development;

(B) an assessment of the impact of such policies and programs on the well being of the poor majority in developing countries in accordance with the policy objectives of chapter I;

(C) an assessment of the impact of such policies and programs on the economic conditions in the United States including but not limited to employment, wages, and working conditions;

(2) the dollar value of all foreign assistance and guaranties by category and by country provided or made by the United States Government by any means to all foreign countries and international organizations—

(A) from 1946 to the fiscal year immediately preceding the fiscal year for which the report is required;

(B) as presented to Congress for the immediately preceding fiscal year;

(C) as obligated during the immediately preceding fiscal year;

(D) as planned for the fiscal year in which the report is presented; and

(E) as proposed for the fiscal year following the year in which the report is presented.

(3) the status of each loan and each contract of guaranty or insurance theretofore made under this Act and predecessor Acts, or any other Act authorizing international security assistance with respect to which there remains outstanding any unpaid obligation or potential liability; the status of each sale of defense articles or defense services on credit terms, and each contract of guarantee in connection with any such sale, theretofore made under the Arms Export Control Act, with respect to which there remains outstanding any unpaid obligation or potential liability; the status of each sale of agricultural commodities on credit terms theretofore made under the Agricultural Trade Development and Assistance Act of 1954, with respect to which there remains outstanding any unpaid obligation; and the status of each transaction in which a loan, contract or guarantee of insurance, or extension of credit (or participation therein) was theretofore made under the Export-Import Bank Act of 1945, with respect to which there remains outstanding any unpaid or potential liability. Such report shall include individually only any loan, contract, sale, extension, or credit, or other transaction listed in this subsection in excess of \$1,000,000:

(4) (A) the status of the debt servicing capacity of each country receiving assistance under this Act;

(B) all forms of debts relief granted by the United States with respect to such countries, together with a detailed statement of the specific debt relief granted with respect to each such country and the purpose for which it was granted; and

(C) a summary of the net aid flow from the United States to such countries, taking into consideration the debt relief granted by the United States;

(5) (A) the status of internationally recognized human rights, within the meaning of section 767(a) (1) in countries that receive foreign assistance provided by the United States Government; and

(B) any steps that have been taken to alter foreign assistance provided by the United States Government because of human rights considerations; and

(6) such other matters relating to foreign assistance provided by the United States Government under this Act as the Chairman of the Development Coordinating Committee considers appropriate.

(b) For the purpose of this section—

(1) “foreign assistance” means any tangible or intangible item provided by the United States Government to a foreign country or international organization under this or any other Act, including but not limited to, any training, service, or technical advice, any item of real, personal, or mixed property, any agricultural commodity, United States dollars, and any currencies owned by the United States Government of any foreign country; and

(2) “provided by the United States Government” includes, but is not limited to, foreign assistance provided by means of gift, loan, sale, credit, or guaranty.

Purpose

Subsection 781(a) requires the Chairman of the Development Coordination Committee to transmit to the Congress not later than February 1 of each year a report on foreign assistance for the fiscal year ending the previous September 30. This report is to be provided in order that the Congress and the American people may be better and more currently informed regarding U.S. development policy. Subsection 781(a) requires the report to include specific information listed in subsections 781(a) (1) (A) through (6). This information concerns:

(1) Review and assessment of policies affecting developing countries;

(2) The dollar value of all foreign assistance and guarantee;

(3) Status of loans;

(4) Debt situation and debt relief;

(5) Status of human rights; and

(6) Other information considered relevant.

Subsection 781(b) (2) provides a definition of “assistance provided by the United States Government,” for the purposes of section 781.

Background

The FAA requires 4 major annual reports among a total of approximately 60 individual reporting requirements. The four major annual reports are: FAA section 657, the annual report on foreign assistance; FAA section 634(d), a comparison of programs presented to Congress with the actual programs implemented; FAA section 653, allocation of foreign assistance funds after the annual appropriations bill has been enacted; and the annual congressional presentation documents (CPD). In addition, FAA section 640B requires an extensive report of foreign aid activities by the chairman of the Development Coordination Committee.

These reports contain a substantial amount of duplicative information. Their statutory due dates do not coincide with the current legislative cycle which reflects the Budget Act. For example, the section 657 report, which is intended to be the most comprehensive foreign aid document, is due on March 31, too late for use during hearings.

In addition to annual reports, numerous one-time reports have been added to the FAA since 1961, and many of these requirements remain in the statute.

The President or the Administrator of AID is also required to report to the Congress when certain actions have been taken. For example, FAA section 620(q) requires the President to report to the Speaker of the House and the Senate Committee on Foreign Relations if he has waived the prohibition of assistance to a country in default in excess of 6 months in payment of a loan from the United States.

The annual report required by section 781 of the bill:

(1) Establishes a single, comprehensive report which provides the Congress with the information required for legislative decisions and oversight of the various foreign assistance programs;

(2) Eliminates duplicative or unnecessary reports which were required by the FAA; and

(3) Eliminates obsolete or completed reports included in the FAA.

Subsection 781(a) requires the Chairman of the Development Coordination Committee, who will be Administrator, to transmit to the Congress the report for the fiscal year ending the previous September 30 by not later than February 1 of each year. Some of the information required for submission of this report must be provided by agencies other than the Administration. These agencies are expected to provide the Chairman of the Development Coordination Committee with the necessary information in a timely fashion so that the report can be transmitted to Congress not later than February 1.

The February 1 deadline is established in order to insure that the annual report is received in time for full evaluation and use during the legislative process.

Subsection 781(a)(1) requires a comprehensive and coordinated review of all U.S. policies and programs having a major impact on the development of developing countries, an assessment of the impact of such policies and programs on the well-being of the poor majority in developing countries, and an assessment of the impact of such poli-

cies and programs on the economic conditions in the United States. This provision was derived from FAA section 640B(d).

Subsection 781(a)(2) requires information concerning the dollar value of all foreign assistance and guarantees by category and by country, provided or made by the U.S. Government by any means to all foreign countries and international organizations. This subsection is intended to provide a single, consolidated, comprehensive document containing information concerning the flow of resources from the United States to all recipients from 1946 to the executive branch proposal for the fiscal year after the fiscal year in which the report is received.

The report required by subsection 781(a)(2) will replace reports now required by FAA sections 657, 653(a), and 634(d). The report will utilize essentially the same format as the existing publication "U.S. Overseas Loans and Grants and Assistance From International Organizations." However, in addition to the information currently in the "Loans and Grants" publication, the report under subsection 781(a)(2) would include:

(1) Data which would enable Congress to compare the actual obligations during the previous fiscal year with the program as presented to the Congress for that fiscal year. This information is currently required by FAA section 634(d).

(2) Data which would indicate how the foreign assistance resources will be used for the fiscal year in which the report is received. This information is now required by FAA section 653(a).

(3) Data concerning the proposed programs for the fiscal year following the fiscal year in which the report is presented. This is the data which is included in the congressional presentation material and similar to data in the "flow of resources" table now prepared for the Senate Committee on Appropriations. Congressional presentation material would continue to include data concerning proposed programs.

Subsection 781(a)(3) would continue, in a somewhat modified form the current status of loans report required by FAA section 634(f). The modification is that the report would become annual rather than semiannual.

Subsection 781(a)(4) provides for a comprehensive annual report showing debt servicing problems of less developed countries and debt relief granted by the United States. This report is now required by subsection 634(g).

Subsection 781(a)(5) includes the human rights reports now required by FAA section 116(d). As currently written, the report would include all countries which receive U.S. assistance. It is not limited to those countries receiving assistance under provisions of the bill.

Subsection 781(a)(6) provides the authority to include any other information in the reports which the chairman of the development coordination considers appropriate.

Subsection 781(b) includes the definitions, for example of foreign assistance, now incorporated in FAA section 657(d).

SECTION 782

Text

SEC. 782. NOTIFICATION OF PROGRAM CHANGES.—None of the funds appropriated to carry out the purposes of this Act (except for programs under title II or title III of chapter III, titles II and III of chapter V and title I of chapter VI) may be obligated for any activities, programs, projects, types of material assistance, countries, or other operations not justified, or in excess of the amount justified, to the Congress for obligations under this Act for any fiscal year unless the Committee on Foreign Relations of the Senate, the Committee on International Relations of the House of Representatives, and the Committee on Appropriations of each House of the Congress are notified fifteen days in advance of such obligations.

Purpose

Section 782 provides that, with specified exceptions, none of the funds appropriated to carry out the purposes of the bill may be obligated for any activities, programs, projects, types of material assistance, countries, or other operations not justified, to Congress for obligations under the bill for any fiscal year unless the Committees on Foreign Relations and International Relations and the Committees on Appropriations are notified fifteen days in advance.

The exceptions specified are: Programs under title II or title III of chapter III—(OPIC and Housing Investment Guarantees), titles II and III (International Disaster Assistance), and title I of chapter VI—Private Initiatives in Development.

Background

Sec. 782 incorporates the notification of program changes requirements which are now included in FAA section 671.

SECTION 783

Text

SEC. 783. CLASSIFICATION OF REPORTS.—All information contained in any report transmitted under this Act shall be public information. However, in the case of any item of information to be included in any such report that the President, on an extraordinary basis, determines is clearly detrimental to the security of the United States, he shall explain in a supplemental report why publication of each specific item would be detrimental to the security of the United States. A supplemental report shall be transmitted to the Congress at the time that the report is transmitted.

Purpose

Section 783 provides that all information contained in any report transmitted under the bill shall be public information unless the President, on an extraordinary basis, determines such information to be clearly detrimental to the security of the United States. In that case, the President is required to explain in a supplemental report why publication of each specific item would be detrimental to the security of the United States. A supplemental report shall be transmitted to Congress at the time that the report is transmitted.

Background

Section 783 incorporates the provisions of FAA section 657(b) concerning classification of reports under this title.

TITLE VI—MISCELLANEOUS PROVISIONS

SECTION 791

Text

SEC. 791. EFFECTIVE DATE.—This Act shall take effect on October 1, 1978.

Purpose

Section 791 provides that the bill will take effect October 1, 1978.

Background

If the bill is enacted prior to October 1, 1978, this provision will allow some additional time for preparation of the changeover.

If the bill is not enacted until after October 1, with this language remaining in the bill, the result would be as though the bill took effect on the date of its enactment. The savings provisions, in particular, section 793(a) of the bill, would validate actions taken between October 1 and enactment.

SECTION 792(a)

Text

SEC. 792. STATUTES REPEALED.—(a) The Foreign Assistance Act of 1961, as amended, except for the first section and sections 214, 612(a), 613, 620(e) (2), and 648, is repealed.

Purpose

Section 792(a) repeals the FAA, except for FAA sections 214, 621(a), 613, 620(e) (2), and 648.

Background

The provisions of the FAA not repealed are:

Section 214: American Schools and Hospitals Abroad.—This authority will be exercised under the International Communication Agency; see section 798(b) of the bill.

Section 612(a): Use of foreign currencies.—This subsection establishes a general basis for disposition and use of U.S.-owned foreign currencies not otherwise provided for. It applies only to currencies received as a result of furnishing economic assistance under the Mutual Security Act of 1954, as amended (MSA), or the FAA. It applies only to the extent not otherwise provided by law. It does not involve the bulk of foreign currencies owned by the U.S. Government which are generated under Public Law 480. The currencies with which it is primarily concerned are received mainly from repayments of foreign currency repayable loans under the MSA.

The currencies are subject to appropriation action. A more general authorization for appropriation of excess currencies is in the bill's section 746(a).

Section 613: Accounting, Valuation, Reporting, and Administration of Foreign Currencies.—This section's principal purpose is to give the Secretary of the Treasury certain authorities and responsibilities with respect to all foreign currencies owed to or owned by the United States.

Section 620(e) (2).—This subsection provides that no U.S. court shall refuse, on the ground of the "act of state" doctrine, to examine the validity of an act of a foreign state alleged to be contrary to international law.

Section 648.—This section is an authorization for the appropriation of foreign currencies for the care of cemeteries in Italy for Polish soldiers who died in combat there in World War II.

SECTION 792(b)

Text

(b) References in law to the Act, or provisions of such Act, repealed by subsection (a) shall hereafter be deemed to be references to this Act for appropriate provisions of this Act.

Purpose

Subsection (b) provides that references in any law to the FAA, or to repealed provisions of the FAA, shall be deemed references to the bill or to appropriate provisions of the bill.

Background

This subsection performs the same functions as FAA section 642(b). It provides that a reference elsewhere in law to the FAA will be deemed to refer to the new act which replaces it.

SECTION 792(c)

Text

(c) The repeal of the Act referred to in subsection (a) of this section shall not be deemed to affect amendments contained in such Act to Acts not named in that subsection.

Purpose

Subsection (c) provides that the repeal of the FAA shall not be deemed to affect amendments made by the Foreign Assistance Act of 1961, as amended, to acts other than the FAA.

Background

This subsection performs the same function as FAA section 642(c). It provides that amendments to other legislation, made earlier by the FAA, will not be affected by repeal of the FAA.

SECTION 793(a)

Text

SEC. 793. SAVING PROVISIONS.—(a) Except as may be expressly provided to the contrary in this Act, all determinations, authorizations, regulations, orders, contracts, agreements, and other actions issued, undertaken, or entered into under authority of any provision of law repealed by section 792(a) or by the Foreign Assistance Act of 1969 shall continue in full force and effect until modified by appropriate authority.

Purpose

Subsection (a) is designed to permit, except as may be expressly provided to the contrary in the bill, continuity of operations and programs, despite the repeal of various provisions of law by section 792(a) of the bill or by the FAA of 1969, by preserving, until modified

by appropriate authority, organizational, administrative, fiscal, program, and other actions undertaken under authority of any such repealed provisions of law.

Background

This subsection performs the same function as FAA section 643(a). The FAA of 1969 established OPIC as a Government corporation.

SECTION 793(b)

Text

(b) Wherever provisions of this Act establish conditions which must be complied with before use may be made of authority contained in, or funds authorized by, this Act, compliance with, or satisfaction of, substantially similar conditions under the Act referred to in section 792(a) and the Foreign Assistance Act of 1969 or Acts repealed by those Acts shall be deemed to constitute compliance with the conditions established by this Act.

Purpose

Subsection (b) provides that, where the bill establishes conditions which must be complied with before assistance may be furnished, compliance with, or other satisfaction of, substantially similar conditions under the FAA shall be deemed to constitute compliance with the conditions set forth in the bill.

Background

This subsection performs the same function as FAA section 643(b). To illustrate the function, if a country has submitted an application for a loan for a project under the FAA (in accordance with FAA section 201(e)), it will not be required to resubmit an application for a loan for the same project under the bill (in accordance with section 765(e) of the bill) merely because of the repeal of the FAA.

Text

(c) Funds made available pursuant to provisions of law repealed by section 792(a) or by the Foreign Assistance Act of 1969 shall, unless otherwise authorized or provided by law, remain available for their original purposes in accordance with the provisions of law originally applicable thereto, or in accordance with the provisions of law currently applicable to those purposes.

Purpose

Subsection (c) provides that funds made available pursuant to the FAA shall, unless otherwise authorized or provided by law, remain available for their original purposes in accordance with the provisions of law originally applicable to such funds or in accordance with provisions of law currently applicable to those purposes.

Background

This subsection performs the same function as FAA section 643(c).

SECTION 794

Text

SEC. 794. DEFINITIONS.—For purposes of this section the term—
Cooperation Administration;

- (2) "Administrator" means the head of the Administration;
- (3) "commodity" includes any material, article, supply, goods, or equipment used for the purposes of furnishing nonmilitary assistance;
- (4) "Developing Country" includes a developing area;
- (5) "function" includes any duty, obligation, power, authority, responsibility, right, privilege, discretion, or activity;
- (6) "services" includes any service, repair, training of personnel, or technical or other assistance or information used for the purposes of furnishing nonmilitary assistance;
- (7) "surplus agricultural commodity" means any agricultural commodity or product thereof, class, kind, type, or other specification thereof, produced in the United States either publicly or privately owned, which is in excess of domestic requirements, adequate carryover, and anticipated exports for United States dollars, as determined by the Secretary of Agriculture;
- (8) "agriculture" includes agriculture and fisheries; and
- (9) "farmers" includes fishermen and other persons employed in cultivating and harvesting food resources from salt and fresh waters;

Purpose

The purpose of this section is to define terms used throughout the bill. Certain definitions are given in individual titles defining terms only for purposes of that title. Definitions which should be noted include:

(4) "developing country," which includes developing areas. The FAA generally authorizes assistance for "developing countries or areas," which includes portions of the world which are not full foreign entities. The bill avoids the need for repetition by use of the above defined terms.

(8) and (9), "agriculture" and "farmers" are derived from the definitions in FAA's title XII of part I (title I of chapter II of the bill).

SECTION 795

Text

SEC. 795. UNEXPENDED BALANCES.—Unexpended balances of funds made available pursuant to this Act and the Foreign Assistance Act of 1961, as amended, are authorized to be continued available for the general purposes for which appropriated, and may at any time be consolidated, and, in addition, may be consolidated with appropriations made available for the same general purposes under the authority of this Act.

Purpose

This section authorizes the continued availability for the same general purposes of unexpended balances of funds made available under the authority of the FAA, and it also permits consolidation at any time of such balances, as well as their consolidation with appropriations made available under the bill for the same general purposes.

Background

This section performs the same function as FAA section 645.

SECTION 796

Text

SEC. 796. CONSTRUCTION.—If any provision of this Act, or the application of any provision to any circumstances or persons shall be held invalid, the validity of the remainder of his Act, and of the applicability of such provision to other circumstances or persons shall not be affected thereby.

Purpose

This section is a standard separability provision.

Background

The section is identical to FAA section 646.

SECTION 797

Text

SEC. 797. EXCLUSIONS.—No provision of this Act may be construed to prohibit assistance to any country pursuant to the Peace Corps Act, as amended; the Mutual Educational and Cultural Exchange Act of 1961, as amended; or the Export-Import Bank Act of 1945, as amended.

Purpose

Section 797 provides that no provision of the bill may be construed to prohibit assistance to any country under the Peace Corps Act, the Mutual Educational and Cultural Exchange Act of 1961, as amended, or the Export-Import Bank Act of 1945, as amended.

Background

This section is identical to FAA section 638. Its purpose is to make clear that programs under the specified acts will not be subject to mandatory termination by reason of any ineligibility of a country arising by virtue of a provision of the bill.

SECTION 798(a)

Text

SEC. 798. AMENDMENTS TO OTHER LAWS.—(a) Section 4(a) of the Bretton Woods Agreements Act, as amended, is amended by inserting “the Administrator of the International Development Cooperation Administration,” immediately after “the President of the Export-Import Bank of Washington,”.

Purpose

Subsection (a) amends the Bretton Woods Agreements Act by adding the Administrator to the National Advisory Council on International Monetary and Financial Policies.

Background

Since the Administrator is given responsibility for formulating U.S. positions and instructing U.S. representatives to the international financial institutions, it is appropriate for the Administrator to be a member of the NAC.

SECTION 798(b)

Text

(b) Section 214 of the Foreign Assistance Act of 1961, as amended, is amended—

(1) by inserting "The Director of the International Communication Agency (hereinafter referred to as the Director)" in lieu of "The President" in subsection (a) and by inserting "Director" in lieu of "President" wherever else it appears therein;

(2) in subsection (c) by striking out "the fiscal year 1977, \$25,000,000 and", and by inserting "and for the fiscal year 1979, \$", immediately after "1978, \$25,000,000;"

(3) in subsection (d) by striking out "1977 and 1978, \$7,000,000" and by inserting in lieu thereof "1978 and 1979 \$";

(4) by striking out subsection (e); and

(5) by redesignating subsection "(f)" as "(e)".

Purpose

Subsection (b) (1) amends FAA section 214, which is left unrepealed by the bill. Section 214 is the American Schools and Hospitals Abroad (ASHA) program. This amendment would place ASHA under the authority of the Director of the International Communication Agency and would authorize funds for fiscal year 1979. It also deletes subsection (e), and outdated reporting requirement.

Background

The International Communication Agency, which has other international educational responsibilities, is a more appropriate organizational place for the ASHA program than the administration. However, for fiscal year 1979, funds will be authorized for ASHA under this bill. Thereafter, funds for ASHA should be requested and considered with the authorization request for other ICA programs.

PROVISIONS OF THE FOREIGN ASSISTANCE ACT OF 1961 AS AMENDED ("FAA") OMITTED FROM THE INTERNATIONAL DEVELOPMENT COOPERATION ACT OF 1978 (THE "BILL") AND REASONS THEREFOR

This lists provisions of the FAA omitted from the bill, and gives the reasons therefor. This listing covers omitted sections and subsections. This does not list sections the substance of which has been transposed from the FAA to the bill, but within which omissions or revisions may have occurred.

SECTION 108

Text

SEC. 108. APPLICATION OF EXISTING PROVISION.—Assistance under this chapter shall be furnished in accordance with the provisions of titles I, II, or X of chapter 2 of this part, and nothing in this chapter shall be construed to make inapplicable the restrictions, criteria, authorities, or other provisions of this or any other act in accordance with which assistance furnished under this chapter would otherwise have been provided.

Purpose

This section requires that assistance furnished under the functional accounts of the FAA (chapter 1 of part I) must be furnished in accordance also with the provisions of law applicable to the former development grant and development loan categories of assistance (or the authority for population assistance), as the case may be.

Background

Section 108 was added in 1973, when the functional accounts, sections 103-107, were added to the FAA.

Conclusion

The new bill requires no such provision as FAA section 108 since the authorizations for assistance, and restrictions which affect them, are presented in an integrated fashion.

SECTION 111

Text

SEC. 111. DEVELOPMENT AND USE OF COOPERATIVES.—In order to strengthen the participation of the rural and urban poor in their country's development, high priority shall be given to increasing the use of funds made available under this Act for technical and capital assistance in the development and use of cooperatives in the less developed countries which will enable and encourage greater numbers of the poor to help themselves toward a better life. Not less than \$10,000,000 of the funds made available under this Act for the fiscal year 1978 may be used for technical assistance to carry out the purposes of this section.

Purpose

This provision requires that high priority be given to increasing the use of funds made available under the FAA for technical and capital assistance in the development and use of cooperatives in developing nations. It also earmarks \$10 million of the funds available under the FAA in fiscal year 1978 solely for technical assistance to cooperatives.

Background

Section 111 was originally enacted in 1973 to give increased emphasis to the use of cooperatives in development. The policy statement was strengthened in 1975 and \$20 million was earmarked for support of cooperatives in fiscal year 1976 and fiscal year 1977. The section was amended again by section 107(a) of the International Development and Food Assistance Act of 1977 to encourage the provision of capital as well as technical assistance to cooperatives and to provide for the use of not less than \$10 million in fiscal year 1978 only for technical assistance to carry out the purposes of the sections.

Section 601(a) of the bill contains a congressional finding that the participation of the rural and urban poor in development can be effectively assisted and accelerated through an increase in activities planned and carried out by private voluntary organizations and cooperatives. Section 601(b) restates to policy of FAA section 111 of giving high priority to programs of technical and capital assistance for development of cooperatives in developing countries.

Conclusion

FAA section 111 is substantially included in the new section 601 and accordingly is no longer needed.

SECTION 201

Text

SEC. 201. GENERAL AUTHORITY.—(a) The President shall establish a fund to be known as the “Development Loan Fund” to be used by the President to make loans pursuant to the authority contained in this title.

(b) The President is authorized to make loans payable as to principal and interest in United States dollars on such terms and conditions as he may determine, in order to promote the economic development of less developed friendly countries and areas, with emphasis upon assisting long-range plans and programs designed to develop economic resources and increase productive capacities. In so doing, the President shall take into account (1) whether financing could be obtained in whole or in part from other free-world sources on reasonable terms, including private sources within the United States, (2) the economic and technical soundness of the activity to be financed, including the capacity of the recipient country to repay the loan at a reasonable rate of interest, (3) whether the activity gives reasonable promise of contributing to the development of economic resources or to the increase of productive capacities in furtherance of the purposes of this title, (4) the consistency of the activity with, and its relationship to, other development activities being undertaken or planned, and its contribution to realizable long-range objectives, (5) the extent to which the recipient country is showing a responsiveness to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures, (6) the possible effects upon the United States economy, with special reference to areas of substantial labor surplus, of the loan involved, (7) the degree to which the recipient country is making progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise, (8) the degree to which the recipient country is taking steps to improve its climate for private investment, and (9) whether or not the activity to be financed will contribute to the achievement of self-sustaining growth. Loans shall be made under this title only upon a finding of reasonable prospects of repayment. Funds made available under this title, except funds made available pursuant to section 205, shall not be used to make loans in more than twenty countries in any fiscal years.

(c) The authority of section 610 may not be used to decrease the funds available under this title, nor may the authority of section 614(a) be used to waive the requirements of this title.

(d) Funds made available for this title shall not be loaned or reloaned at rates of interest excessive or unreasonable for the borrower and in no event shall such funds (except funds loaned under section 205 and funds which prior to the date of enactment of the Foreign Assistance Act of 1968 were authorized or committed to be loaned upon terms which do not meet the minimum terms set forth herein) be loaned at a rate of interest of less than 3 per centum per annum commencing not later than ten years following the date on which the funds are initially made available under the loan, during which ten-year

period the rate of interests shall not be lower than 2 per centum per annum, nor higher than the applicable legal rate of interest of the country in which the loan is made.

(e) In carrying out this title, the President shall not allocate, reserve, earmark, commit, or otherwise set aside, funds aggregating in excess of \$100,000 for use in any country under this title unless (1) an application for such funds has been received for use in such country together with sufficient information and assurances to indicate reasonably that the funds will be used in an economically and technically sound manner, or (2) the President determines with respect to each such allocation, reservation, earmarking, commitment, or set-aside that it is in the national interest to use such funds pursuant to multilateral plans.

(f) No assistance shall be furnished under this title for a project unless the President determines that such project will promote the economic development of the requesting country, taking into account the current human and material resource requirements of that country and the relationship between the ultimate objectives of the project and the overall economic development of the country, and that such project specifically provides for appropriate participation by private enterprise.

Purpose.

Section 201 requires the President to establish a development loan fund (DLF) through which development assistance loans are to be made. Section 201 contains six subsections, the first of which authorizes loans. Subsection (b) requires DLF loans to be repaid in U.S. dollars and authorizes the President to make DLF loans to promote economic development of less-developed friendly countries and areas, provides 9 criteria to be taken into account in making loans, requires a finding of reasonable prospects of repayment before the loan is made, and limits the number of borrowers to twenty in any fiscal year (not applicable to Alliance for Progress loans or loans to regional programs).

Subsection (c) provides that DLF funds may not be decreased by use of section 610 nor may requirements be waived by use of section 614(a).

Subsection (d) prohibits the loaning or reloading of DLF funds at rates of interest excessive or unreasonable for the borrower. A minimum interest rate of 2 percent per year for the first 10 years of the loan and 3 percent thereafter, and a maximum rate pegged at the maximum legal rate in the borrowing country, are established by subsection (d). The minimum rates are intended to maximize the dollars returned to the United States (for balance-of-payments reasons) and to reduce the disparity between the costs of U.S. borrowing and the receipt of interest on U.S. loans, while not making the loans so costly that the contribution of the DLF financial assistance to the development of the host country is reduced.

Subsection (e) prohibits the earmarking of DLF funds for projects unless advance notice and description of the use is given or the President determines it in the national interest to use such funds pursuant to multilateral plans.

Subsection (f) prohibits DLF assistance unless the President determines the project will promote the economic development of the borrowing country and only after account is taken of the relationship of the project to the country's resources and overall economic development and providing for appropriate participation by private enterprise in the project.

Background

A predecessor DLF was established by section 6 of the MSA of 1957. The current section 201 was enacted as part of the FAA of 1961.

All but one of the criteria (No. 8) in subsection (b) originated in the Senate Committee on Foreign Relations. The 20-country limitation originated in the committee of conference, as did the limitation on re-lending within the recipient country. The 2-percent minimum interest rate also came out of the committee of conference. Subsequently, section 102 of the FAA of 1962 added subsection (e) and other amendments of a technical nature have been made.

The bill does not include an authorization for the DLF, but provides general authority for the Administrator to make loans "payable on such terms and conditions as he may determine, in order to promote the economic development of developing countries with emphasis upon long-range plans and programs." The minimum and maximum loan terms remain the same as in the FAA.

The bill carries over five of the nine lending criteria nearly verbatim in section 765(c). The ninth criteria in the present FAA is broadened (No. 5 in section 765(c) of the bill) to include mention of an equitable distribution of benefits. The following do not appear in section 765(c) but appear in the bill in another form: Criteria (3) (whether activity gives promise of contributing to the development of economic resources or to increase in productive capacities); criteria (5) (extent borrower showing responsiveness to economic, political, social concern, and willingness to take self-help measures); criteria (7) (degree of progress toward rule of law, free expression, recognition of individual freedom, private enterprise, which is included in section 767); and criteria (8) (degree to which borrower improving climate for private investment).

It should be noted that section 201 was not interpreted to apply to countries in the Alliance for Progress or to required programs which had the effect of expanding the number of countries eligible to receive loan funds beyond the 20-country limitation.

Conclusion

The major provisions of section 201 are carried forward into the bill. Five of the nine lending criteria which appear in the FAA are incorporated in the bill, and the remaining criteria appear either in the general policy or in the prohibitions sections of the bill. Therefore, section 201 is no longer necessary.

SECTION 202

Text

SEC. 202. AUTHORIZATION.—(a) There is hereby authorized to be appropriated to the President for the purposes of this title \$685,000,000 for the fiscal year 1967, \$450,000,000 for the fiscal year 1968, \$350,000,000 for the fiscal year 1969, \$350,000,000 for the fiscal year 1970,

\$350,000,000 for the fiscal year 1971, \$250,000,000 for the fiscal year 1972, and \$250,000,000 for the fiscal year 1973, which sums shall remain available until expended: *Provided*, That any unappropriated portion of the amount authorized to be appropriated for any such fiscal year may be appropriated in any subsequent fiscal year during the above period in addition to the amount otherwise to be appropriated for such subsequent fiscal year: *Provided further*, That, in order to effectuate the purposes and provisions of sections 102, 201, 601, and 602 of this Act, not less than 50 per centum of the funds appropriated pursuant to this subsection for each of the fiscal years ending June 30, 1970, June 30, 1971, June 30, 1972, and June 30, 1973, shall be available for loans made to encourage economic development through private enterprise.

(b) Whenever the President determines that it is important to the advancement of United States interests and necessary to further the purposes of this title, and in recognition of the need for reasonable advance assurances in the interest of orderly and effective execution of long-term plans and programs of development assistance, he is authorized to enter into agreements committing, under the terms and conditions of this title, funds authorized to be appropriated under this title, subject only to the annual appropriation of such funds.

(c) Upon conclusion of each such agreement involving funds to be appropriated, the President shall notify the Foreign Relations and Appropriations Committees of the Senate and the Speaker of the House of Representatives of the provisions of such agreement, including the amounts of funds involved and undertakings of the parties thereto.

(d) Except as otherwise provided in this part, the United States dollar assets of the corporate entity known as the Development Loan Fund which remain unobligated and not committed for loans repayable in foreign currencies on the date prior to the abolition of such Fund shall be available for use for purposes of this title.

Purpose

Section 202 authorized appropriations for development loans and established procedures for the use of appropriated funds and loan repayments.

Background

Subsection (a) of section 202 was the basic authority for appropriations for development loans prior to the 1973 enactment of the functional accounts, which contain their own funding authorities. Since then, the authorizing power of section 202 has not been used. In the bill, authorizations for appropriations of the various accounts also appear in the individual accounts rather than in separate sections for loans and grants.

Subsection (b), which provides for commitments of funds in advance of appropriations, was designed to facilitate long range commitments. However, the President has inherent authority to make such commitments, even in the absence of this section. The specific authority contained in this subsection has never been used.

Subsection (c) requires notification to the Congress whenever the authority contained in subsection (b) is used.

Subsection (d) authorized the continued availability of the dollar assets of the Development Loan Fund as of the date of enactment of the FAA (Sept. 4, 1961).

Conclusion

Section 202(a), when in use, authorized appropriations for all development loans in the FAA, prior to the functional accounts. Since the various functional accounts of the new bill contain individual authorizations for appropriations, FAA section 202(a) is obsolete. The authority contained in subsections (b), (c), and (d) are also unnecessary. The President has inherent power to make the commitments authorized under subsections (b) and (c) and DLF funds authorized under subsection (d) are no longer available.

SECTION 203

Text

SEC. 203. FISCAL PROVISIONS.—Not more than 50 percent of dollar receipts scheduled to be paid during each of the fiscal years 1974 and 1975 from loans made pursuant to this part and from loans made under

On and after July 1, 1975, none of the dollar receipts paid during available for each such fiscal year for use for purposes of making loans under chapter 1 of this part. Such receipts shall remain available until expended.

On and after July 1, 1975, none of the dollar receipts paid during any fiscal year from loans made pursuant to this part or from loans made under predecessor foreign assistance legislation are authorized to be made available during any fiscal year for use of purposes of making loans under chapter 1 of this part. All such receipts shall be deposited in the Treasury as miscellaneous receipts.

Purpose

Section 203 provides that not more than 50 percent of dollar receipts in fiscal years 1974 and 1975 from development loans shall be available for relending for development loan purposes. The use of loan receipts after fiscal year 1975 is prohibited; thereafter, receipts must be deposited in the Treasury.

Background

This section in its original form established the revolving character of the Development Loan Fund by funnelling loan receipts back into the development loan account. In 1973, limits were placed on this authority. In 1975, the authority to use loan receipts was terminated.

Conclusion

Section 203 is obsolete since development loan funds are no longer made available on a revolving basis. The bill does not authorize the use of loan receipts. Therefore, the specific prohibition in section 203 is no longer necessary. All loan receipts under the FAA or the bill will revert to the Treasury.

SECTION 204

Text

SEC. 204. DEVELOPMENT LOAN COMMITTEE.—The President shall establish an interagency Development Loan Committee, consisting of such officers from such agencies of the United States Government as he

may determine, which shall, under the direction of the President, establish standards and criteria for lending operations under this title in accordance with the foreign and financial policies of the United States. Except in the case of officers serving in positions which they were appointed by the President by and with the advice and consent of the Senate, officers assigned to the Committee shall be so assigned by the President by and with the advice and consent of the Senate.

Purpose

Section 204 directs the President to establish an interagency Development Loan Committee (DLC) consisting of such officers from Federal agencies as he may determine. These officers require Senate approval. The Committee is to establish standards and criteria for development lending operations in accordance with U.S. foreign and financial policies.

Background

The present DLC is chaired by AID, with membership from State, Treasury, Commerce, and Ex-Im, among others. The DLC membership thus heavily overlaps the membership of the National Advisory Council (NAC) and also that of the Development Coordination Committee (DCC) under FAA section 640b. The DCC will be carried forward by section 702 of the bill, and section 798(a) of the bill will also add the Administrator to the NAC.

Conclusion

Under the bill, standards and criteria for lending operations can be coordinated without reenacting this section. In addition, the need for the DLC will be minimized under the bill since the various components of the DLC will be represented in the Administration.

It should also be noted that under Congress "New Directions" mandates, which are carried forward in the bill, loans are more narrowly targeted by law now than was the case when the DLC was created.

SECTION 206

Text

SEC. 206. REGIONAL DEVELOPMENT IN AFRICA.—The President is requested to seek and to take appropriate action, in cooperation and consultation with African and other interested nations and with international development organizations, to further and assist in the advancement of African regional development institutions, including the African Development Bank, with the view toward promoting African economic development.

Purpose

Section 206 was enacted to encourage African economic development through regional development institutions based on self-help and mutual cooperation.

Background

Section 206 was adopted in 1965 to encourage appropriate U.S. participation in African regional development institutions, including the African Development Bank. Since then, U.S. participation in African development on a regional basis has increased, and the United States participates in the African Development Fund, as well as in the programs for the Sahel and other African regional programs.

Conclusion

The section is no longer necessary. The bill contains sufficient general authority for participation in regional development programs in Africa and elsewhere.

SECTION 207

Text

SEC. 207. PURPOSES OF DEVELOPMENT ASSISTANCE.—In furnishing development assistance under this chapter the President shall place appropriate emphasis on—

(a) assuring maximum participation in the task of economic development by the people of less developed countries through the encouragement of strong economic, political, and social institutions needed for a progressive democratic society;

(b) programs directed at enabling a country to meet the food needs of its people from its own resources, including the furnishing of technical knowledge and of resources necessary to increase agricultural productivity; assistance for improved storage, transportation, marketing, and credit facilities (including provision for foreign currency loans to small farmers), cooperatives, water conservation programs, and adaptive research programs; and technological advice: *Provided*, That relief from the immediate threat of famine, hunger, and malnutrition may be provided by the United States and other countries, and that assistance provided under the Agricultural Trade Development and Assistance Act of 1954, as amended, should complement assistance furnished under this Act;

(c) assisting recipient countries in their efforts to meet increasing needs for trained manpower in their development efforts by improving education planning and research, training teachers and administrators, developing and constructing educational institutions, and using modern educational technology;

(d) developing programs to combat malnutrition, to control and eradicate disease, to clear slums, and to provide adequate and safe drinking water, adequate sewage disposal systems, overall health education, maternal and child care, and voluntary family planning services which shall, where feasible, be included as part of programs of maternal and child care, and other public health assistance; and

(e) other important development activities including assistance for programs to assist industrial development; the growth of free labor unions, cooperatives, and voluntary agencies; improvement of transportation and communication systems; development of capabilities for sound economic planning and public administration; urban development; and modernization of existing laws to facilitate economic development.

Purpose

Section 207, which predated the functional accounts, sets forth the important functional factors on which the President is to place appropriate emphasis in administering economic assistance. Such factors include democratic institutions, agriculture, education, health, and improvement of transportation and communication.

Background

Section 207 was enacted in 1967 and has remained unchanged. In 1973, when Congress added the functional accounts to the FAA, the

factors identified in section 207 were largely incorporated as part of the "New Directions." The bill, in chapter II (Bilateral Development Assistance), embodies and sharpens these factors.

Conclusion

Section 207 was enacted to provide general guidance for development assistance prior to the New Directions mandates of 1973. Such guidance is contained in the bill in chapter II, making section 207 unnecessary.

SECTION 209

Text

SEC. 209. MULTILATERAL AND REGIONAL PROGRAMS.—(a) The Congress recognizes that the planning and administration of development assistance by, or under the sponsorship of the United Nations, multilateral lending institutions, and other multilateral organizations may contribute to the efficiency and effectiveness of that assistance through participation of other donors in the development effort, improved coordination of policies and programs, pooling of knowledge, avoidance of duplication of facilities and manpower, and greater encouragement of self-help performance.

(b) It is further the sense of the Congress (1) that where problems or opportunities are common to two or more countries in a region, in such fields as agriculture, education, transportation, communications, power, watershed development, disease control, and establishment of development banks, these countries often can more effectively resolve such problems and exploit such opportunities by joining together in regional organizations or working together on regional programs, (2) that assistance often can be utilized more efficiently in regional programs than in separate country programs, and (3) that to the maximum extent practicable consistent with the purposes of this Act assistance under this Act should be furnished so as to encourage less developed countries to cooperate with each other in regional development programs.

(c) It is the sense of the Congress that the President should increase, to the extent practicable, the funds provided by the United States to multilateral lending institutions and multilateral organizations in which the United States participates for use by such institutions and organizations in making loans to foreign countries.

(d) In furtherance of the provisions of subsection (a) of this section, any funds appropriated under this part I may be transferred by the President to the International Development Association, the International Bank for Reconstruction and Development, the International Finance Corporation, the Asian Development Bank or other Multilateral lending institutions and multilateral organizations in which the United States participates for the purpose of providing funds to enable any such institution or organization to make loans to foreign countries.

Purpose

Section 209 recognizes the developmental value of international and regional organizations and multilateral lending institutions. It expresses the sense of Congress that loans through multilateral organizations should be increased; and it authorizes the transfer of economic assistance funds under the FAA to international financial institutions for loans to foreign countries.

Background

Section 209 was originally enacted in 1967; however, since then, appropriations acts have prohibited the use of the transfer authority of subsection (d). As a result, the authority has never been used.

Conclusion

The bill addresses multilateral assistance in chapter IV and elsewhere. Title II of chapter II, as well as other provisions, permit aid on a regional basis. Developing countries are defined in section 794 of the bill to include developing areas. Authorizations for appropriations for the international financial institutions remain, as before, under separate legislation for each institution. FAA section 209, therefore, is no longer necessary.

SECTION 211

Text

SEC. 211. GENERAL AUTHORITY.—(a) The President is authorized to furnish assistance on such terms and conditions as he may determine in order to promote the economic development of less developed friendly countries and areas, with emphasis upon assisting the development of human resources through such means as programs of technical cooperation and development. In so doing, the President shall take into account (1) whether the activity gives reasonable promise of contributing to the development of educational or other institutions and programs directed toward social progress, (2) the consistency of the activity with, and its relationship to, other development activities being undertaken, or planned, and its contribution to reliable long-range development objectives, (3) the economic and technical soundness of the activity to be financed, (4) the extent to which the recipient country is showing a responsiveness to the vital economic, political, and social concerns of its people, and demonstrating a clear determination to take effective self-help measures and a willingness to pay fair share of the cost of programs under this title, (5) the possible adverse effects upon the United States economy, with special reference to areas of substantial labor surplus, of the assistance involved, (6) the desirability of safeguarding the international balance of payments position of the United States, (7) the degree to which the recipient country is making progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise, and (8) whether or not the activity to be financed will contribute to the achievement of self-sustaining growth. If the President finds that assistance proposed to be furnished under this title would have a substantially adverse effect upon the United States economy, or a substantial segment thereof, the assistance shall not be furnished. The authority of this title 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 during such fiscal year.

(b) In countries and areas which are in the earlier stages of economic development, programs of development of education and human resources through such means as technical cooperation shall be emphasized, and the furnishing of capital facilities for purposes other than the development of education and human resources shall be

given a lower priority until the requisite knowledge and skills have been developed.

(c) Not to exceed \$1,000,000 of the funds made available for the purposes of this section in any fiscal year may be used for programs designed to promote the peaceful uses of atomic energy outside the United States and such programs may be carried out only in accordance with the requirements of this section.

(d) Not to exceed \$10,000,000 of funds made available in any fiscal year under section 212, or under section 252 (other than loan funds), may be used for assistance, on such terms and conditions as the President may specify, to research and educational institutions in the United States for the purpose of strengthening their capacity to develop and carry out programs concerned with the economic and social development of less developed countries.

(e) In any developing countries or areas where food production is not increasing enough to meet the demands of an expanding population, or diets are seriously deficient, a high priority shall be given to efforts to increase agricultural production, particularly the establishment or expansion of adaptive research programs designed to increase acre-yields of the major food crops. Such research programs, to the greatest extent possible, should be based on cooperative undertakings between universities and research institutions in the developing countries and United States universities and research institutions.

Purpose

Section 211 is comprised of five subsections which provide authority for grant assistance to developing friendly countries. The section includes certain restrictions, including a 40-country limitation for the use of grant funds. The section establishes assistance priorities for the least developed countries and provides for peaceful use of atomic energy. Section 211 clarifies authority for (and puts a dollar limit on) long-range programs undertaken by U.S. universities and research institutions.

Background

The section authorizes the President to provide assistance in the form of grants, which authority is carried forward in section 765 of the bill.

Section 211 also establishes eight criteria to be taken into account in furnishing grant assistance. All of the criteria listed in section 211 are carried forward as policy statements in section 201 of the bill with the exception of criteria (5) (possible adverse effects on U.S. economy, which is carried over as a criteria for loan assistance in section 765(c)(4) and included in section 742 on procurement); criteria (6) (safeguarding international balance-of-payments position of the United States, which is included in section 742 on procurement); and criteria (7) (degree of progress toward basic freedoms, which is incorporated in the bill as a prohibition (human rights provision) in section 767). Criteria (1) (development of educational and other institutions) and the authority provided for university programs in section 211(d) are provided in section 206 of the bill.

It should be noted that the country limitation provision of section 211 has been interpreted not to include countries within the Alliance for Progress and regional programs, which has the effect of increasing the number of countries eligible to receive grant assistance.

Conclusion

The major criteria of section 211 are incorporated into the bill in the form of policy statement or appear in separate sections. The general authority to grant funds is included in the "General Authorities" section 765 of the bill, and the authority for strengthening the capacity for development programs of U.S. research and educational institutions is provided in section 206 of the bill. Therefore, section 211 is no longer necessary.

SECTION 215

Text

SEC. 215. LOANS TO SMALL FARMERS.—It is the policy of the United States and the purpose of this section to strengthen the economies of less developed friendly countries, and in friendly countries where the economy is essentially rural or based on small villages, to provide assistance designed to improve agricultural methods and techniques, to stimulate and encourage the development of local programs of self-help and mutual cooperation, particularly through loans of foreign currencies for associations of operations of small farms, formed for the purpose of joint action designed to increase or diversify agricultural productivity. The maximum unpaid balance of loans made to any association under this section may not exceed \$25,000 at any one time; and the aggregate unpaid balance of all loans made under this section may not exceed \$10,000,000 at any one time.

Purpose

Section 215 expresses the policy of the United States to strengthen the economies of less-developed countries, particularly through foreign currency loans to small farmers. Emphasis is placed on the development of local self-help and cooperative programs in order to assist small farmers in increasing or diversifying agricultural activity. The section creates no authority of its own and is read as a statement of policy.

Background

Section 215 originally appeared in 1960 as an amendment to the Mutual Security Act of 1954. Subsequently it was reenacted as section 215 of the FAA of 1961, and modified to apply only to "friendly countries." In 1973, with the enactment of the functional accounts in the FAA, section 215 became eclipsed by section 103 (food and nutrition).

Conclusion

Section 215 of the FAA became redundant in 1973 upon the enactment of the functional accounts in the FAA (section 103). Section 202 of the bill, which encompasses small farmers' credit as well as other rural development matters, makes 215 unnecessary.

SECTION 217

Text

SEC. 217. USED EQUIPMENT.—The President is authorized to use funds made available for the purposes of section 211 to conduct a study and investigation to determine the feasibility of establishing programs for the furnishing to less developed friendly countries and areas of

used tools, machinery, and other equipment to be donated by private enterprises, or acquired through normal channels of trade, and the extent to which such programs are likely to be utilized by and contribute to the economic development of the receiving country. The President shall submit to the Congress at the earliest practicable date a report of the result of such study and investigation, together with such recommendations for legislation as he deems advisable.

Purpose

Section 217 authorized a feasibility study by the President on providing friendly developing countries with used tools, machinery, and other equipment to be donated from private enterprise or acquired through normal channels of trade. The section required the President to report to the Congress on the results of such study and to offer recommendations.

Background

Section 217 was enacted in 1964, and has not been amended.

Conclusion

Section 217 has been omitted; AID has thoroughly studied the use of used equipment in development programs. Once the purpose of this section was fulfilled, it contained no additional authority. It is now obsolete.

SECTION 218

Text

SEC. 218. FISH AND OTHER PROTEIN CONCENTRATES.—(a) The President is authorized to conduct a program designed to demonstrate the potential and to encourage the use of fish and other protein concentrates as a practical means of reducing nutritional deficiencies in less developed countries and areas. This program shall include—

- (1) studies and activities relating to food technology;
- (2) development of suitable marketing techniques;
- (3) development of consumer acceptance programs; and
- (4) feeding programs designed to demonstrate the nutritional

value of fish and other protein concentrates as a diet supplement. In carrying out his functions under this section, the President shall consult with the National Council on Marine Resources and Engineering Development, appropriate Government agencies and other such technical groups or agencies as may be helpful with such activities. In accordance with section 601(b) of this Act, the President shall encourage full participation in such program by United States private enterprise.

The president is authorized to use funds made available under this part for the purposes of this section, and is urged to use at least \$2,500,000 of such funds for such purposes.

Purpose

Section 218 authorizes the President to conduct a program to demonstrate and encourage the use of fish and other protein concentrates to reduce nutritional deficiencies in less-developed countries. Food technology research and development of market techniques, consumer acceptance programs, and demonstration feeding programs are emphasized. Funds are authorized under part I of the FAA for the fore-

going purposes, and the President is urged (not required) to use at least \$2,500,000 of such funds for purposes of section 218.

Background

Section 218 was enacted in 1967. It has not been amended. When the functional accounts were incorporated into the FAA in 1973, section 218 became superfluous. FAA section 103 (food and nutrition) contains ample authorization to carry out the purposes of section 218.

Conclusion

Section 218 was made obsolete by the FAA's functional account on food and nutrition; the bill (section 202) contains a functional account which would also authorize programs similar to those envisioned by FAA section 218.

SECTION 219

Text

SEC. 219. PROTOTYPE DESALTING PLANT.—(a) In furtherance of the purposes of this part and for the purpose of improving existing, and developing and advancing new technology and experience in the design, construction, and operation of large-scale desalting plants of advanced concepts which will contribute materially to low-cost desalination in all countries, including the United States, the President if he determines it to be feasible, is authorized to participate in the development of a large-scale water treatment and desalting prototype plant and necessary appurtenances to be constructed in Israel as an integral part of a dual-purpose power generating and desalting project. Such participation shall include financial, technical, and such other assistance as the President deems appropriate to provide for the study, design, construction, and, for a limited demonstration period of not to exceed five years, operation and maintenance of the water treatment and desalting facilities of the dual-purpose project.

(b) Any agreement entered into under subsection (a) of this section shall include such terms and conditions as the President deems appropriate to insure, among other things, that all information, products, uses, processes, patents, and other developments obtained or utilized in the development of this prototype plant will be available without further cost to the United States for the use and benefit of the United States throughout the world, and to insure that the United States, its officers and employees have a permanent right to review data and have access to such plant for the purpose of observing its operations and improving science and technology in the field of desalination.

(c) In carrying out the provisions of this section, the President may enter into contracts with public or private agencies and with any person without regard to sections 3648 and 3709 of the Revised Statutes of the United States (31 U.S.C. 529 and 41 U.S.C. 5).

(d) Nothing in this section shall be construed as intending to deprive the owner of any background patent or any right which such owner may have under that patent.

(e) In carrying out the provisions of this section, the President may utilize the personnel, services, and facilities of any Federal agency.

(f) The United States costs, other than its administrative costs, for the study, design, construction, and operation of a prototype plant under this section shall not exceed either 50 per centum of the total capital costs of the facilities associated with the production of

water, and 50 per centum of the operation and maintenance costs for the demonstration period, or \$20,000,000, whichever is less. There are authorized to be appropriated, subject to the limitations of this subsection, such sums as may be necessary to carry out the provisions of this section, including administrative costs thereof. Such sums are authorized to remain available until expended.

(g) No funds appropriated for the Office of Saline Water pursuant to the appropriation authorized by the Act of July 11, 1969 (83 Stat. 45, Public Law 91-43), or prior authorization Acts, shall be used to carry out the purposes of this section.

Purpose

Section 219 authorizes the appropriation of up to \$20 million for the study, design, construction, and operation of a prototype desalting and water treatment plant in Israel. U.S. participation is authorized for a demonstration period (in addition to study, design, and construction) of up to 5 years; U.S. costs (other than administrative) are not to exceed 50 percent of the total capital costs of the facilities and 50 percent of the operations and maintenance costs for the demonstration period, or \$20 million, whichever is lesser.

Background

Section 219 was enacted in 1969; \$20 million was appropriated in 1970. The last of these funds were obligated in 1975. All of the funds are not yet disbursed, but an additional authorization request is not contemplated.

Conclusion

Section 219 is no longer necessary since the appropriation authorized has been made, the funds obligated, and the U.S. role in the project essentially at an end.

SECTION 220

Text

SEC. 220. PROGRAMS FOR PEACEFUL COMMUNICATION.—The President is authorized to use funds made available under section 212 to carry out programs and peaceful communications which make use of television and related technologies, including satellite transmissions, for educational, health, agricultural, and community development purposes in the less developed countries.

(b) In carrying out programs in the fields of educational health, agriculture, and community development, the agency primarily responsible for part I shall, to the extent possible, assist the developing countries with research, training, planning assistance, and project support in the use of television and related technologies, including satellite transmissions. The agency shall make maximum use of existing satellite capabilities, including the facilities of the International Telecommunications Satellite Consortium.

(c) In implementing activities under this section, the agency primarily responsible for part I shall coordinate closely with Federal, State, and local agencies and with nongovernmental educational, health, and agricultural institutions and associations within the United States.

Purpose

Section 220 authorizes the President to use funds under section 212 of the FAA for programs of peaceful communications, using television, satellite communications, and other similar technology for educational, health, agricultural, and community development purposes in developing countries. The section provides for assistance, research, training, and support in the use of such technology and coordination with Federal, State, local, and nongovernment agencies in the United States.

Background

Section 220 originated in the House Foreign Affairs Committee and was enacted as part of the FAA in 1969. There have been no amendments since its enactment. The FAA's functional accounts, which focus on the function of the assistance rather than the mechanics of its delivery, are broad enough to authorize use of these kinds of technology for programs in education, agriculture, health, and community development. The same is true for the functional accounts in the bill.

Conclusion

This section was added to the FAA to encourage the use of television and other advanced technologies to carry out functional programs. The authorities in the bill are broad enough to make FAA section 220 unnecessary.

SECTION 220A

Text

SEC. 220A. SUEZ CANAL.—The President is authorized to furnish financial assistance, on such terms and conditions as he may determine, for assisting in the reopening of the Suez Canal after agreement has been reached by the parties involved, which agreement provides for the use of the Canal by the ships of all nations, including Israel, on a nondiscriminatory basis. For the purpose of carrying out this section, there are authorized to be appropriated not to exceed \$10,000,000 in Egyptian pounds now owned by the United States and determined by the President to be excess to the normal requirements of departments and agencies of the United States. Amounts appropriated under this section are authorized to remain available until expended.

Purpose

Section 220A authorizes the equivalent of \$10 million in U.S.-owned excess Egyptian pounds for assisting in reopening the Suez Canal. Assistance under this section is conditioned on an agreement between Israel and Egypt that the canal be open on equal terms to ships of all nations (including Israel) on a nondiscriminatory basis.

Background

The Suez Canal Authority was enacted in 1971. It has not been amended since the date of enactment.

Conclusion

The work to reopen the Suez Canal which this authorization supported has been completed. The Egyptian pounds have been either expended or deobligated; the section is no longer needed.

SECTIONS 251, 252 AND 253

Text

SEC. 251. GENERAL AUTHORITY.—(a) It is the sense of the Congress that the historic, economic, political and geographic relationships among the American peoples and Republics are unique and of special significance and that the Alliance for Progress offers great hope for the advancement of the welfare of the peoples of the Americas and the strengthening of the relationships among them. It is further the sense of Congress that vigorous measures by the countries and areas of Latin America to mobilize their own resources for economic development and to adopt reform measures to spread the benefits of economic progress among the people are essential to the success of the Alliance for Progress and to continued significant United States assistance thereunder. The President is authorized to furnish assistance on such terms and conditions as he may determine in order to promote the economic development of countries and areas in Latin America.

(b) Assistance furnished under this title shall be directed toward the development of human as well as economic resources. In furnishing assistance under this title, the President shall take into account (1) the principles of the Act of Bogota and the Charter of Punta del Este, and in particular the extent to which the recipient country or area is showing a responsiveness to the vital economic, political, and social concerns of its people and demonstrating a clear determination to take effective self-help measures; (2) the economic and technical soundness of the activity to be financed; (3) the consistency of the activity with, and its relationship to, other development activities being undertaken or planned, and its contribution to realizable long-range objectives; (4) the possible effects upon the United States economy, with special reference to areas of substantial labor surplus, of the assistance involved; (5) the degree to which the recipient country is making progress toward respect for the rule of law, freedom of expression and of the press, and recognition of the importance of individual freedom, initiative, and private enterprise; (6) the degree to which the recipient country is taking steps to improve its climate for private investment; (7) whether or not the activity to be financed will contribute to the achievement of self-sustaining growth; and (8) the extent to which the activity to be financed will contribute to the economic or political integration of Latin America. In making loans under this title from funds which are required to be used for loans payable as to principal and interest in United States dollars, the President shall take into account, in addition to the considerations named in the preceding sentence, whether financing could be obtained in whole or in part from other free world sources on reasonable terms (including private sources within the United States), the capacity of the recipient country to repay the loan at a reasonable rate of interest, and the efforts made by recipient nations to repatriate capital invested in other countries by their own citizens. The provisions of sections 201(d), 202(b), 202(c), and 204 shall be applicable to such loans, and they shall be made only upon a finding of reasonable prospects of repayment.

(c) The authority of section 614(a) may not be used to waive the requirements of this title with respect to funds made available for this title which are required to be used for loans payable as to principal and interest in United States dollars, and the authority of section 610 may

be used to transfer such funds only to funds made available for title I of chapter 2 of part I.

(d) In order to carry out the policies of this Act and the purpose of this title, the President shall, when requested by a friendly country and when appropriate, assist in fostering measures of agrarian reform, including colonization and redistribution of land, with a view to insuring a wider and more equitable distribution of the ownership of land.

(e) The President shall not allocate, reserve, earmark, commit, or otherwise set aside, funds aggregating in excess of \$100,000 for use in any country under this title unless (1) an application for such funds has been received for use in such country together with sufficient information and assurances to indicate reasonably that the funds will be used in an economically and technically sound manner, or (2) the President determines with respect to each such allocation, reservation, earmarking, commitment, or set-aside that it is in the national interest to use such funds pursuant to multilateral plans.

(f) In furnishing assistance under this title, consistently with and for the purposes of section 601(b)(4) of this Act, the agency primarily responsible for administering part I or any other departments and agencies designated by the President shall provide such assistance as may be determined by the President to be necessary from time to time in order to make effective the efforts of the Commerce Committee for the Alliance for Progress, established under the Department of Commerce.

(g) In order to carry out the policies of this Act, the President shall, when appropriate, assist in promoting the organization, implementation, and growth of the cooperative movement in Latin America as a fundamental measure toward the strengthening of democratic institutions and practices and economic and social development under the Alliance for Progress.

(h) Loans may be made under authority of this title only for social and economic development projects and programs which are consistent with the findings and recommendations of the Inter-American Committee for the Alliance for Progress in its annual review of national development activities. Whenever the President determines that the purposes of this title would be better served thereby, he may make available, in addition to any other funds available for such purposes, on such terms and conditions as he determines, not to exceed 15 per centum of the funds made available for this title to the Inter-American Development Bank, or to any of the institutions named in section 205 (other than the Asian Development Bank), for use in Latin America pursuant to the laws governing United States participation in the said Bank or in such institutions and the governing statutes thereof and without regard to section 201 or any other requirements of this or any other Act.

SEC. 252. AUTHORIZATION.—(a) There is authorized to be appropriated to the President for the purposes of this title, in addition to other funds available for such purposes, for the fiscal year 1972, \$295,000,000, and for the fiscal year 1973, \$295,000,000, which amounts are authorized to remain available until expended, and which amounts, except for not to exceed \$88,500,000 for each such fiscal year, shall be available only for loans payable as to principal and interest in United States dollars. In order to effectuate the purposes and provi-

sions of sections 102, 251, 601, and 602 of this Act, not less than 50 per centum of the loan funds appropriated pursuant to this section for any fiscal year shall be available for loans made to encourage economic development through private enterprise.

(b) There are authorized to be appropriated to the President for the fiscal year 1974, \$934,000, and for the fiscal year 1975, \$934,000, for grants to the National Association of the Partners of the Alliance, Inc., in accordance with the purposes of this title.

SEC. 253. FISCAL PROVISIONS.—All receipts in United States dollars from loans made under this title and from loans made for the benefit of countries and areas of Latin America under title I of chapter 2 of part I of this Act, notwithstanding section 203, shall be available for use for loans payable as to principal and interest in United States dollars in furtherance of the purposes of this title. All receipts in foreign currencies from loans made under this title or for nonmilitary assistance purposes under the Mutual Security Act of 1954, as amended, or any Act repealed thereby, shall be available, in addition to other funds available for such purposes, for loans on such terms and conditions as the President may specify to carry out the purposes of subsection (g) of section 251 of this title, and the President may, notwithstanding the provisions of this or any other Act, reserve such currencies in such amounts (not to exceed \$25,000,000) as he shall determine to be necessary to provide for the programs authorized by said subsection (g). Such receipts and other funds made available under this title for use for the purposes of this title shall remain available until expended.

Purpose

Section 251 provides general authority for U.S. assistance under the Alliance for Progress. The section contains eight subsections which have the following purposes:

(a) recognizes the special relationship between the United States and Latin America and the need for self-help efforts; it authorizes the President to "furnish assistance on such terms and conditions as he may determine" for Latin American economic development.

(b) requires the President to take into account various criteria and make findings regarding repayment prospects; it also applies related FAA provisions.

(c) places certain restrictions on the use of waiver authority (FAA sec. 614(a)) and transfer authority (FAA sec. 610).

(d), (e), (f), (g), and (h) provide miscellaneous requirements related to agrarian reform; assurance that funds will be used in a technically sound manner and that the cooperating government has applied for assistance; coordination with the Committee for the Alliance for Progress; and promotion of cooperatives to strengthen democratic institutions.

Section 252(a) authorizes appropriations and requires 50 percent of loan funds be made through private enterprise; subsection (b) authorizes appropriations for the National Association of the Partners of the Alliance, Inc.

Section 253 provides for the reuse or reflow of dollar loan repayments and local currency receipts under certain circumstances (prohibited since 1975 by section 203 of the FAA).

Background

Sections 251-53 were originally enacted as part of the FAA in 1962. Various amendments have been added subsequent to the original enactment, including the requirement that private financing be considered for Alliance projects; that local currency (with other funds otherwise available) be used for cooperative development; that new criteria be considered in making loans; and that certain loans be consistent with the findings and recommendations of the Committee for the Alliance. Authorizations of grants for the National Association of the Partners for Alliance were also added after initial enactment.

Since the enactment of the functional accounts in 1973, no appropriations have been authorized pursuant to FAA section 252(a). No appropriations have been authorized for the Partners of the Alliance under FAA section 252(b) since FY 1975. The Foreign Assistance Act of 1974, which prohibited AID's use of loan reflows after July 1, 1975, had the effect of repealing FAA section 253, at least insofar as dollar reflows are concerned. Pursuant to section 253, receipts in foreign currencies from Alliance loans are still authorized to be used for loans on such terms and conditions as the President may determine to promote the development of cooperatives; but appropriations therefor are not made.

Conclusion

The authorizations in the bill will enable assistance to be provided to Latin American countries whenever appropriate, and retention of FAA sections 251-53 is unnecessary.

SECTION 261

Text

SEC. 261. The President may appoint a committee to review and evaluate the economic development program under this act, and to report to the President and to the Congress its findings.

Purpose

This section permits the President to appoint a committee to review and evaluate economic development programs under the FAA, and report its findings to the President and the Congress.

Background

Section 261 originated in the Senate in 1963. The purpose of this provision has been fulfilled and it is now obsolete. In 1973 Congress added section 640B to the FAA to establish the Development Coordination Committee (DCC), a portion of whose functions is to review and evaluate development programs. Section 702 of the bill carries forward the DCC.

Conclusion

Section 261 is no longer necessary; part of its function is continued by section 702 of the bill; part is performed also by the reports to Congress required by section 781 of the bill.

SECTIONS 271 AND 272

Text

SEC. 271. GENERAL PROVISIONS.—The acceleration of social and economic progress in southeast Asia is important to the achievement of

the United States foreign policy objectives of peace and stability in that area. It is the sense of Congress that this objective would be served by an expanded effort by the countries of southeast Asia and other interested countries in cooperative programs for social and economic development of the region, employing both multilateral and bilateral channels of assistance.

SEC. 272. SPECIAL PROVISIONS.—In providing assistance to further the purposes of this title the President shall take into account:

- (1) initiatives in the field of social and economic development by Asian peoples and institutions;
- (2) regional economic cooperation and integration in southeast Asia;
- (3) the extent of participation by other potential donor countries;
- (4) the degree of peaceful cooperation among the countries of southeast Asia toward the solution of common problems; and
- (5) the ability of multilateral institutions or other administering authorities to carry out projects and programs effectively, efficiently, and economically.

Purpose

Sections 271 and 272 recognize the importance of social and economic development in achieving peace and stability in Southeast Asia. Emphasis is placed upon multilateral assistance and regional programs.

Background

Sections 271 and 272 were added to the FAA in 1966. They were designed to promote an expanded effort by the countries of Southeast Asia in cooperative programs for social and economic development of the region. Section 272 was intended to provide certain criteria for the President before dispensing assistance under the title.

Conclusion

Sections 271-272 were enacted to support specific foreign policy objectives during the 1960's in Southeast Asia, and are no longer necessary

SECTION 281

Text

SEC. 281. (a) In carrying out programs authorized in this chapter, emphasis shall be placed on assuring maximum participation in the task of economic development on the part of the people of the developing countries, through the encouragement of democratic private and local government institutions.

(b) In order to carry out the purposes of this title, programs under this chapter shall—

- (1) recognize the differing needs, desires, and capacities of the people of the respective developing countries and areas;
- (2) use the intellectual resources of such countries and areas in conjunction with assistance provided under this Act so as to encourage the development of indigenous institutions that meet their particular requirements for sustained economic and social progress; and

(3) support civic education and training in skills required for effective participation in governmental and political processes essential to self-government.

(c) In the allocation of funds for research under this chapter, emphasis shall be given to research designed to examine the political, social, and related obstacles to development in countries receiving assistance under part I of this Act. In particular, emphasis should be given to research designed to increase understanding of the ways in which development assistance can support democratic, social and political trends in recipient countries.

(d) Emphasis shall also be given to the evaluation of relevant past and current programs under part I of this Act and to applying this experience so as to strengthen their effectiveness in implementing the objectives of this title.

(e) In order to carry out the purposes of this title, the agency primarily responsible for administering part I of this Act, shall develop systematic programs of inservice training to familiarize its personnel with the objectives of this title and to increase their knowledge of the political and social aspects of development. In addition to other funds available for such purposes, not to exceed 1 per centum of the funds authorized to be appropriated for grant assistance under this chapter may be used for carrying out the objectives of this subsection.

Purpose

Section 281 of the FAA requires that, in carrying out economic development assistance programs, emphasis should be placed upon assuring maximum participation by the people of the developing countries through the development of private and local democratic institutions. The section provides that systematic programs of inservice training shall be instituted to familiarize AID personnel with the title's objectives. The section further authorizes 1 percent of chapter 2 grant funds for carrying out the purposes of the title.

Background

Section 281 was enacted in 1966. Subsection (e), the provision on inservice training, and the last sentence in subsection (c) were added to the FAA in 1968.

Section 102, the major policy statement of the FAA, recognizes the need, in the administration of the act, "to stimulate the involvement of the people in the development process through the encouragement of democratic participation in private and local governmental activities and institution-building appropriate to the requirements of the recipient nations." FAA section 102 was entirely rewritten in 1967 and borrowed the above language from the concepts of FAA section 281, making FAA section 281 somewhat redundant. Section 102 of the bill also stresses the policies of direct involvement of the poor in the building of local institutions. The bill authorizes extensive training of International Development Officers in section 722.

Conclusion

Section 281 is unnecessary in view of the restatement of policy contained within FAA section 102. The bill contains similar policy provisions. The bill also authorizes inservice training which would cover the purposes set out in section 281.

SECTION 292

Text

SEC. 292. AUTHORIZATION.—Of the funds provided to carry out the provisions of part I of this Act for the fiscal year 1974, \$125,000,000 and for the fiscal year 1975, \$150,000,000 shall be available in each such fiscal year only to carry out the purposes of this title, and, notwithstanding any other provisions of this Act, funds used for such purposes may be used on a loan or grant basis.

Purpose

Section 292 of the FAA, prior to the enactment of FAA section 104, authorized funds for title X (FAA section 291), "Programs Relating to Population Growth." The funds were authorized on either a loan or grants basis, notwithstanding any other provisions of the FAA.

Background

Sections 291 and 292 were enacted in 1967. They originated in the Senate Foreign Relations Committee. The authorization and earmarking for population programs in section 292 was continued until fiscal year 1975 when it was superseded by the authorization and earmarking in FAA section 104. Section 203 of the bill contains an authorization similar to FAA section 104.

Conclusion

Section 292 was made obsolete by the authorization contained in FAA section 104. It is unnecessary since the bill contains, in section 203, a similar authorization of funds for population and health programs as well as similar policy provisions formerly contained in FAA section 291 concerning population programs.

SECTION 295

Text

SEC. 295. FOOD PRODUCTION TARGETS AND REPORTS.—In making his recommendation to the Congress for programs for the fiscal year 1969 and each fiscal year thereafter, wherever appropriate, the President shall, for each country receiving assistance under this Act which he finds has a substantial food deficit, include—

(1) descriptions of proposed programs, if any, in the areas of food production, storage, and distribution, and voluntary family planning;

(2) information on achievement targets in food production, storage, and distribution, and their relationship to expected changes in total population; and

(3) a detailed report on progress with respect to food production, storage, and distribution, and the relationship of this progress to population."

Purpose

This section is intended:

(1) To assure that AID and the governments of food-deficit countries receiving significant U.S. assistance formulate and actively promote programs for dealing with this important problem, and

(2) To assure that the Congress receive the information essential to an evaluation of such programs.

Background

Section 295 was included in the FAA in 1967.

Conclusions

There is no longer a need for FAA section 295. The annual reports required by sections 225 and 781 of the bill will provide necessary food production information.

SECTION 303

Text

INDUS BASIN DEVELOPMENT.—In the event that funds made available under this Act (other than part II) are used by or under the supervision of the International Bank for Reconstruction and Development in furtherance of the development of the Indus Basin through the program of cooperation among South Asian and other countries of the free world, which is designed to promote economic growth and political stability in South Asia, such funds may be used in accordance with requirements, standards, or procedures established by the Bank concerning completion of plans and cost estimates and determination of feasibility, rather than with requirements, standards, or procedures concerning such matters set forth in this or other Acts; and such funds may also be used without regard to the provisions of section 901 (b) of the Merchant Marine Act, 1936, as amended (46 U.S.C. 1241), whenever the President determines that such provisions cannot be fully satisfied without seriously impeding or preventing accomplishment of the purposes of such programs: *Provided*, That compensating allowances are made in the administration of other programs to the same or other areas to which the requirements of said section 901 (b) are applicable.

Purpose

First presented to Congress as part of the Mutual Security Act of 1960, this section specifies that funds made available under the economic assistance authorities of the FAA to be used by or under the supervision of the IBRD in furtherance of the development of the Indus Basin may be used in accordance with the requirements, standards, or procedures established by the IBRD concerning completion of plans and cost estimates and determination of feasibility, rather than the requirements, standards, or procedures set forth in the FAA (for example, FAA section 611).

Background

Annual authorizations for Indus Basin Development have been made through fiscal year 1977, at which time all U.S. obligations had been fulfilled.

Conclusion

As the United States has fulfilled its obligations with respect to Indus Basin Development, FAA section 303 is no longer necessary.

SECTION 304

Text

UNITED NATIONS PEACEKEEPING.—It is the sense of the Congress that the cause of international order and peace can be enhanced by the establishment, within the United Nations Organization, of im-

proved arrangements for standby forces being maintained by United Nations members for United Nations peacekeeping purposes in accordance with the United Nations Charter. The President is therefore requested to explore through the United States Representative to the United Nations, and in cooperation with the other members of the United Nations and the United Nations Secretariat, both the means and the prospects of establishing such peacekeeping arrangements. The President shall submit to the Congress, not later than March 31, 1968, a report upon the outcome of his initiatives, together with such recommendations as he may deem appropriate.

Purpose

Section 304 expressed the sense of the Congress that the cause of international order and peace could be enhanced within the United Nations organization. Congress felt that improved arrangements were necessary for maintaining standby forces for United Nations peacekeeping purposes in accordance with the United Nations Charter. The President, therefore, was requested to explore both the means and the prospects of establishing such peacekeeping arrangements, and to submit a report to the Congress no later than March 31, 1968.

Background

At the time FAA section 304 was enacted (1967), the U.S. was making contributions to the United Nations Emergency Force in the Near East and the United Nations Force in Cyprus. Presently, assessed contributions for the United Nations activities in the Sinai are met through State Department appropriations. AID contributions for the U.N. presence in Cyprus, made on a voluntary basis, come from Security Supporting Assistance appropriations. The United States, through its Sinai Support Mission, is involved in its own peacekeeping activities in the Middle East.

Conclusion

The report required under FAA Sec. 304 was submitted almost 10 years ago. In addition, all assessed contributions to U.N. peacekeeping activities are presently made through State Department appropriations. Section 304 is therefore no longer necessary.

SECTION 451

Text

SEC. 451. CONTINGENCY FUND.—(a) There is authorized to be appropriated to the President for the fiscal year 1978 not to exceed \$5,000,000 to provide assistance authorized by this part for any emergency purpose only in accordance with the provisions applicable to the furnishing of such assistance. Amounts appropriated under this section are authorized to remain available until expended.

(b) The President shall submit quarterly reports to the Committee on Foreign Relations and the Committee on Appropriations of the Senate and the Speaker of the House of Representatives on the programming and obligation of funds under this section.

(c) No part of this fund shall be used to pay for any gifts to any officials of any foreign government made heretofore or hereafter.

Purpose

Section 451 authorizes a contingency fund through which the President may furnish economic assistance for emergency purposes in accordance with applicable provisions of part I of the FAA, and authorizes up to \$5 million for this fund in the fiscal year 1978.

Subsection (b) requires the President to submit quarterly reports to Congress on the obligation and programming of section 451 funds.

Subsection (c) prohibits the use of the contingency fund for gifts to any foreign government official. It was passed to forbid the proposed use of this fund to pay for a helicopter given President Sadat of Egypt.

Background

The Contingency Fund has not been used for the past 3 years. It was made a separate account in 1974 to afford Congress better control over the Fund because of earlier abuses. Congress has been concerned with the use of the Fund in prior years for political or military purposes.

Conclusion

Recent history makes it clear that a Contingency Fund is not a necessary part of the development assistance program. The bill contains general authorities for most unexpected emergencies (particularly the disaster assistance section) and permits program changes during the fiscal year (with congressional notification) to permit the executive branch sufficient flexibility to react to changed circumstances.

SECTION 461

Text

SEC. 461. ASSISTANCE TO COUNTRIES HAVING AGRARIAN ECONOMIES.—

(a) Wherever the President determines that the economy of any country is in major part an agrarian economy, emphasis shall be placed on programs which reach the people in such country who are engaged in agrarian pursuits or who live in the villages or rural areas in such country including programs which will assist them in the establishment of indigenous cottage industries, in the improvement of agricultural methods and techniques, and which will encourage the development of local programs of self-help and mutual cooperation. In such country emphasis shall be placed also upon programs of community development which will promote stable and responsible governmental institutions at the local level.

(b) In presenting proposals to the Congress for fiscal year 1969 the President shall include recommendations for improving and establishing agricultural research and training facilities in tropical and subtropical regions of Latin America, Africa, and Asia. These recommendations shall be developed after consultation with the Department of Agriculture, land-grant colleges of agriculture, and other appropriate institutions and organizations, including those in the regions concerned.

Purpose

Subsection (a) provides that the President shall place emphasis on programs reaching people who are engaged in agrarian pursuits or

who live in rural areas whenever the President determines that the economy of any country is in major part an agrarian economy. Such countries' emphasis shall be placed also upon programs of community development which will promote stable and responsible governmental institutions at the local level.

Subsection (b) required a report to be submitted with the congressional presentation for fiscal year 1969 on recommendations for improving and establishing agricultural research and training facilities on tropical and subtropical regions of Latin America, Africa, and Asia.

Background

Subsection (a) was enacted in 1961. The same policy concerns were incorporated in FAA section 102 in 1973. Subsection (b) was enacted in 1967.

Conclusion

The policy statements in subsection (a) have been included in the policy provisions of existing FAA section 102 which would be incorporated into section 202 of the bill. The report required by subsection (b) was furnished almost 10 years ago. This section is no longer needed.

SECTIONS 481-82

Text

SEC. 481. INTERNATIONAL NARCOTICS CONTROL.—(a) It is the sense of the Congress that effective international cooperation is necessary to put an end to the illicit production, smuggling, trafficking in, and abuse of dangerous drugs. In order to promote such cooperation, the President is authorized to conclude agreements with other countries to facilitate control of the production, processing, transportation, and distribution of narcotic analgesics, including opium and its derivatives, other narcotic drugs and psychotropics, and other controlled substances as defined in the Comprehensive Drug Abuse Prevention and Control Act of 1970. Notwithstanding any other provision of law, the President is authorized to furnish assistance to any country or international organization, on such terms and conditions as he may determine, for the control of the production of, processing of, smuggling of, and traffic in, narcotic and psychotropic drugs. The President shall suspend economic and military assistance furnished under this or any other Act, and shall suspend sales under the Foreign Military Sales Act and under title I of the Agricultural Trade Development and Assistance Act of 1954, with respect to any country when the President determines that the government of such country has failed to take adequate steps to prevent narcotic drugs and other controlled substances (as defined by the Comprehensive Drug Abuse Prevention and Control Act of 1970) produced or processed, in whole or in part, in such country, or transported through such country, from being sold illegally within the jurisdiction of such country to United States Government personnel or their dependents, or from entering the United States unlawfully. Such suspension shall continue until the President determines that the government of such country has taken adequate steps to carry out the purposes of this chapter.

(b) (1) Not later than forty-five days after the date on which each calendar quarter of each year ends, the President shall transmit to the

Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a report on the programming and obligation, on a calendar quarter basis, of funds under this chapter prior to such date.

(2) Not later than forty-five days after the date on which the second calendar quarter of each year ends and not later than forty-five days after the date on which the fourth calendar quarter of each year ends, the President shall transmit to the Speaker of the House of Representatives, and to the Committee on Foreign Relations of the Senate, a complete and detailed semiannual report on the activities and operations carried out under this chapter prior to such date. Such semiannual report shall include, but shall not be limited to—

(A) the status of each agreement concluded prior to such date with other countries to carry out the purposes of this chapter; and

(B) the aggregate of obligations and expenditures made, and the types and quantity of equipment provided, on calendar quarter basis, prior to such date—

(i) to carry out the purposes of this chapter with respect to each country and each international organization receiving assistance under this chapter including the cost of United States personnel engaged in carrying out such purposes in each such country and with each such international organization;

(ii) to carry out each program conducted under this chapter in each country and by each international organization, including the cost of United States personnel engaged in carrying out each such program; and

(iii) for administrative support services within the United States to carry out the purposes of this chapter, including cost of United States personnel engaged in carrying out such purposes of the United States.

(c) (1) Notwithstanding any other provision of law, no officer or employee of the United States may engage or participate in any direct police arrest action in any foreign country with respect to narcotics control efforts.

(2) The President shall carry out a study with respect to methods through which United States narcotics control programs in foreign countries might be placed under the auspices of international or regional organizations. The results of such study shall be transmitted to the Speaker of the House of Representatives and the President of the Senate not later than June 30, 1977.

SEC. 482. AUTHORIZATION.—To carry out the purposes of section 481, there are authorized to be appropriated to the President \$39,000,000 for the fiscal year 1978. Amounts appropriated under this section are authorized to remain available until expended.

Purpose

Section 481 expresses the recognition that international cooperation is needed to curb the trade and abuse of narcotics: it also authorizes the President to furnish assistance, enter into international agreements, and suspend aid or sales under certain other acts to any country failing to take adequate steps to prevent drugs from being illegally sold to U.S. personnel or dependents abroad or from unlawfully enter-

ing the United States. Subsection (b) of section 481 requires reports on the programing and obligation of funds and on activities and operations. Subsection (c) prohibits U.S. Government involvement in "direct police arrest action" in a foreign country with respect to narcotics control. Section 482 contains a separate authorization of funds for narcotics control programs.

Background

Section 481, which originated in the House Committee on Foreign Affairs, was enacted in 1971. Subsections (b) and (c) were added in 1973 and 1976, respectively. Section 482 was added in 1972.

Conclusion

Sections 481 and 482 are omitted from the FAA but not repealed, and should be considered with an expanded Arms Export Control Act since the program is implemented by the State Department.

SECTION 494

Text

SEC. 494. DISASTER RELIEF ASSISTANCE.—There are authorized to be appropriated, in addition to other sums available for such purposes, \$65,000,000 for use by the President for disaster relief and emergency recovery needs in Pakistan, and Nicaragua, under such terms and conditions as he may determine, such sums to remain available until expended.

Purpose

Authorizes \$65 million for disaster relief and emergency recovery needs in Pakistan and Nicaragua.

Background

Section 494 was enacted in 1974. The disaster assistance authorization at that time did not authorize sufficient funds to permit the United States to respond adequately to the earthquake that devasated Managua, Nicaragua, and to floods that occurred in Pakistan. This provision was originally enacted as FAA section 452 ("Chapter 5: Contingency Fund"). The Congress intended this authority to be used for emergency relief and recovery efforts, and that any further U.S. assistance would be contained in normal economic assistance programs.

Conclusion

The disasters that prompted this subsection happened 4½ to 5 years ago. The funds have been expended and no funds were appropriated in fiscal year 1978. The section is now unnecessary.

SECTION 494A

Text

SEC. 494A. FAMINE AND DISASTER RELIEF TO DROUGHT-STRICKEN AFRICAN NATIONS.—(a) The Congress affirms the response of the United States Government in providing famine and disaster relief and related assistance in connection with the drought in the nations of Africa. The President shall report to Congress as soon as possible on solutions to this problem of famine and further propose how any of these solutions may be carried out by multilateral organizations.

(b) Notwithstanding any prohibitions or restrictions contained in this or any other Act, there is authorized to be appropriated to the President, in addition to funds otherwise available for such purposes, \$110,000,000 to remain available until expended, for use by the President, under such terms and conditions as he may determine, for emergency and recovery needs, including drought, famine, and disaster relief, and rehabilitation and related assistance, for the drought stricken nations of Africa. Of the amount authorized to be appropriated under this subsection, not more than \$10,000,000 shall be available for Ethiopia.

Purpose

Authorizes, in addition to other funds available for such purposes, \$110 million for emergency and recovery needs, including drought, famine, and disaster relief, and rehabilitation and related assistance, for the drought-stricken nations of Africa. Not more than \$10 million can be used in Ethiopia. Subsection (a) requires the President to report on solutions to the famine problem and, further, how they can be implemented by multilateral organizations.

Background

Section 494A was originally enacted in 1973. It was intended to respond to the severe drought affecting the Sahel region of Africa.

The FAA of 1973 originally designated this section as FAA section 639A and authorized \$25 million for "Sahelian" disaster relief. The Foreign Disaster Assistance Act of 1974 substituted "Drought-Stricken African Nations" for "The African Sahel" and increased the authorization to \$110 million. The International Development and Food Assistance Act of 1975 redesignated this section as FAA section 494A.

Conclusion

All funds appropriated pursuant to this authorization have not been expended; approximately \$1 million remains unspent. AID is currently exploring the possibility of using some of these funds for drought assistance in Mauritania. However, FAA section 494A would not be needed since section 793(c) of the bill would permit such funds to be carried forward. In addition, the bill, in title II of chapter V, contains authorizations for international disaster assistance which would authorize programs like those specified in FAA section 494.

FAA sections 120 and 121 authorize funds for planning and implementing a long-term development effort in the Sahel. This authority is reflected in section 209 of the bill.

SECTION 495

Text

SEC. 495. CYPRUS RELIEF AND REHABILITATION.—The President is authorized to furnish assistance, on such terms and conditions as he may determine, for the relief and rehabilitation of refugees and other needy people in Cyprus. There is authorized to be appropriated for the purposes of this section, in addition to amounts otherwise available for such purposes, \$30 million. Such amount is authorized to remain available until expended. Assistance under this section shall be provided in accordance with the policy and general authority contained in section 491.

Purpose

This provision authorizes the appropriation of \$30 million on a "no-year" basis for the relief and rehabilitation of refugees and other needy people in Cyprus. Such assistance may be provided without regard to the restrictions of the FAA or any other act in the same manner as assistance authorized under section 491.

Background

Section 495 was added to the FAA in 1975. It was designed to meet the humanitarian and emergency needs of the persons displaced by the fighting on Cyprus.

Conclusion

Should renewed fighting break out, disaster assistance funds could be provided without the special authorization provided by FAA 495. The general authority and authorization provided in sections 491-492 would suffice to provide assistance in such a "manmade" disaster. The bill contains ample authority in title II of chapter V for such disasters. Section 495 is no longer necessary. The \$30 million authorized in 1975 has been appropriated and obligated.

SECTION 495A

Text

SEC. 495A. GUATEMALA RELIEF AND REHABILITATION.—(a) The President is authorized to provide assistance, on such terms and conditions as he may determine, for the relief and rehabilitation of the people who have been victimized by the recent earthquakes in Guatemala. There is authorized to be appropriated to the President to carry out the purposes of this section \$25 million for the fiscal year 1976, which amount is authorized to remain available until expended, except that not more than \$4 million of this amount shall be made available for repairs to the Puerto Barrios Highway in Guatemala. Assistance under this section shall be provided in accordance with the policy and general authority of section 491 of this act. Obligations incurred prior to the enactment of this section against other appropriations or accounts for the purpose of providing relief and rehabilitation assistance to the people of Guatemala may be charged to the appropriations authorized under this section.

(b) Assistance made available under this section shall be distributed to the maximum extent practicable through U.S. voluntary relief agencies and other international relief and development organizations.

(c) In order to limit the extent of deaths, injuries, and destruction in future earthquakes, assistance provided under this section which is used for the construction of housing in the Republic of Guatemala shall, to the maximum extent possible, be used for housing which is constructed of seismic resistant materials or which will otherwise minimize the danger of injury to occupants during future earthquakes; and the President should encourage the Government of the Republic of Guatemala to promote the use of such materials.

(d) Notwithstanding any other provision of law, the amount authorized to be appropriated in subsection (a) of this section may be used only for the purposes specified in this section. The authority contained in section 610(a) of this act may not be used to transfer funds made available under this section.

(e) Not later than 60 days after the date of enactment of appropriations to carry out this section, and at the end of each quarter thereafter, the President shall transmit a report to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives on the programing and obligations of funds under this section.

Purpose

Section 495A authorizes the appropriation of \$25 million to provide relief and rehabilitation assistance to the people of Guatemala as a result of an earthquake in February 1976.

Background

This section was enacted to demonstrate the humanitarian concern of the people of the United States for the people of Guatemala. It was added to the FAA by Public Law 94-276, effective April 21, 1976.

Conclusion

The objectives that were the focus of this section have been met. This section is no longer needed and section 793(c) of the bill would insure that any funds still remaining could be spent without a new authorizing section in the bill. In any event, title II of chapter V of the bill would provide authority for any additional relief and rehabilitation that might be necessary in Guatemala.

SECTION 495B

Text

SEC. 494B. ITALY RELIEF AND REHABILITATION.—(a) In addition to amounts otherwise available for such purpose, there is authorized to be appropriated \$25 million for the fiscal year 1976 to furnish assistance under this chapter for the relief and rehabilitation of the people who have been victimized by the recent earthquake in Italy. Amounts appropriated under this section are authorized to remain available until expended.

(b) There are authorized to be appropriated to the President \$30,000,000 for the fiscal year 1978 for relief, rehabilitation, and reconstruction assistance, in accordance with the provisions of Section 491 and on such terms and conditions as he may determine, for the people who have been victimized by the recent earthquakes in Italy. Amounts appropriated under this subsection are authorized to remain available until expended.

(c) Obligations incurred prior to the date of enactment of this section against other appropriations or accounts for the purpose of providing relief and rehabilitation assistance to the people of Italy may be charged to the appropriations authorized under this section.

Purpose

Section 495B(a) authorizes the appropriation of \$25 million for fiscal year 1976 for relief and rehabilitation of Italian earthquake victims.

Subsection (b) authorizes the appropriation of \$30 million for the fiscal year 1978 for the relief, rehabilitation, and reconstruction for the people who have been victimized by earthquakes in Italy. Funds authorized to be appropriated under this section are authorized to be

used in accordance with the provisions of FAA section 491 (International Disaster Assistance).

Subsection (c) permits obligations incurred prior to enactment of this section for Italian relief and rehabilitation to be charged to the appropriations authorized by this section.

Background

This section was added to the FAA in 1976. It authorized \$25 million for fiscal year 1976 for assistance to victims of the earthquakes that wrecked havoc in northeast Italy. The section was amended in 1977 to add a new subsection (b) which authorized an additional \$30 million for earthquake assistance activities. Northeastern Italy was hit by two earthquakes in 1976. The first authorization occurred between the first and the second earthquakes. The second authorization was intended to respond to the damage caused by the second earthquake.

Conclusion

Emergency relief and rehabilitation funds in Italy should be fully obligated during fiscal year 1978. Any funds not obligated would continue to remain available for their original purposes under section 793(c) of the bill. In addition, title II of chapter V provides authority for the rehabilitation and reconstruction provided in FAA section 495B. Therefore, that section is no longer necessary.

SECTION 495C

Text

SEC. 495C. LEBANON RELIEF AND REHABILITATION.—(a) The Congress, recognizing that prompt United States assistance is necessary to alleviate the human suffering arising from the civil strife in Lebanon and to restore the confidence of the people of Lebanon, authorizes the President to furnish assistance, on such terms and conditions as he may determine, for the relief and rehabilitation of refugees and other needy people in Lebanon.

(b) There is authorized to be appropriated to the President for the purposes of this section, in addition to amounts otherwise available for such purposes, \$20,000,000, which amount is authorized to remain available until expended.

(c) Assistance under this section shall be provided in accordance with the policies and general authority contained in section 491.

(d) Obligations incurred prior to the date of enactment of this section against other appropriations or accounts for the purpose of providing relief and rehabilitation assistance to the people of Lebanon may be charged to the appropriations authorized under this section.

(e) Not later than sixty days after the date of enactment of appropriations to carry out this section, and on a quarterly basis thereafter, the President shall transmit reports to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives regarding the programming and obligation of funds under this section.

Purpose

To authorize \$20 million for disaster relief in Lebanon.

Background

Section 495C was added to the FAA in 1976. It provided \$20 million for disaster relief and rehabilitation activities necessitated by the civil strife in Lebanon.

Conclusion

Although civil strife continues in Lebanon, the immediate and emergency needs for which this provision was enacted have been met. The Congress did not authorize or appropriate any additional funds in fiscal year 1978 for activities authorized by this section. Any additional funding determined necessary for Lebanon relief and rehabilitation could be provided under the authority of title II, chapter V, of the bill. Economic support for Lebanon would be provided under section 502(f) of the bill. FAA section 495C is no longer needed.

SECTION 495D—TURKEY

Text

SEC. 495D. TURKEY RELIEF, REHABILITATION, AND RECONSTRUCTION.—The President is requested to use up to \$10,000,000 of the funds made available under section 492 of this Act to provide relief, rehabilitation, and reconstruction assistance to the victims of the recent earthquakes in Turkey.

Purpose

This section requests the President to use up to \$10 million of the funds available under FA section 492 (International Disaster Assistance) to provide relief, rehabilitation, and reconstruction assistance to the victims of earthquakes in Turkey. The section is not an earmark of funds. It requests the President to use up to \$10 million in any fiscal year to assist earthquake victims in Turkey.

Background

Section 495D was enacted in 1977 as a Senate initiative and was intended to demonstrate continued U.S. support for relief, rehabilitation and reconstruction assistance to Turkey following disastrous earthquakes there in 1976.

Conclusion

The \$10 million requested to be used was obligated in fiscal year 1977. Additional authority for such activities is available in title II of chapter V of the bill.

SECTION 495D—ROMANIA

Text

SEC. 495D. ROMANIAN RELIEF AND REHABILITATION.—(a) The Congress, recognizing that prompt U.S. assistance is necessary to alleviate the human suffering arising from recent earthquakes in Romania, authorizes the President to furnish assistance, on such terms and conditions as he may determine, for the relief and rehabilitation of refugees and other earthquake victims in Romania.

(b) There are hereby authorized to be appropriated to the President for the fiscal year 1977, notwithstanding any other provisions of this Act, in addition to amounts otherwise available for such purposes, not to exceed \$20,000,000, which amount is authorized to remain available until expended.

(c) Assistance under this section shall be provided in accordance with the policies and general authority contained in section 491.

(d) Obligation incurred prior to the date of enactment of this section against other appropriations or accounts for the purpose of providing relief and rehabilitation assistance to the people of Romania may be charged to the appropriations authorized under this section.

(e) Not later than sixty days after the date of enactment of appropriations to carry out this section, and on a quarterly basis thereafter, the President shall transmit reports to the Committees on Foreign Relations and Appropriations of the Senate and to the Speaker of the House of Representatives regarding the programming and obligation of funds under this section.

(f) Nothing in this section shall be interpreted as endorsing any measure undertaken by the Government of Romania which would suppress human rights as defined in the Conference on Security and Co-operation in Europe (Helsinki) Final Act and the United Nations Declaration on Human Rights, or as constituting a precedent for or commitment to provide U.S. development assistance to Romania, and the Romanian Government shall be so notified when aid is furnished under this section.

Purpose

To authorize \$20 million for relief and rehabilitation activities following a devastating earthquake in Romania.

Background

In March 1977, portions of Romania were devastated by an earthquake. Section 495D was enacted by Public Law 95-21, effective April 18, 1977. It was designed to respond to the emergency needs of the Romanian people following the earthquake and to show tangible support for rebuilding efforts in the health field and other public sectors. It was emphasized that this was to be a one-time offer of assistance and not a prelude to a broader commitment.

Conclusion

Now that this one-time commitment has been made, there is no longer a need for the authority contained in this section. Any funds remaining to be obligated would be covered under section 793(c) of the bill.

SECTION 496

Text

SEC. 496. (a) ASSISTANCE TO PORTUGAL AND PORTUGUESE COLONIES IN AFRICA GAINING INDEPENDENCE.—There are authorized to be appropriated to the President for the fiscal year 1975, in addition to funds otherwise available for such purposes, not to exceed—

(1) \$7,750,000 to make grants; and

(2) \$17,250,000 to make loans;

to remain available until expended for use by the President in providing economic assistance, on such terms and conditions as he may determine, for Portugal and the countries and colonies in Africa which were, prior to April 24, 1974, colonies of Portugal.

(b) Notwithstanding the provisions of section 620(r) of this Act, the United States is authorized to forgive the liability incurred by the

Government of the Cape Verde Islands for the repayment of a \$3,000,000 loan on June 30, 1975.

(c) The President is authorized to use up to \$30,000,000 of the funds made available under this part for the fiscal year 1976, in addition to funds otherwise available for such purposes, to provide development assistance in accordance with chapter 1 or relief and rehabilitation assistance in accordance with chapter 9 (including assistance through international or private voluntary organizations) to countries and colonies in Africa which were, prior to April 25, 1974, colonies of Portugal.

Purpose

This section authorized \$25,000,000 for Portugal and to countries which were Portuguese colonies prior to April 25, 1974, of which \$7,750,000 was to be provided on a loan basis and \$17,250,000 on a grant basis. Subsection (b) authorized the forgiveness of the liability of the Government of the Cape Verde Islands for a \$3,000,000 loan made pursuant to the authority contained in subsection (a). Subsection (c) authorized the additional use of \$30,000,000 of FAA part I funds to provide assistance to countries which were former Portuguese colonies in Africa.

Background

Subsection (a) was enacted: (1) to assist and provide economic support for Portugal at a critical period of time following a change of government in April 1974, and (2) to assist the former Portuguese colonies in Africa that were achieving independence during the same period.

Subsection (b) was enacted to permit the forgiveness of a \$3 million loan to Cape Verde which was made pursuant to the authority contained in subsection (a). The extreme poverty of the people of Cape Verde and the country's precarious economic situation made it inappropriate for the United States to require repayment. Specific legislation was required since FAA section 620(r) prohibits the forgiveness of FAA loans.

Subsection (c) was enacted to provide funding for assistance to countries in Africa which were formerly Portuguese colonies, in addition to funds available under part I of the FAA for this purpose. The subsection reflected a special congressional concern that the United States should provide assistance to the newly independent Portuguese-speaking African states.

Conclusion

All the funds authorized under subsection (a) have been obligated. The subsection is no longer needed. The authority set forth in subsection (b) to forgive the \$3 million loan to Cape Verde has been exercised and this subsection is now obsolete. Subsection (c) is now obsolete since it authorized additional funding for fiscal year 1976.

SECTION 497

Text

SEC. 497. BALANCE OF PAYMENTS LOAN FOR PORTUGAL.—(a) In recognition of the established interest of the United States in fostering a democratic government in Portugal, in maintaining the strength

of the North Atlantic Treaty Organization alliance, and in supporting European economic recovery, the purpose of this section is to provide essential balance of payments assistance to Portugal.

(b) The President is authorized to make balance of payments support loans to Portugal as part of a special international effort to assist that country in the development and implementation of a program to gain financial stability and economic recovery.

(c) There are authorized to be appropriated to the President not to exceed \$300,000,000 for the fiscal year 1978 to carry out the purposes of this section, which amount is authorized to remain available until expended.

Purpose

Subsections (a) and (b) of section 497 provide the justifications and reasons for the authorization for appropriation of \$300 million for balance-of-payments assistance to Portugal contained in subsection (c).

Background

The inclusion of this provision was seen by the Congress as part of a coordinated international effort to stabilize the Portuguese economy. In 1977, as a result of a series of events which caused major dislocations in the Portuguese economy, Portugal was facing a balance-of-payments deficit of \$1 billion. The authority to provide balance-of-payments support loans to Portugal was a 1-year authority intended to provide bridge financing. This section has been omitted because the funds have been appropriated and obligated. Circumstances have changed and additional support is no longer deemed to be necessary.

Conclusion

This section was added to the FAA in response to a serious balance-of-payments deficit faced by Portugal in 1977. The circumstances have changed and there is no longer the need to provide balance-of-payments support loans. Therefore, FAA section 497 is no longer necessary.

SECTION 601

Text

SEC. 601. ENCOURAGEMENT OF FREE ENTERPRISE AND PRIVATE PARTICIPATION.—(a) The Congress of the United States recognizes the vital role of free enterprise in achieving rising levels of production standards of living essential to economic progress and development. Accordingly, it is declared to be the policy of the United States to encourage the efforts of other countries to increase the flow of international trade, to foster private initiative and competition, to encourage the development and use of cooperatives, credit unions, and savings and loan associations, to discourage monopolistic practices, to improve the technical efficiency of their industry, agriculture, and commerce, and to strengthen free labor unions; and to encourage the contribution of United States enterprise toward economic strength of less developed friendly countries, through private trade and investment abroad, private participation in programs carried out under this Act (including the use of private trade channels to the maximum extent practicable in carrying out such programs), and exchange of ideas and technical information on the matters covered by this subsection.

(b) In order to encourage and facilitate participation by private enterprise to the maximum extent practicable in achieving any of the purposes of this act, the President shall—

(1) make arrangements to find, and draw the attention of private enterprise to opportunities for investment and development in less developed countries and areas;

(2) establish an effective system for obtaining adequate information with respect to the activities of, and opportunities for, nongovernmental participation in the development process, and for utilizing such information in the planning, direction, and execution of programs carried out under this act, and in the coordination of such programs with the ever-increasing developmental activities of nongovernmental United States institutions;

(3) accelerate a program of negotiating treaties for commerce and trade, including tax treaties, which shall include provisions to encourage and facilitate the flow of private investment to, and its equitable treatment in, friendly countries and areas participating in programs under this act;

(4) seek, consistent with the national interest, compliance by other countries or areas with all treaties for commerce and trade and taxes, and take all reasonable measures under this act or other authority to secure compliance therewith and to assist United States citizens in obtaining just compensation for losses sustained by them or payments exacted from them as a result of measures taken or imposed by any country or area thereof in violation of any such treaty;

(5) to the maximum extent practicable carry out programs of assistance through private channels and to the extent practicable in conjunction with local or governmental participation, including loans under the authority of section 201 to any individual, corporation, or other body of persons;

(6) take appropriate steps to discourage nationalization, expropriation, confiscation, seizure of ownership or control of private investment and discriminatory or other actions, having the effect thereof, undertaken by countries receiving assistance under this act, which divert available resources essential to create new wealth, employment, and productivity in those countries and otherwise impair the climate for new private investment essential to the stable economic growth and development of those countries;

(7) utilize wherever practicable the services of United States private enterprise (including, but not limited to, the services of experts and consultants in technical fields such as engineering);

(8) utilize wherever practicable the services of United States private enterprise on a cost-plus incentive fee contract basis to provide the necessary skills to develop and operate a specific project or program of assistance in a less developed friendly country or area in any case in which direct private investment is not readily encouraged, and provide where appropriate for the transfer of equity ownership in such project or program to private investors at the earliest feasible time.

(c) (1) There is hereby established an International Private Investment Advisory Council on Foreign Aid to be composed of such number of leading American business specialists as may be selected,

from time to time, by the Administrator of the Agency for International Development for the purpose of carrying out the provisions of this subsection. The members of the Council shall serve at the pleasure of the Administrator, who shall designate one member to serve as Chairman.

(2) It shall be the duty of the Council, at the request of the Administrator, to make recommendations to the Administrator with respect to particular aspects of programs and activities under this Act where private enterprise can play a contributing role and to act as liaison for the Administrator to involve specific private enterprises in such programs and activities.

(3) The members of the Advisory Council shall receive no compensation for their services but shall be entitled to reimbursement in accordance with section 5703 of title 5 of the United States Code for travel and other expenses incurred by them in the performance of their functions under this subsection.

(4) The expenses of the Advisory Council shall be paid by the Administrator from funds otherwise available under this act.

(d) It is the sense of Congress that the Agency for International Development should continue to encourage, to the maximum extent consistent with the national interest, the utilization of engineering and professional services of United States firms (including, but not limited to, any corporation, company, partnership, or other association) or by an affiliate of such United States firms in connection with capital projects financed by funds authorized under this act.

Purpose

The purpose of this section is to encourage free enterprise and private participation in foreign aid programs. The section suggests various means for carrying out this purpose ranging from utilizing private commercial channels of trade in implementing AID programs, to accelerating a program of negotiating tax, commerce, and trade treaties, to discourage nationalization and expropriation. Section 601(c) establishes an International Private Investment Advisory Council on Foreign Aid. Section 601(d) is a sense of Congress provision aimed specifically at utilizing U.S. engineering and other professional services.

Background

Several portions of section 601 were originally enacted as parts of the Mutual Security Act in the 1950's. Other subsections of section 601 were added in 1961, 1963, 1964, and 1966.

The various amendments on the same theme indicate congressional interest in using the private sector in carrying out the foreign aid program and in encouraging free enterprise in the developing countries.

The International Private Investment Advisory Council does not now exist. Because of the Advisory Committee Act, it could not be reestablished without reconstituting it in compliance with that act.

Conclusion

Section 601 is primarily a series of "best efforts" provisions aimed at encouraging private enterprise in carrying out U.S. foreign assistance programs and in the developing countries themselves. Other dec-

larations such as those urging the use of U.S. engineering and other professional firms, are unnecessary in view of consistent AID policies on source and nationality. These interests are expressed in the new bill in sections 301 and 601.

SECTION 609

Text

SPECIAL ACCOUNT.—(a) In cases where any commodity is to be furnished on a grant basis under chapter 4 of part I under arrangements which will result in the accrual of proceeds to the recipient country from the sale thereof, the President shall require the recipient country to establish a special account, and

(1) Deposit in the special account, under terms and conditions as may be agreed upon, currency of the recipient country in amounts equal to such proceeds;

(2) Make available to the United States Government such portion of the special account as may be determined by the President to be necessary for the requirements of the United States Government: *Provided*, That such portion shall not be less than 10 per centum in the case of any country to which such minimum requirement has been applicable under any act repealed by this act; and

(3) Utilize the remainder of the Special Account for programs agreed to by the U.S. Government to carry out the purposes for which new funds authorized by this act would themselves be available: *Provided*, That whenever funds such Special Account are used by a country to make loans, all funds received in repayment of such loans prior to termination of assistance to such country shall be reused only for such purposes as shall have been agreed to between the country and the U.S. Government.

(b) Any unencumbered balances of funds which remain in the account upon termination of assistance to such country under this act shall be disposed of for such purposes as may, subject to approval by act of the Congress, be agreed to between such country and the U.S. Government.

Purpose

This section requires that local currency proceeds from the sale of commodities furnished on a grant basis under a security supporting assistance program be deposited in a special account. Such portion must be made available to the U.S. Government as it determines it requires, with the balance to be used for mutually agreed purposes for which new funds authorized by the FAA would themselves be made available.

Background

When this section was reenacted into the FAA in 1961, the Congress anticipated that a considerable portion of the economic assistance would be grant supporting assistance and would be used to finance commodity imports. For the past several years, however, grant supporting assistance funds have rarely been used to finance commodity imports (Israel is the only country with a grant SSA CIP program). Agreement is routinely reached on the mutually agreed counterpart fund purposes.

Conclusion

As the nature of economic assistance programs has shifted over the years, this provision has become increasingly unnecessary.

SECTION 615

Text

CONTRACT AUTHORITY.—Provisions of this act authorizing the appropriation of funds shall be construed to authorize the granting in any appropriation Act of authority to enter into contracts, within the amounts so authorized to be appropriated, creating obligations in advance of appropriations.

Purpose

When an appropriations act does not appropriate the entire amount authorized to be appropriated, this section permits the appropriations act to authorize contracting in excess of the sums appropriated up to the amount authorized, creating obligations in advance of appropriations.

Background

Section 615 was originally enacted in 1956. No appropriation act has ever responded to this authorization.

Conclusion

Since the authority of section 615 has never been used in the 21 years since its enactment, it is apparent that it is not necessary.

SECTION 618

Text

SEC. 618. USE OF SETTLEMENT RECEIPTS.—United States dollars directly paid to the United States under the Agreement between the United States of America and Japan Regarding the Settlement of Postwar Economic Assistance to Japan may be appropriated or otherwise made available to the President in any appropriation Act, within the limitations of part I of this Act, to carry out the provisions of that part.

Purpose

This section was enacted to implement the agreement between the United States of America and Japan regarding the settlement of post-war economic assistance to Japan.

Background

On January 9, 1962, the United States and Japan signed an agreement for the final settlement of all economic assistance furnished to Japan by the United States Government between 1945 and 1952. Under the agreement Japan paid the United States \$490 million. At the request of Japan, the United States agreed to use the major portion for economic assistance to less developed countries. Hence this provision.

This provision authorized the use of dollars paid from time to time under the agreement for the purpose of part I of the FAA. The \$490 million owed by Japan has been paid to the United States and has been used for development purposes.

Conclusion

The provision is no longer required because all funds owed by Japan have been paid and used by the United States under the terms of the agreement.

SECTION 619

Text

SEC. 619. ASSISTANCE TO NEWLY INDEPENDENT COUNTRIES.—Assistance under part I of this Act to newly independent countries shall, to the maximum extent appropriate in the circumstances of each case, be furnished through multilateral organizations or in accordance with multilateral plans, on a fair and equitable basis with due regard to self-help.

Purpose

Section 619 provides that assistance under part I of the FAA to newly emerging nations shall, to the maximum extent appropriate in the circumstances of each case, be furnished through multilateral organizations (or multilateral plans), on a fair and equitable basis with due regard to self help.

Background

Section 619 was enacted in 1961. It has not been amended since.

The section is a policy statement which has been reflected in other sections of the FAA, e.g., sections 102, 209, 301-303. Chapter IV of the bill emphasizes similar priorities for multilateral development assistance.

Conclusion

Section 619 is a policy statement in the FAA dating from 1961 that has since been superseded by more definitive and complete statements in the FAA. Further, chapter IV of the bill would consolidate the various provisions related to multilateral assistance.

SECTION 620(a)(1)

Text

No assistance shall be furnished under this Act to the present Government of Cuba. As an additional means of implementing and carrying into effect the policy of the preceding sentence, the President is authorized to establish and maintain a total embargo upon all trade between the United States and Cuba.

Purpose

Section 620(a)(1) prohibits assistance under the FAA to the present Government of Cuba. Also, it authorizes the President to place an embargo upon all trade between the United States and Cuba.

Background

This section of the FAA was added in 1961. The prohibition on assistance is duplicated in the FAA by section 620(f), which names Cuba as a Communist country. In the new bill, section 767(e) prohibits assistance authorized under the bill from being furnished to any Communist country. Thus, notwithstanding the omission of FAA section 620(a)(1), the present Government of Cuba, which is Communist, would be prohibited from receiving aid under the bill.

The second portion of FAA section 620(a) (1), relating to the trade embargo, duplicates authority already held by the President under section 5(G) (1) (B) of the Trading With the Enemy Act.

Conclusion

The intent of FAA section 620(a) (1) is carried out by section 767 (e) of the bill.

SECTION 620(a) (2)

Text

Except as may be deemed necessary by the President in the interest of the United States, no assistance shall be furnished under this Act to any government of Cuba, nor shall Cuba be entitled to receive any quota authorizing the importation of Cuban sugar into the United States or to receive any other benefit under any law of the United States until the President determines that such government has taken appropriate steps according to international law standards to return to United States citizens, and to entities not less than 50 per centum beneficially owned by United States citizens, for property taken from such citizens and entities on or after January 1, 1959, by the Government of Cuba.

Purpose

This provision states that, except as the President may deem necessary in the national interest, no assistance shall be furnished under the FAA to any Government of Cuba, and Cuba shall not receive the benefit of a sugar quota, or other benefit under United States law, until Cuba has taken appropriate steps according to international law to return property expropriated from United States citizens.

Background

This subsection is omitted from the bill because it is redundant. The effective ban to assistance to the present Government of Cuba under the bill is described above in connection with FAA section 620(a) (1). With respect to assistance to a non-Communist government of Cuba, it is reasonable to assume that such aid would only be furnished if it was deemed necessary by the President and in the interest of the United States.

With respect to the sugar quota, section 408(e) of the Sugar Act of 1948, as amended (7 U.S.C. 1158), authorizes the President to withhold all or any part of the sugar quota of any country if it has, among other things, expropriated U.S. property and failed within 6 months to take appropriate steps to discharge its obligations. Moreover, the Sugar Act also requires that "during the current period of suspension of diplomatic relations between the United States and Cuba" the quota for Cuba shall be withheld. (7 U.S.C. 1112(d) (1) (A))

Conclusion

The intent of FAA section 620(a) (2) is carried out by section 767 (e) of the bill.

SECTION 620(c)

Text

No assistance shall be provided under this Act to the government of any country which is indebted to any United States citizen or person for goods or services furnished or order where (i) such citizen or

person has exhausted available legal remedies, which shall include arbitration, or (ii) the debt is not denied or contested by such government, or (iii) such indebtedness arises under an unconditional guaranty of payment given by such government, or any predecessor government, directly or indirectly, through any controlled entity: *Provided*, That the President does not find such action contrary to the national security.

Purpose

This amendment was intended to assure that assistance under the FAA would not be provided to foreign governments which received benefits from goods and services provided by U.S. citizens or firms but which refused to make full payment, unless the President finds the action would be contrary to national security.

Background

Section 620(c) was added to the FAA of 1961. It was proposed in response to two specific situations in which U.S. companies had provided goods and services to foreign governments but were unable to obtain payment.

If a U.S. claimant has exhausted all legal remedies and a foreign government still refuses to pay a valid, uncontested debt, there are many ways in which the United States can assist the claimant short of a termination of assistance under the FAA. However, few cases approach the threshold where invocation of section 620(c) is considered, in part because developing countries have a strong need of their own to keep their commercial credit sound.

Conclusion

Section 620(c) is an extreme remedy, particularly now that aid programs focus principally on basic human needs of the poor. Moreover, the section could be triggered by a claim no matter how small; and the national security standard which must be met to continue the assistance is a high standard. To require termination of a program benefiting the needy because of a routine commercial dispute is not in keeping with the intent of the "new directions" mandate that Congress enacted in 1973.

SECTION 620(d)

Text

(d) No assistance shall be furnished under section 201 of this Act for construction or operation of any productive enterprise in any country where such enterprise will compete with United States enterprise unless such country has agreed that it will establish appropriate procedures to prevent the exportation for use or consumption in the United States of more than 20 per centum of the annual production of such facility during the life of the loan. In case of failure to implement such agreement by the other contracting party, the President is authorized to establish necessary import controls to effectuate the agreement. The restrictions imposed by or pursuant to this subsection may be waived by the President where he determines that such waiver is in the national security interest.

Purpose

This section is designed to protect American industry from competition from foreign industries built by U.S. aid funds. The application

of the section is limited to situations where the product of the enterprise being assisted will compete in the U.S. market directly with the product of the United States.

Background

This provision was enacted in 1961 and has not been amended since. It was intended to prohibit U.S. assistance funds from being used to establish industries in foreign countries which produce for the American market.

Since the enactment of the new directions mandate, U.S. foreign assistance has not financed large capital industries in developing countries. Under current law, U.S. foreign assistance funds more typically are used to assist in developing small-scale cottage industries and rural agriculture in which the poor directly participate.

The concern of FAA section 620(d) is one that will be taken into account in OPIC's operations under section 311(c)(8) of the bill. That section requires OPIC to further, in a manner consistent with its goals, the balance-of-payments and employment objectives of the United States.

Conclusion

The new directions mandates require that assistance be directed toward improving the lives of the poor in the developing world. Since U.S. assistance is not used to promote large capital industries and since small-scale industry and agriculture does not significantly affect the U.S. economy, FAA section 620(d) is no longer required.

SECTION 620(e) (1)

Text

(e) (1) The President shall suspend assistance to the government of any country to which assistance is provided under this or any other Act when the government of such country or any government agency or subdivision within such country on or after January 1, 1962—

(A) has nationalized or expropriated or seized control of property owned by any United States citizen or by any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizens, or

(B) has taken steps to repudiate or nullify existing contracts or agreements with any United States citizen or any corporation, partnership, or association not less than 50 per centum beneficially owned by United States citizen, or

(C) has imposed or enforced discriminatory taxes or other exactions, or restrictive maintenance or operational conditions, or has taken other actions, which have the effect of nationalizing, expropriating, or otherwise seizing ownership or control of property so owned,

and such country, government agency, or government subdivision fails within a reasonable time (not more than six months after such action, or, in the event of a referral to the Foreign Claims Settlement Commission of the United States within such period as provided herein, not more than twenty days after the report of the Commission is received) to take appropriate steps, which may include arbitration, to discharge its obligations under international law toward such citizen or entity, including speedy compensation for such property in convertible for-

eign exchange, equivalent to the full value thereof, as required by international law, or fails to take steps designed to provide relief from such taxes, exactions, or conditions, as the case may be; and such suspension shall continue until the President is satisfied that appropriate steps are being taken, and the provisions of this subsection shall not be waived with respect to any country unless the President determines and certifies that such a waiver is important to the national interests of the United States. Such certification shall be reported immediately to Congress.

Upon request of the President (within seventy days after such action referred to in subparagraphs (A), (B), or (C) of paragraph (1) of this section), the Foreign Claims Settlement Commission of the United States (established pursuant to Reorganization Plan No. 1 of 1954, 68 Stat. 1279) is hereby authorized to evaluate expropriated property, determining the full value of any property nationalized, expropriated, or seized, or subject to discriminatory or other actions as aforesaid, for purposes of this subsection and to render an advisory report to the President within ninety days after such request. Unless authorized by the President, the Commission shall not publish its advisory report except to the citizen or entity owning such property. There is hereby authorized to be appropriated such amount, to remain available until expended, as may be necessary from time to time to enable the Commission to carry out expeditiously its functions under this subsection.

Purpose

Section 620(e)(1) requires the President to suspend assistance under the FAA or any other act to the government of any country which:

- (1) Expropriates property of U.S. citizens or U.S.-owned firms;
- (2) Nullifies a contract with a U.S. citizen or U.S.-owned firm; or
- (3) Has imposed discriminatory taxes or other measures which have the effect of expropriating property so owned, if the country fails within nor more than six months to discharge its obligations under international law, including speedy, full compensation.

Background

This provision was enacted in 1962. It has been invoked to suspend assistance only once: After Ceylon nationalized the property of an American oil company, and compensation was not negotiated with sufficient rapidity.

Conclusion

The provision may have seemed a more appropriate vehicle of U.S. policy when foreign assistance concentrated more on large capital projects. Now, however, the "New Directions" mandate requires that aid be directed to alleviating the basic human needs of the poor, and section 620(e)(1) is no longer appropriate to development legislation.

The fact that the cutoff provision contained in section 620(e)(1) has been used only once reflects the fact that the Department of State has many effective, nonstatutory, means of assuring that other nations do not expropriate U.S. property without just compensation.

Section 620(e) (2) is not repealed by the bill (section 792). It provides assurance that U.S. courts will remain effective forums for those seeking relief from the confiscation of property by other nations in violation of international law. This codifies the policy enunciated in the case of *Sabbatino v. U.S.*

SECTION 620(g)

Text

Notwithstanding any other provision of law, no monetary assistance shall be made available under this act to any government or political subdivision or agency of such government which will be used to compensate owners for expropriated or nationalized property and, upon finding by the President that such assistance has been used by any government for such purpose, no further assistance under this act shall be furnished to such government until appropriate reimbursement is made to the United States for sums so diverted.

Purpose

This provision prohibits any government agency which has received funds under the FAA to use such funds to compensate owners for expropriated or nationalized property. Reimbursement is required if a finding is made that funds were used for this purpose.

Background

This subsection was enacted as a companion provision to section 620(e) relating to expropriations of U.S. owned property by foreign governments. It was extended to assure that foreign governments did not divert U.S. assistance funds from development projects to pay U.S. citizens for expropriated property.

Conclusion

Section 620(g) is not compatible with the new directions mandate. United States assistance is now provided to develop overall projects intended to meet the basic human needs of the poor. There is little, if any, opportunity for foreign governments to divert funds from these development projects to compensate owners of expropriated property. Alternative means also exist to assure that foreign governments use local funds to make such compensation. Therefore, this section is no longer necessary.

SECTION 620(h)

Text

(h) The President shall adopt regulations and establish procedures to insure that U.S. foreign aid is not used in a manner which, contrary to the best interests of the United States, promotes or assists the foreign aid projects or activities of the Communist-bloc countries.

Purpose

This provision is intended to prevent the use of U.S. funds to promote or assist foreign aid programs of Communist countries. The statute uses the term "contrary to the best interests of the United States" to provide flexibility in extending assistance where a total prohibition on "commingling" is impractical or would seriously inhibit participation which could in fact advance the best interests of the United States.

Background

In one instance in 1962, U.S. foreign assistance funds to Cambodia were found to have been expended in ways which promoted Russian and Chinese Communist hospital and radio projects. The credit for completing the projects was given to the Soviets. Executive branch review of project proposals and project implementation now follow procedures designed to avoid "commingling".

Conclusion

The provision imposes unnecessary statutory constraints in extending assistance to countries because greater oversight controls have been established by the executive branch and Congress in the use of foreign assistance funds.

SECTION 620(i)

Text

(i) No assistance shall be provided under this or any other Act, and no sales shall be made under the Agricultural Trade Development and Assistance Act of 1954, to any country which the President determines is engaging in or preparing for aggressive military efforts, or which hereafter is officially represented at any international conference when that representation includes the planning of activities involving insurrection or subversion, which military efforts, insurrection, or subversion, are directed against—

(1) the United States,

(2) any country receiving assistance under this or any other Act, or

(3) any country to which sales are made under the Agricultural Trade Development and Assistance Act of 1954, until the President determines that such military efforts or preparations have ceased, or such representation has ceased, and he reports to the Congress that he has received assurances satisfactory to him that such military efforts or preparations will not be renewed, or that such representation will not be renewed or repeated. This restriction may not be waived pursuant to any authority contained in this Act.

Purpose

This subsection is intended to assure that no assistance under the FAA or any other act will be provided and no sales made under Public Law 480 to any country which the President determines is engaging in or preparing or aggressive military efforts against the United States, against another country receiving assistance under the FAA or against a country to which sales are made under Public Law 480. The President may not resume the assistance or sales until he reports to Congress that he has assurance that such military efforts or preparation will not be renewed. This restriction may not be waived by any authority in the FAA.

Background

The subsection requires the President to decide when a country "is engaging in or preparing for aggressive military efforts". The amendment, added to the FAA in 1963, was primarily the result of concern in Congress over the relationship between Egypt and Israel, although other situations were also considered. The threat of termina-

tion of U.S. assistance has apparently had little, if any, effect on persuading countries to refrain from hostilities if they are otherwise inclined to go to war over issues they consider vital.

Other provisions relating to termination of assistance are sufficient to assure that U.S. assistance may be stopped at any time the assistance is not in the interests of the United States.

Conclusion

The provision has had little, if any, success in preventing the outbreak of wars. Since there is no provision for exemptions, it may impede U.S. diplomatic initiatives to promote peace between potential belligerent countries. Other provisions permitting termination of assistance by Congress (for example, section 617 of the FAA which becomes section 763 of the bill) or the President provide sufficient assurances that U.S. assistance will not be misused. A similar provision to 620(i) should be considered for an expanded Arms Export Control Act.

SECTION 620(j)

Text

(j) The President shall consider terminating assistance under this or any other Act to any country which permits, or fails to take adequate measures to prevent, the damage or destruction by mob action of United States property within such country, and fail to take appropriate measures to prevent a recurrence thereof and to provide adequate compensation for such damage or destruction.

Purpose

The effect of this subsection is to require the President to consider terminating assistance to any country which fails to protect U.S. property from mob action and to provide adequate compensation for such damage.

Background

In the 1960's, mobs composed chiefly of students demonstrating against the policies of the United States in Indochina attacked and damaged a number of U.S. embassies, consulates, and USIA libraries. FAA section 620(j) was enacted in response to those attacks and the failure of some governments to adequately protect U.S. property. One of the obligations imposed by international law on a state which is host (the "receiving" state) to the embassy, consulate, or other governmental offices of another state (the "sending" state) is the obligation to protect adequately the offices and property of the sending state. Compensation is due under international law for failure to meet this standard of protection.

These obligations of a receiving state to protect the property of a sending state, or to compensate it, would exist even without FAA section 620(j), as would the authority of the President to consider terminating, or to terminate, assistance.

Conclusion

The subsection is unnecessary since it reflects existing rights under international law, and since assistance could in any event be terminated by the President or the Administrator or by exercise of the power reserved to the Congress under section 763 of the bill. Incidents which

might call the provision into play have been few in recent years, but should relations between the United States and a recipient of U.S. assistance deteriorate to such a degree that mob violence becomes a problem, the avenues of redress described above would exist without continuation of this subsection.

SECTION 620(1)

Text

The President shall consider denying assistance under this Act to the government of any less developed country which, after December 31, 1966, has failed to enter into an agreement with the President to institute the investment guaranty program under section 221 (b) (1) of this Act, providing protection against the specific risks of inconvertibility under subparagraph (A), and expropriation or confiscation under subparagraph (B), of such section 221 (b) (1).

Purpose

Section 620(1) requires the President to consider denying assistance to the government of any less developed country which has not entered into an investment guaranty agreement covering the specific risks of inconvertibility and expropriation.

Background

Section 620(1) originated as a House floor amendment in 1963, the same year the Senate added 620(e). These amendments responded to a continuing concern by American investors as a result of expropriation actions taken or threatened by a number of countries.

Most countries which receive assistance under the FAA have entered into agreements relating to inconvertibility and expropriation. In the few countries which have not, U.S. investment is so minimal that assistance under the FAA has not been affected.

The current bilateral assistance strategy of aiding the poorest people in the poorest nations has relatively little relationship to U.S. private investment. To seek to protect and foster private investment by threatening to terminate development assistance would appear inconsistent with the stated goals of such assistance. Of course, in order to obtain an OPIC guarantee, a developing country must enter into an agreement on investment (section 317(a-b)).

Conclusion

The provision served its purpose and is now largely obsolete; its omission is appropriate.

SECTION 620(o)

Text

In determining whether or not to furnish assistance under this Act, consideration shall be given to excluding from such assistance any country which hereafter seizes, or imposes any penalty or sanction against any United States fishing vessel on account of its fishing activities in international waters. The provisions of this subsection shall not be applicable in any case governed by international agreement to which the United States is a party.

Purpose

To discourage assistance to countries which extend and enforce their claims to fishing rights beyond the traditional three mile limit to terri-

torial sovereignty and beyond the more recently accepted (as of 1965) 12-mile limit for fishing rights.

To promote freedom in the use of the high seas and to provide leverage for international negotiations regarding fishing rights and economic ocean zones.

Background

Section 620(o) was added to the FAA in 1965. The amendment was in response to seizures of U.S. fishing vessels fishing outside the 12-mile limit. A number of Latin American governments claimed 200-mile jurisdiction over waters adjacent to their coasts. The United States was attempting to persuade these governments to follow the customary 3-mile rule.

Conclusion

The need for such a provision has been eliminated since the United States adopted the 200-mile limit pursuant to section 101 of the Fishery Conservation and Management Act of 1976 (16 U.S.C. 1811).

SECTION 620(m)

Text

No assistance shall be furnished on a grant basis under this act to any economically developed nation capable of sustaining its own defense burden and economic growth, except (1) to fulfill firm commitments made prior to July, 1963, or (2) additional orientation and training expenses under part II hereof during each fiscal year in amount not to exceed \$500,000.

Purpose

To end U.S. grant assistance, both military and economic to countries no longer considered "less developed".

Background

Subsection (m) was intended to, and did, result in the termination of grant FAA programs to developed countries. Most such assistance consisted of relatively small programs, under the military assistance authorities, to European countries. Military assistance under the FAA is not restricted to developing countries, for example, FAA section 503 authorizes assistance to "friendly countries".

Conclusion

The policy of the bill, and its authorizations for functional categories, are addressed to developing countries. Military assistance is not authorized in the bill. Assistance under title I of chapter V, Economic Support Funds, is not expressly limited to developing countries, but is limited to those countries and areas for which assistance is specifically authorized. In addition, assistance to any country is subject to congressional scrutiny in the congressional presentation or by notification of program change under section 782 of the bill. Therefore, a provision such as FAA section 620(m) is not necessary in the bill.

SECTION 620(s)

Text

(s) (1) In order to restrain arms races and proliferation of sophisticated weapons, and to insure that resources intended for economic

development are not diverted to military purposes, the President shall take into account before furnishing development loans, alliance loans or supporting assistance to any country under this act, and before making sales under the Agricultural Trade Development and Assistance Act of 1954, as amended:

(A) the percentage of the recipient or purchasing country's budget which is devoted to military purposes;

(B) the degree to which the recipient or purchasing country is using its foreign exchange resources to acquire military equipment; and

(C) the amount spent by the recipient or purchasing country for the purchase of sophisticated weapons systems, such as missile systems and jet aircraft for military purposes, from any country.

(2) The president shall report annually to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate his actions in carrying out this provision.

Purpose

Subsection (s) provides that, to restrain arms races and proliferation of sophisticated weapons, and to insure that economic development resources are not diverted to military purposes, the President shall take into account, before furnishing development or alliance loans, or supporting assistance, or before making Public Law 480 sales, to a country:

(A) the percentage of its budget used for military purposes;

(B) the degree it is using its foreign exchange for military equipment; and

(C) the amount it spends for sophisticated weapons systems.

An annual report to the Congress on this section is required.

Background

This section provides guidance to the President on criteria to be considered in extending economic assistance. It does not contain an outright prohibition. The bill provides a clear policy direction that assistance should be concentrated in countries which make effective use of such assistance and pursue appropriate development strategies. (See, for example, sec. 201(b)(4) of the bill.) A similar reporting requirement to that of FAA section 620(s) will be included in an expanded Arms Export Control Act.

Conclusion

A country's expenditures for military purposes are best evaluated in the context of its overall resources and development efforts. This evaluation is specifically provided for in section 201(b)(4) of the bill. The reporting requirement will be included in an expanded Arms Export Control Act. Hence the bill does not need a separate section parallel to FAA section 620(s).

SECTION 620(t)

Text

No assistance shall be furnished under this or any other Act and no sales shall be made under the Agricultural Trade Development and Assistance Act of 1954, in or to any country which has severed or hereafter severs diplomatic relations with the United States or with

which the United States has severed or hereafter severs diplomatic relations, unless (1) diplomatic relations have been resumed with such country and (2) agreements for the furnishing of such assistance or the making of such sales, as the case may be, have been negotiated and entered into after the resumption of diplomatic relations with such country.

Purpose

Prohibits furnishing assistance under the FAA or any other act, including sales under Public Law 480, in or to our country when diplomatic relations between such country and the United States have been severed by either country until (1) diplomatic relations are resumed, (2) agreements for furnishing such assistance or making such sales have been made after the resumption of relations.

Background

The subsection was enacted in 1967, following the severance of diplomatic relations with the United States by several Arab nations after the Israeli Arab war of 1967.

Conclusion

Current U.S. foreign policy would terminate assistance to countries breaking diplomatic relations with the United States. However, there may be valid reasons why the United States would want to keep a nonpolitical, nondiplomatic presence in such countries. For example, such action would be consistent with the humanitarian nature of certain U.S. development assistance programs. (Note that sec. 620(t) does not apply to Peace Corps programs.) In addition, it may serve U.S. interests to have a limited assistance program in such a country as a way of improving relations before full-scale diplomatic relations have been reestablished. FAA section 620(t) currently prohibits the use of assistance to accomplish these objectives.

SECTION 620(u)

Text

In any decision to provide or continue to provide any program of assistance to any country under the Foreign Assistance Act of 1961, as amended, there shall be taken into account the status of the country with respect to its dues, assessments, and other obligations to the United Nations; and where such country is delinquent with respect to any such obligations for the purposes of the first sentence of Article 19 of the United Nations Charter, the President shall furnish the Committee on Foreign Relations of the Senate and the Speaker of the House of Representatives a report setting forth the assurance given by the government of the country concerned of paying all of its arrearages and of placing its payments of such obligations on a current basis, or full explanation of the unusual or exceptional circumstances which render it economically incapable of giving such assurances.

Purpose

Subsection (u) requires that (a) in determining whether assistance under the FAA should be furnished to any country there shall be taken into account the status of such country with respect to its dues, assess-

ments, and other obligations to the U.N.; and (b) if such country be more than 2 years delinquent, the President shall submit to Congress a report, either (1) setting forth the recipient country's assurance that all arrearages will be paid or (2) explaining the unusual or exceptional circumstances which render the country economically incapable of giving such assurance.

Background

This provision was intended to encourage U.S. aid recipients to meet their U.N. dues and obligations. At present, the following countries are in arrears: Central African Empire, Congo, Sudan, Togo, Lebanon, Syria, North Yemen, Dominican Republic, Haiti, Nicaragua, and Paraguay. These arrears relate principally to the cost of the U.N. peacekeeping force for the Congo. The U.N. does not treat such arrearages as a violation of article 19 of the U.N. Charter.

Conclusion

The international community and the U.N. can bring greater influence to bear on developing countries to meet their U.N. obligations than can the United States through this provision.

SECTION 620(w)

Text

(1) All military, economic, or other assistance, all sales of defense articles and services (whether for cash or by credit, guaranty, or any other means), all sales of agricultural commodities (whether for cash, credit, or by other means), and all licenses with respect to the transportation of arms, ammunitions, and implements of war (including technical data relating thereto) to the Government of Pakistan under this or any other law shall be suspended on the date of enactment of this subsection.

(2) The provisions of this subsection shall cease to apply when the President reports to the Congress that the Government of Pakistan is cooperating fully in allowing the situation in East Pakistan to return to reasonable stability and that refugees from East Pakistan in India have been allowed, to the extent feasible, to return to their homes and to reclaim their lands and properties.

(3) Nothing in this section shall apply to the provision of food and other humanitarian assistance which is coordinated, distributed, or monitored under international auspices.

Purpose

This provision was intended to induce the Government of Pakistan to cooperate fully in allowing the situation in East Pakistan to return to stability and to permit refugees from East Pakistan in India to return to their homes and to reclaim their lands and properties.

Background

Subsection (w) was enacted during the India-East Pakistan conflict in 1971 and was intended to influence the Government of Pakistan to refrain from harsh actions in East Pakistan. Conditions in East Pakistan have since changed and Pakistan and the new nation of Bangladesh have normalized relations.

Background

The independence of Bangladesh and the normalization of relations have made the provision obsolete.

SECTION 620(x)

Text

(x) (1) All military assistance, all sales of defense articles and services (whether for cash or by credit, guaranty, or any other means), and all licenses with respect to the transportation of arms, ammunitions, and implements of war (including technical data relating thereto) to the Government of Turkey, shall be suspended on the date of enactment of this subsection unless and until the President determines and certifies to the Congress that the Government of Turkey is in compliance with the Foreign Assistance Act of 1961, the Foreign Military Sales Act, and any agreement entered into under such Acts, and that substantial progress toward agreement has been made regarding military forces in Cyprus: *Provided*, That for the fiscal year 1978 the President may suspend the provisions of this subsection and of Section 3(c) of the Arms Export Control Act with respect to cash sales and extensions of credits and guaranties under such Act for the procurement of such refense articles and defense services as the President determines are necessary to enable Turkey to fulfill her defense responsibilities as a member of the North Atlantic Treaty Organization, except that during the fiscal year 1978, the total value of defense articles and defense services sold to Turkey under such Act, either for cash or financed by credits and guaranties, shall not exceed \$175,000,000. Any such suspension shall be effective only so long as Turkey observes the cease-fire on Cyprus, does not increase its military forces or its civilian population on Cyprus, and does not transfer to Cyprus any United States supplied arms, ammunition, or implements of war. The determination required by the proviso in the first sentence of this paragraph shall be made, on a case-by-case basis, with respect to each cash sale, each approval for use of credits, and each approval for use of a guaranty for Turkey. Each such determination shall be reported to the Congress and shall be accompanied by a full and complete statement of the reasons supporting the President's determination and a statement containing the information specified in clauses (A) through (D) of Section 2(c) (4) of the Act of October 6, 1975 (Public Law 94-104). In any case involving the sale of significant combat equipment on the United States Munitions List in which the congressional review provisions of Section 36(b) of the Arms Export Control Act do not apply, the President may not issue the letter of offer or approve the use of the credits or guaranty, as the case may be, until the end of the thirty-day period beginning on the date on which the report required by the preceding sentence is submitted to the Congress.

(2) The President shall submit to the Congress within sixty days after the enactment of this paragraph, and at the end of each succeeding sixty-day period, a report on progress made during such period toward the conclusion of a negotiated solution of the Cyprus conflict.

Purpose

This provision was intended to persuade the Government of Turkey to comply with the applicable laws and agreements relating to the use of defense articles furnished by the United States and to force Turkey to observe the cease-fire on Cyprus, not increase its military forces or its civilian population on Cyprus, and not transfer U.S.-supplied armaments to Cyprus.

Background

This subsection was passed in response to Turkey's invasion of Cyprus which had utilized U.S. arms, thereby apparently violating U.S. laws restricting the use of U.S. arms to national defense purposes. The cutoff of military assistance was designed to terminate this indirect U.S. participation in the invasion and to provide Turkey with an incentive to negotiate a solution to the Cyprus situation.

Conclusion

This provision is aimed at military assistance, and any similar prohibition should be included in an expanded Arms Export Control Act.

SECTION 620B

Text

SEC. 620B. PROHIBITION AGAINST ASSISTANCE AND SALES TO ARGENTINA.—After September 30, 1978—

- (1) no assistance may be furnished under chapter 2, 4, or 5 of part II of this Act to Argentina;
- (2) no credits (including participation in credits) may be extended and no loan may be guaranteed under the Arms Export Control Act with respect to Argentina;
- (3) no sales of defense articles or services may be made under the Arms Export Control Act to Argentina; and
- (4) no export licenses may be issued under section 38 of the Arms Export Control Act to or for the Government of Argentina.

Purpose

This provision was intended to prohibit military assistance, security supporting assistance, military training, Arms Export Control Act, credits, loan guarantees, arms sales, and export licenses to Argentina.

Background

This provision was specifically enacted to respond to reports of human rights violations by Argentina and the belief that U.S. military equipment extended for military assistance and credit sales programs was being used by Argentina to repress the human rights of its citizens. This provision represents a finding by Congress that these reports may be valid.

Conclusion

The new bill contains no authority for military assistance. The language in section 640B would be more appropriate in an expanded Arms Export Control Act. Section 602B of the FAA does provide for a prohibition of security assistance to human rights violators. The bill

provides a similiar prohibition in section 767(a) which, if enacted, would achieve the objectives intended by section 620B as they pertain to development and economic assistance.

SECTION 621A

STRENGTHENED MANAGEMENT PRACTICES.—(a) The Congress believes that United States foreign aid funds could be utilized more effectively by the application of advanced management decisionmaking, information and analysis techniques such as systems analysis, automatic data processing, benefit-cost studies, and information retrieval.

(b) To meet this need, the President shall establish a management system that includes: the definition of objectives and programs for United States foreign assistance; the development of quantitative indicators of progress toward these objectives; the orderly consideration of alternative means for accomplishing such objectives; and the adoption of methods for comparing actual results of programs and projects with those anticipated when they were undertaken. The system should provide information to the agency and to Congress that relates agency resources, expenditures, and budget projections to such objectives and results in order to assist in the evaluation of program performance, the review of budgetary requests, and the setting of program priorities.

(c) The President shall report to the Congress annually on the specific steps that have been taken, including an evaluation of the progress that has been made toward the implementation of this section.

Purpose

To assure prompt action and priority attention to the application of advanced management techniques that had recently been developed within the Government and private industry.

Background

This section was enacted in 1968. The section has not been amended since its enactment.

Conclusion

AID instituted many management reforms in response to this section. Management theory and techniques have continued to evolve since 1968. It is presumed that AID (or the administration proposed by the bill) would continue to apply the latest and best management techniques, and that a static provision with specific requirements is inappropriate. Authority exists in the general administrative chapter of the bill which would enable the administration to adopt the most advanced management techniques available at any given time.

SECTION 623

SEC. 623. THE SECRETARY OF DEFENSE.—(a) In the case of assistance under part II of this Act, the Secretary of Defense shall have primary responsibility for—

- (1) the determination of military end-item requirements;
- (2) the procurement of military equipment in a manner which permits its integration with service programs;

- (3) the supervision of end-item use by the recipient countries;
- (4) the supervision of the training of foreign military and related civilian personnel;
- (5) the movement and delivery of military end-items; and
- (6) within the Department of Defense, the performance of any other functions with respect to the furnishing of military assistance, education and training.

(b) The establishment of priorities in the procurement, delivery, and allocation of military equipment shall be determined by the Secretary of Defense.

Purpose

Section 623 clarifies the functions and responsibilities of the Secretaries of State and Defense with respect to the administration of the military assistance program. The Secretary of Defense is given primary responsibility for the content and administration of the military assistance programs.

Background

Section 623 derives from section 506 of the Mutual Security Act of 1951. It was an administration proposal in 1961 when it was adopted in the Foreign Assistance Act.

Conclusion

The Foreign Assistance Act no longer authorizes military assistance programs and thus section 623 is not an appropriate authorization in the FAA. The bill contains no military authorizations. Section 623 is not relevant to economic assistance legislation, but would be incorporated in an expanded Arms Export Control Act.

FAA SECTION 635 (h)

Text

(h) A contract or agreement which entails commitments for the expenditure of funds available under title II, V, and VI (except development loans) of Chapter 2 of Part I and under Part II may, subject to any future action of the Congress, extend at any time for not more than five years.

Purpose

FAA Sec. 635 (h) states that a contract or agreement which entails commitments for the expenditure of funds under development grants, development research, or the Alliance for Progress (except development loans) or under military assistance may, subject to congressional action, extend at any time for not more than 5 years.

Background

Subsection (h) was omitted as an unnecessary limitation on the authority to make long-term contracts and commitments for projects funded on a grant basis, a limitation which does not apply to development projects funded on a loan basis. The provision was based on certain decisions of the Comptroller General construing sections 3679 and 3732 of the Revised Statutes (31 U.S.C. 665, 41 U.S.C. 11) to limit an agency's authority to enter into contracts for requirements extending beyond the fiscal year of appropriations, in the absence of statutory authority otherwise.

Conclusion

Where a multiyear development project is planned as a unit, it can be funded at the outset, and such funding is properly viewed as a requirement of the fiscal year of appropriation.

SECTION 636 (f)

Text

(f) Funds made available under section 212 may be used for expenses (other than those provided for under section 637 (a)) to assist in carrying out functions under title I of chapter 2 of part I, under the Agricultural Trade Development and Assistance Act of 1954, as amended (7 U.S.C. 1691 et seq.), and under the Latin American Development Act, as amended (22 U.S.C. 1942 et seq.), performed by the agency primarily responsible for administering part I or by the Corporation established under title IV of chapter 2 of part I with respect to loan activities which it carries out under the provisions of the Agricultural Trade Development and Assistance Act of 1954, as amended.

Purpose

This provision authorizes the use of funds under FAA section 212 (development grants) for nonadministrative expenses incurred in carrying out development lending, the disposal of surplus agricultural commodities under Public Law 480, and the Latin American Development Act. The purpose is to provide funding to pay for the services of technical experts and other services not provided for under section 637 (administrative expenses), which will assist AID in carrying out the enumerated functions.

Background

This provision was enacted to authorize funds to cover the administrative expenses of the International Cooperation Administration in carrying out its functions with respect to foreign currencies derived from sales of Public Law 480 agricultural commodities. At the time, no appropriations were authorized and this provision was deemed essential to implement Public Law 480 sales.

Conclusion

Since other funds authorized and appropriated to carry out the purposes of Public Law 480 and the FAA permit the hiring of technical experts to assist in conducting the Public Law 480 program, the provision is no longer required.

SECTION 636 (g)

Text

(g) Funds made available for the purposes of part II shall be available for—

(1) administrative, extraordinary (not to exceed \$300,000 in any fiscal year), and operating expenses incurred in furnishing defense articles, military education and training and defense services on a grant or sales basis by the agency primarily responsible for administering part II;

(2) reimbursement of actual expenses of military officers detailed or assigned as tour directors in connection with orientation

visits of foreign military and related civilian personnel, in accordance with the provisions of section 5702(c) of title 5 of the United States Code, applicable to civilian officers and employees; and

(3) maintenance, repair, alteration, and furnishing of United States-owned facilities the District of Columbia or elsewhere for the training of foreign military and related civilian personnel without regard to the provisions of section 3733 of the Revised Statutes (41 U.S.C. 12) or other provisions of law requiring a specific authorization or specific appropriation for such public contracts.

Purpose

The purpose of this section is to authorize the use of military assistance funds for certain administrative, extraordinary, and operating expenses.

Background

Because the bill does not contain military assistance it is not necessary to authorize such funds for administrative purposes.

Conclusion

The omission is justified, since the new bill deals only with economic assistance, not military.

SECTION 637

Text

SEC. 637. ADMINISTRATIVE EXPENSES.—(a) There is hereby authorized to be appropriated to the President for each of the fiscal years 1974 and 1975, \$45,000,000, for necessary administrative expenses of the agency primarily responsible for administering part I. The agency administering part I shall reduce the number of personnel, particularly administrative personnel, employed by it in order to conduct operations with the reduced amount of funds authorized for fiscal year 1969, except that such agency shall not take any action to limit or reduce auditing or training activities of such agency.

(b) There is hereby authorized to be appropriated such amounts as may be necessary from time to time for administrative expenses which are incurred for functions of the Department of State under this Act and unrepealed provisions of the Mutual Security Act of 1954, as amended, or for normal functions of the Department of State which relate to such functions.

Purpose

Section 637(a) was originally designed to authorize administrative expenses of AID personnel. Section 637(b) was added to authorize appropriations for administrative expenses which the State Department incurred in carrying out functions under the FAA.

Background

Beginning in fiscal year 1976, the executive branch has not requested that funds be authorized under this section. AID operating funds are now authorized and appropriated, as a line item. Authorization for such operating expense appropriations is contained in section 704 of the bill. No authorization is required for State Department expenditures under the bill because all administrative functions would be performed by the administration or funds can be transferred to the

Department of State for services performed in support of the bill, through the authority in section 766.

Conclusion

FAA section 637 is unnecessary.

SECTION 640A

Text

FALSE CLAIMS AND INELIGIBLE COMMODITIES.—(a) Any person who makes or causes to be made or presents or causes to be presented to any bank or other financial institution or to any officer, agent, or employee of any agency of the United States Government a claim for payment from funds made available under this Act for the purposes of furnishing assistance and who knows the claim to be false, fraudulent, or fictitious or to cover a commodity or commodity-related service determined by the President to be ineligible for payment from funds made available under this Act, or who uses to support his claim any certification, statement, or entry on any contract, bill of lading, Government or commercial invoice, or Government form, which he knows, or in the exercise of prudent business management should know, to contain false, fraudulent, or fictitious information, or who uses or engages in any other fraudulent trick, scheme, or device for the purpose of securing or obtaining, or aiding to secure or obtain, for any person any benefit or payment from funds so made available under this Act in connection with the negotiation, procurement, award, or performance of a contract financed with funds so made available under this Act, and any person who enters into an agreement, combination or conspiracy so to do, (1) shall pay to the United States an amount equal to 25 per centum of any amount there-by sought to be wrongfully secured or obtained but not actually received, and (2) shall forfeit and refund any payment, compensation, loan, commission, or advance received as a result thereof, and (3) shall, in addition, pay to the United States for each such act (A) the sum of \$2,000 and double the amount of any damage which the United States may have sustained by reason thereof, or (B) an amount equal to 50 per centum of any such payment, compensation, loan, commission, or advance so received, whichever is the greater, together with the costs of suit.

(b) In order to secure recovery under this section, the President may, as he deems appropriate, (1) institute suit in the United States district court for any judicial district in which the person alleged to have performed or participated in an act described by this section may reside or may be found, and (2) upon posting by registered mail to such person a notice of claim describing the basis therefor and identifying the funds to be withheld, withhold from funds owed by any agency of the United States Government to such person an amount equal to the refund, damages, liquidated damages, and exemplary damages claimed by the United States under this section. Any such withholding of funds from any person shall constitute a final determination of the rights and liabilities of such person under this section with respect to the amount so withheld, unless within one year of receiving the notice of claim such person brings suit for recovery, which is hereby authorized, against the United States in any United States district court.

(c) For purposes of this section, the term "person" includes any individual corporation, partnership, association, or other legal entity.

Purpose

To strengthen the remedies available to AID in combating false and fraudulent claims for payment which were numerous at the time of enactment in 1968, particularly in connection with the programs in Indochina.

Background

This section originated in 1968. It has never been used by the Justice Department because of the existence and applicability of the general false claims statutes, which are familiar to the courts and bar.

Conclusion

The section is unnecessary in view of other applicable false claims legislation, the reluctance of the Justice Department to use it, the changed circumstances of the foreign assistance program, and improved internal controls.

SECTION 647

Text

SEC. 647. DEPENDABLE FUEL SUPPLY.—It is of paramount importance that long-range economic plans take cognizance of the need for a dependable supply of fuels, which is necessary to orderly and stable development and growth, and that dependence not be placed upon sources which are inherently hostile to free countries and the ultimate well-being of economically underdeveloped countries and which might exploit such dependence for ultimate political domination. The agencies of government in the United States are directed to work with other countries in developing plans for basing development programs on the use of the large and stable supply of relatively low cost fuels available in the free world.

Purpose

Section 647 was intended as a recognition that long range economic plans should take into account the need for a dependable supply of funds from friendly or nonhostile sources. U.S. agencies are directed to work with other countries in developing plans for basing development on relatively low-cost fuels available in the free world.

Background

Section 647, was enacted in 1961, and has not been amended since. Sections 102 and 106 of the FAA contain sufficient authority to encompass the objectives of section 647.

Conclusion

Section 647 is omitted because authority for consideration of a dependable supply of fuel in development planning is implicit in the functional assistance accounts of the bill, and consideration of the energy problems of developing countries is specifically focussed on in section 205 (a) (1) of the bill.

SECTION 649

Text

SEC. 649. LIMITATION ON AGGREGATE AUTHORIZATION FOR USE IN FISCAL YEAR 1966.—Notwithstanding any other provisions of this Act,

the aggregate of the total amounts authorized to be appropriated for use during the fiscal year 1966 for furnishing assistance and for administrative expenses under this Act shall not exceed \$3,360,000,000.

Purpose

Section 649 established a limit of \$3,360 million on the amount that could be authorized for purposes of the FAA in fiscal year 1966.

Background

Section 649 became part of the FAA in 1965. It has not been amended since its enactment and was applicable only to fiscal year 1966.

Conclusion

Section 649 is omitted as obsolete. The limitation on the authorized amount applied only to fiscal year 1966.

SECTION 650

Text

SEC. 650. USE OF UNITED STATES ARMED FORCES.—The furnishing of economic, military, or other assistance under this Act shall not be construed as creating a new commitment or as affecting any existing commitment to use Armed Forces of the United States for the defense of any foreign country.

Purpose

Section 650 provides that the furnishing of any assistance under the FAA shall not be construed as creating a new commitment or as affecting any existing commitment to use U.S. Armed Forces for the defense of any country.

Background

Section 650 was enacted in 1967.

Conclusion

While section 650, regarding an implied commitment for defense, may have been relevant to the FAA, it is not relevant to the bill, since the bill has no connection with military assistance and the economic assistance focus leads to no implied defense commitment. Therefore, it is omitted. A similar provision should be contained in an expanded Arms Export Control Act.

SECTION 651

Text

SEC. 651. SALE OF SUPERSONIC PLANES TO ISRAEL.—It is the sense of the Congress that the President should take such steps as may be necessary, as soon as practicable after the date of enactment of this section, to negotiate an agreement with the Government of Israel providing for the sale by the United States of such number of supersonic planes as may be necessary to provide Israel with an adequate deterrent force capable of preventing future Arab aggression by offsetting sophisticated weapons received by the Arab States and to replace losses suffered by Israel in the 1967 conflict.

Purpose

Section 651 is a statement of policy that the United States should sell to Israel such number of supersonic planes as may be necessary to provide an adequate deterrent force for and replace losses by Israel because of the 1967 conflict.

Background

Section 651 was enacted in 1968 as a result of the Arab-Israeli conflict of 1967. The purpose of section 651 was achieved and supersonic planes were delivered to Israel.

Conclusion

Section 651 is omitted as obsolete. It was enacted in response to a particular circumstance which has passed. Any future legislation for this purpose should be included in the Export Arms Control Act.

SECTION 655

Text

SEC. 655. LIMITATIONS UPON ASSISTANCE TO OR FOR CAMBODIA.—(a) Notwithstanding any other provision of law, no funds authorized to be appropriated by this or any other law may be obligated in any amount in excess of \$377,000,000 for the purpose of carrying out directly or indirectly any economic or military assistance, or any operation, project, or program of any kind, or for providing any goods, supplies, materials, equipment, services, personnel, or advisers in, to, for, or on behalf of Cambodia during the fiscal year ending June 30, 1975. Of that sum, there shall be available no more than \$200,000,000 for military assistance. In addition to such \$377,000,000, defense articles and services may be ordered under section 506 of this Act for Cambodia in an amount not to exceed \$75,000,000 in fiscal year 1975.

(b) In computing the \$377,000,000 limitation on obligation authority under subsection (a) of this section in fiscal year 1975, (1) there shall be included in the computation the value of any goods, supplies, materials, or equipment provided to, for, or on behalf of Cambodia in such fiscal year by gift, donation, loan, lease, or otherwise, and (2) there shall not be included in the computation the value of any goods, supplies, materials or equipment attributable to the operations of the Armed Forces of the Republic of Vietnam in Cambodia. For the purpose of this subsection, "value" means the fair market value of any goods, supplies, materials, or equipment provided to, for, or on behalf of Cambodia but in no case less than 33½ per centum of the amount the United States paid at the time such goods, supplies, materials, or equipment were acquired by the United States.

(c) No funds may be obligated for any of the purposes described in subsection (a) of this section in, to, for, or on behalf of Cambodia in any fiscal year beginning after June 30, 1972, unless such funds have been specifically authorized by law enacted after the date of enactment of this section. In no case shall funds in any amount in excess of the amount specifically authorized by law for any fiscal year be obligated for any such purpose during such fiscal year.

(d) The provisions of subsections (a) and (c) of this section shall not apply with respect to the obligation of funds to carry out combat air operations over Cambodia.

(e) After the date of enactment of this section, whenever any request is made to the Congress for the appropriation of funds for use in, for, or on behalf of Cambodia for any fiscal year, the President shall furnish a written report to the Congress explaining the purpose for which such funds are to be used in such fiscal year.

(f) The President shall submit to the Congress within thirty days after the end of each quarter of each fiscal year, beginning with the

fiscal year which begins July 1, 1971, a written report showing the total amount of funds obligated in, for or on behalf of Cambodia during the preceding quarter by the United States Government, and shall include in such report a general breakdown of the total amount obligated, describing the different purposes for which such funds were obligated and the total amount obligated for such purpose except that in the case of the first two quarters of the fiscal year beginning July 1, 1971, a single report may be submitted for both such quarters and such report may be computed on the basis of the most accurate estimates the President is able to make taking into consideration all information available to him.

(g) Enactment of this section shall not be construed as a commitment by the United States to Cambodia for its defense.

Purpose

The purpose of section 655 was to establish a ceiling on overall U.S. expenditures, exclusive of air combat operations, in, for, or on behalf of Cambodia by fiscal year, and to provide the Congress certain fiscal information on Cambodia, including the amounts of U.S. funds requested, the amounts spent, and the purposes for which such funds were spent.

Background

Section 655 became part of the FAA of 1971. The last use of the section was for fiscal year 1975. Assistance is no longer furnished to Cambodia which now comes within the prohibition of FAA section 620(f) (prohibiting aid to Communist countries).

Conclusion

Section 655 is deleted because it is obsolete. Section 620(f) now prohibits assistance for Cambodia, a Communist country. A similar prohibition exists in section 767(e) of the bill.

SECTION 656

Text

SEC. 656. LIMITATIONS ON UNITED STATES PERSONNEL AND PERSONNEL ASSISTED BY UNITED STATES IN CAMBODIA.—The total number of civilian officers and employees in executive agencies of the United States Government who are citizens of the United States and of members of the Armed Forces of the United States (excluding such members while actually engaged in air operations in or over Cambodia which originate outside Cambodia) present in Cambodia at any one time shall not exceed two hundred. The United States shall not, at any time, pay in whole or in part, directly or indirectly, the compensation or allowances of more than eighty-five individuals in Cambodia who are citizens of countries other than Cambodia or the United States. For purposes of this section, "executive agency of the United States Government" means any agency, department, board, wholly or partly owned corporation, instrumentality, commission, or establishment within the executive branch of the United States Government. This section shall not be construed to apply with respect to any individual in Cambodia who (A) is an employee or volunteer worker of a voluntary private, nonprofit relief organization or is an employee or volunteer worker of the International Committee of the Red Cross, and

(B) engages only in activities providing humanitarian assistance in Cambodia.

Purpose

Section 656 imposes a limit of 200 on the number of U.S. civilians and military personnel who can be present in Cambodia at any given time, and a limit of 85 non-Cambodians working in Cambodia who can be paid directly or indirectly by the United States. An exemption was made for U.S. military personnel involved in air operations originating outside Cambodia. The provision was intended to prevent the further growth of American presence in Cambodia following the 1970 incursion. In 1974, an amendment exempted the International Red Cross and private voluntary organizations (relief organizations) from the ceilings.

Background

Section 656 was enacted in the FAA of 1971. A 1974 amendment exempted certain international organizations. Section 656 was adopted in response to a particular circumstance in Cambodia which no longer exists. FAA Sec. 620(f) prohibits assistance to Cambodia because it is a Communist country.

Conclusion

Cambodia is subject to the FAA 620(f) prohibition (aid to Communist countries), making section 656 obsolete. The prohibition against aid to Communist countries is carried forward by section 767(e) of the bill.

SECTION 658

Text

SEC. 658. Limitation on Use of Funds.—(a) Except as otherwise provided in this section, none of the funds appropriated to carry out the provisions of this Act or the Foreign Military Sales Act shall be obligated or expended until the Comptroller General of the United States certifies to the Congress that all funds previously appropriated and thereafter impounded during the fiscal year 1971 for programs and activities administered by or under the direction of the Department of Agriculture, the Department of Housing and Urban Development, and the Department of Health, Education, and Welfare have been released for obligation and expenditure.

(b) The provisions of this section shall not apply—

(1) to funds being withheld in accordance with specific requirements of law; and

(2) to appropriations obligated or expended prior to April 30, 1972.

Purpose

This section prohibits the obligation or expenditure of funds made available under the FAA and the Foreign Military Sales Act until the Comptroller General certifies to the Congress that previously appropriated fiscal year 1971 funds for various domestic development activities have been released for obligation and expenditure. The provision did not apply to funds withheld in accordance with legal requirements or to funds obligated or expended prior to January 1, 1972.

Background

At the time this provision was enacted, President Nixon had impounded approximately \$12 billion in Federal funds that had been appropriated for domestic programs. The purpose of this provision was to focus attention on domestic as compared with foreign needs

Conclusion

This provision, which is concerned with the impoundment of funds appropriated during fiscal year 1971, is obsolete.

SECTION 659

Text

SEC. 659. Access to Certain Military Bases Abroad.— None of the funds authorized to be appropriated for foreign assistance (including foreign military sales, credit sales, and guaranties) under this Act may be used to provide any kind of assistance to any foreign country in which a military base is located if—

- (1) such base was constructed or is being maintained or operated with funds furnished by the United States; and
- (2) personnel of the United States carry out military operations from such base;

unless and until the President has determined that the government of such country has, consistent with security authorized access, on a regular basis, to bona fide news media correspondents of the United States to such military base.

Purpose

This section prohibits the use of any funds authorized on behalf of any country in which a military base is located if such base was constructed or is maintained with U.S. funds, and from which the United States carries out military operations, until the President has determined that such country permits bona fide new media correspondents of the United States regular access to such military bases consistent with its own security.

The purpose of this provision was to insure that the American public, consistent with security requirements, may be informed through the news media about activities conducted from such facilities.

Background

This provision, enacted in 1974, though general in scope, resulted from an incident in which U.S. newsmen were denied access to bases in Thailand which were constructed with U.S. funds and manned by U.S. military personnel.

Conclusion

The access of news media correspondents to U.S. foreign military bases is not relevant to the bill which is concerned only with economic assistance. Such a prohibition regarding military aid may be included in an expanded Arms Export Control Act.

SECTION 660

Text

SEC. 660. PROHIBITING POLICE TRAINING.—(a) On and after July 1, 1975, none of the funds made available to carry out this act, and none of the local currencies generated under this act, shall be used to provide

training or advice, or provide any financial support, for police, prisons, or other law enforcement forces for any foreign government or any program of internal intelligence or surveillance on behalf of any foreign government within the United States or abroad.

(b) Subsection (a) of this section shall not apply—

(1) with respect to assistance rendered under section 515(c) of the Omnibus Crime Control and Safe Streets Act of 1968 with respect to any authority of the Drug Enforcement Administration or the Federal Bureau of Investigation which relates to crimes of the nature which are unlawful under the laws of the United States, or with respect to assistance authorized under section 482 of this Act; or

(2) to any contract entered into prior to the date of enactment of this section with any person, organization, or agency of the United States Government to provide personnel to conduct, or assist in conducting, any such program.

Notwithstanding clause (2), subsection (a) shall apply to any renewal or extension of any contract referred to in such paragraph entered into on or after such date of enactment.

Purpose

Section 660 prohibits, on and after July 1, 1975, use of foreign assistance funds to provide training, advice or financial support for police, prison, or other law enforcement forces of a foreign country, subject to certain specified exceptions.

Background

The Senate Committee on Foreign Relations advocated passage of this provision in 1974 because it felt U.S. participation in the highly sensitive area of public safety and police training unavoidably invites criticism from persons who attempt to identify the United States with acts of local police brutality or oppression.

Conclusion

This provision is not necessary since police training programs would not be eligible for assistance under the criteria prescribed in the bill. Also, section 506(b) of the bill prohibits assistance for military or paramilitary purposes. A similar prohibition on military assistance may be incorporated in an Expanded Arms Export Control Act.

SECTION 662

Text

SEC. 662. LIMITATION ON INTELLIGENCE ACTIVITIES. (a) No funds appropriated under the authority of this or any other Act may be expended by or on behalf of the Central Intelligence Agency for operations in foreign countries, other than activities intended solely for obtaining necessary intelligence, unless and until the President finds that each such operation is important to the national security of the United States and reports, in a timely fashion, a description and scope of such operation to the appropriate committees of the Congress, including the Committee on Foreign Relations of the United States Senate and the Committee on Foreign Affairs of the United States House of Representatives.

(b) The provisions of subsection (a) of this section shall not apply during military operations initiated by the United States under a

declaration of war approved by the Congress or an exercise of powers by the President under the War Powers Resolution.

Purpose

This section prohibits the use of funds appropriated under any act by, or on behalf of the Central Intelligence Agency (CIA), or any other agency of the U.S. Government, for the conduct of operations in foreign countries other than operations intended solely for obtaining intelligence, unless the President finds that such operations are important to the national security and transmits a report of his findings to the committee of the Congress having jurisdiction to monitor and review the intelligence activities of the U.S. Government. These restrictions do not apply during a declared war or during an exercise of power under the War Powers Resolution.

Conclusion

This provision is out of place in the bill since intelligence activities or other activities of the CIA would not be eligible for assistance funds under the criteria prescribed in the authorities in the bill. A similar prohibition covering all U.S. assistance funds may be included in an expanded Arms Export Control Act. Also, a reorganization in the executive branch of oversight of intelligence activities has improved internal controls.

SECTION 663

Text

SEC. 663. EXCHANGES OF CERTAIN MATERIALS.—(a) Notwithstanding any other provision of law, whenever the President determines it is in the United States national interest, he shall furnish assistance under this Act or shall furnish defense articles or services under the Foreign Military Sales Act pursuant to an agreement with the recipient of such assistance, articles, or services which provides that such recipient may only obtain such assistance, articles, or services in exchange for any necessary or strategic raw material controlled by such recipient. For the purposes of this section, the term "necessary or strategic raw material" includes petroleum, other fossil fuels, metals, minerals, or any other natural substance which the President determines is in short supply in the United States.

(b) The President shall allocate any necessary or strategic raw material transferred to the United States under this section to any appropriate agency of the United States Government for stockpiling, sale transfer, disposal, or any other purpose authorized by law.

(c) Funds received from any disposal of materials under subsection (b) shall be deposited as miscellaneous receipts in the United States Treasury.

Purpose

Section 661 authorizes the President to furnish assistance to any country in exchange for raw materials that it controls, when the President determines that the furnishing of such assistance is in the U.S. national interest. The term "raw materials" means fossil fuels, metals, minerals, or any other natural substance which is in short supply in the United States. The section further authorizes the President to allocate any raw materials transferred to the United States for any purpose authorized by law, including sales. Finally,

the section provides that funds received from the disposal of any raw materials received pursuant to the provisions of this section shall be deposited as miscellaneous receipts in the U.S. Treasury.

Background

This provision was intended to allow the United States to barter its economic and military assistance in return for strategic or critical raw materials.

Conclusion

This provision has never been used. Countries which are unwilling to sell strategic commodities in an open market are unlikely to barter them, except possibly in an effort to obtain military technology not otherwise available to them. Thus, this provision has not proved useful, and could open the executive branch to pressures for military sales not otherwise deemed advisable. Deletion is justified.

SECTION 665

Text

SEC. 665. TRANSITION PROVISIONS FOR INTERIM QUARTER.—There are authorized to be appropriated for the period July 1, 1976 through September 30, 1976, such amounts as may be necessary to conduct programs and activities for which funding was authorized for fiscal year 1976 by the International Development and Food Assistance Act of 1975, in accordance with the provisions applicable to such programs and activities for such fiscal year, except that the total amount appropriated for such period shall not exceed one-fourth of the total amount authorized to be appropriated for the fiscal year 1976 for such programs and activities.

Purpose

This section authorizes appropriations for programs and activities funded under the International Development and Food Assistance Act of 1975 at the rate of one-fourth the amount authorized for such activities and programs for fiscal year 1976.

Background

This provision was enacted to fund development activities and to continue the authorities and restrictions which established a legal framework for the development program during the interim quarter of July 1 to September 30, 1976.

Conclusion

Since the interim quarter to which this section referred is well past, this provision is outdated and should be omitted.

SECTION 668

Text

SEC. 668. REPORT ON KOREA.—Within ninety days after the enactment of this section, and at least once during each of the next five years, the President shall transmit to the Speaker of the House of Representatives and to the Committees on Foreign Relations and Armed Services of the Senate a report which (1) reviews the progress made under the announced program of the Republic of Korea to modernize

is armed forces so as to achieve military self-sufficiency by 1980, (2) reports on the role of the United States in mutual security efforts in the Republic of Korea, and (3) reports on the prospects for or implementation of phased reduction of U.S. Armed Forces assigned to duty in the Republic of Korea, in coordination with the timetable of the Republic of Korea for military self-sufficiency.

Purpose

The purpose of this section is to require the President to report to Congress on the progress of Korea's Armed Forces modernization program, the U.S. role in mutual security efforts in Korea, and prospects for a phase reduction of U.S. Armed Forces in Korea.

Background

The Congress enacted this provision to obtain information on such matters as the respective military capacities of North and South Korea, the department of U.S. forces in Korea, prospects for a nuclear weapon free zone on the Korean Peninsula, and any action by North Korea significantly altering the military balance of the area.

Conclusion

This provision is concerned primarily with military assistance rather than with development assistance and should, therefore, be transferred to the Arms Export Control Act if its retention is considered necessary.

SECTION 669

Text

SEC. 669. NUCLEAR ENRICHMENT TRANSFERS.—(a) Except as provided in Subsection (b), no funds authorized to be appropriated by this Act or the Arms Export Control Act may be used for the purpose of providing economic assistance, providing military or security supporting assistance of grant military education and training, or extending military credits or making guarantees, to any country which, on or after the date of enactment of the International Security Assistance Act of 1977, delivers nuclear enrichment equipment, materials, or technology to any other country, or receives such equipment, materials, or technology from any other country, unless before such delivery—

(1) the supplying country and receiving country have reached agreement to place all such equipment, materials, or technology, upon delivery, under multilateral auspices and management when available; and

(2) the recipient country has entered into an agreement with the International Atomic Energy Agency to place all such equipment, materials, technology, and all nuclear fuel and facilities in such country under the safeguards system of such Agency.

(b) (1) Notwithstanding Subsection (a) of this section, the President may furnish assistance which would otherwise be prohibited under such subsection if he determines and certifies in writing to the speaker of the House of Representatives and the Committee on Foreign Relations of the Senate that—

(A) the termination of such assistance would have a serious adverse effect on vital United States interests; and

(B) he has received reliable assurances that the country in question will not acquire or develop nuclear weapons or assist other nations in doing so.

Such certification shall set forth the reasons supporting such determination in each particular case.

(2) Any joint resolution which would terminate or restrict assistance described in Subsection (a) with respect to a country to which the prohibition in such subsection applies shall, if introduced within thirty days after the transmittal of a certification under paragraph (1) of this subsection with respect to such country, be considered in the Senate in accordance with the provisions of section 601(b) of the International Security Assistance and Arms Export Control Act of 1976.

Purpose

Section 669 prohibits the use of funds for economic or military or security supporting assistance, grant military education and training, or FMS grants or guaranties to any country which delivers or receives nuclear enrichment equipment materials or technology.

The prohibition can be waived by the President, by executive order, if he determines and certifies to a serious adverse effect on vital U.S. interests and that he has received reliable assurances that the country in question will not acquire or develop nuclear weapons or assist other nations in doing so. Congress may terminate or restrict assistance through a joint resolution, which shall be expedited if introduced within 30 days of the President's certification.

Background

This section, enacted in 1976 and amended in 1977, provides an important tool in combatting nuclear proliferation. However, since its principal leverage relates to military and security assistance it has not been included in the bill.

Conclusions

This section should be considered for inclusion in an expanded Arms Export Control Act. Such a provision in that act could be drafted to prohibit development and economic assistance under the bill as well as military assistance provided under an expanded Arms Export Control Act.

SECTION 670

Text

SEC. 670. NUCLEAR REPROCESSING TRANSFERS AND NUCLEAR DETONATIONS.—(a) Except as provided in Subsection (b), no funds authorized to be appropriated by this Act or the Arms Export Control Act may be used for the purpose of providing economic assistance, providing military or security supporting assistance or grant military education and training, or extending military credits or making guaranties, to any country which on or after the date of enactment of the International Security Assistance Act of 1977—

(1) delivers nuclear reprocessing equipment, materials, or technology to any other country or receives such equipment, materials, or technology from any other country (except for the transfer of reprocessing technology associated with the investigation, under international evaluation programs in which the United States participates, of technologies which are alternatives to pure plutonium reprocessing); or

(2) is not a nuclear-weapon state as defined in article IX(3) of the Treaty on the Non-Proliferation of Nuclear Weapons and which detonates a nuclear explosive device.

(b) (1) Notwithstanding Subsection (a) of this section, the President may furnish assistance which would otherwise be prohibited under such subsection if he determines and certifies in writing to the Speaker of the House of Representatives and the Committee on Foreign Relations of the Senate that the termination of such assistance would be seriously prejudicial to the achievement of United States nonproliferation objectives or otherwise jeopardize the common defense and security. The President shall transmit with such certification a statement setting forth the specific reasons therefor.

(2) Any joint resolution which would terminate or restrict assistance described in Subsection (a) with respect to a country to which the prohibition in such subsection applies shall, if introduced within thirty days after the transmittal of a certification under paragraph (1) of this subsection with respect to such country, be considered in the Senate in accordance with the provisions of Section 601(b) of the International Security Assistance and Arms Export Control Act of 1975.

Purpose

Section 670 prohibits the use of funds for economic or military or security supporting assistance, grant military education and training, or FMS grants or guaranties to any country which delivers or receives nuclear enrichment equipment materials or technology or detonates for the first time a nuclear device.

The prohibition can be waived by the President if he determines and certifies that termination of assistance would be prejudicial to U.S. nonproliferation objectives and national security. The President shall transmit with such certification a statement containing specific reasons therefor.

Congress may terminate or restrict assistance through a joint resolution, which shall be expedited if introduced within 30 days of the President's Certification.

Background

Enacted in 1977, this provision, along with FAA section 669, provides an important tool in combating nuclear proliferation.

Conclusion

This section should be considered for inclusion (with section 669) in an expanded Arms Export Control Act. The prohibition on assistance could include economic and development assistance provided under the bill as well as military assistance provided under an expanded Arms Export Control Act.

SECTION 901

SEC. 901. STATEMENT OF POLICY.—The Congress recognizes that a peaceful and lasting resolution of the divisive issues that have contributed to tension and conflict between nations in the Middle East is essential to the security of the United States and the cause of world peace. The Congress declares and finds that the United States can and should play a constructive role in securing a just and durable peace in the Middle East by facilitating increased understanding between the Arab nations and Israel, and by assisting the nations in the area in their efforts to achieve economic progress and political stability, which are the essential foundations for a just and durable peace. It is the sense of Congress that United States assistance programs in the Middle East should be designated to promote mutual respect and security

among the nations in the area and to foster a climate conducive to increased economic development, thereby contributing to a community of free, secure, and prospering nations in the Middle East.

It is further the sense of Congress that none of the funds authorized by this act should be provided to any nation which denies its citizens the right or opportunity to emigrate.

It is the sense of Congress that the United States will continue to determine Middle East policy as circumstances may require and that the authority contained in the joint resolution entitled "Joint resolution to implement the United States proposal for the early-warning system in Sinai, approved October 13, 1975 (Public Law 94-110), and the authorizations contained in the amendments made by the International Security Assistance and Arms Export Control Act of 1976 do not, and shall not in any way be construed to, constitute congressional approval, acceptance, or endorsement (1) of any oral or written commitment, understanding, assurance, promise, or agreement, whether expressed or implied, or any other expression, oral or written (other than the United States Proposal for the Early Warning System in Sinai)", made by any official of the United States which Israel, Egypt, or any other nation or organization might construe or interpret as a basis on which it could rely or act, or (2) of any characterization of any such commitment, understanding, assurance, promise, or agreement, or other expression, as constituting a "codification" of existing congressionally approved U.S. policy.

Purpose

This section provides a statement of congressional policy with regard to the Middle East: that a peaceful resolution of Middle East issues is in the best security interest of the United States; that the United States should facilitate increased understanding between Arab nations and Israel and economic progress and political stability in the area; and that U.S. assistance should promote mutual respect and security among, and development in, these nations.

The statement that it is the sense of Congress that no country denying its citizens the opportunity to emigrate should be given assistance was enacted to discourage Arab countries from restricting emigration of their Jewish citizens.

The final paragraph of section 901 is a warning statement that certain statutory language was not intended as a "blank check" for the executive branch and does not constitute congressional approval, acceptance, or endorsement of any commitment by any U.S. official to any government in the Middle East, other than the early warning system in Sinai.

Background

The policy statement portion of this section has become the bill's section 502. The statement on emigration policy has been incorporated in section 506. The disclaimer regarding congressional approval of executive branch commitments, which is contained in the final paragraph and was added as an amendment to the FAA by the International Security Assistance and Arms Export Control Act of 1976, was based on congressional mistrust of Secretary Kissinger's handling of a Mideast problem in a particular situation and is no longer relevant or useful.

Conclusion

The policy statement portion of this section has been incorporated into chapter V, title I, section 502 of the bill. The statement on emigration policy has become a sense of Congress restriction in section 506 of the bill. The disclaimer in the final paragraph is obsolete. Omission is appropriate.

**SECTIONS FROM THE FAA WHICH SHOULD BE CONSIDERED FOR INCLUSION IN AN
EXPANDED ARMS EXPORT CONTROL ACT**

<i>Section</i>	<i>Title</i>
481-----	International Narcotics Control.
482-----	Authorization.
501-----	Statement of Policy.
502-----	Utilization of Defense Articles and Defense Services.
502B-----	Human Rights.
503-----	Military Assistance—General Authority.
504-----	Military Assistance—Authorization.
505-----	Military Assistance—Conditions of Eligibility.
506-----	Military Assistance—Special Authority.
511-----	Military Assistance—Considerations in Furn. Mil. Assist- ance.
514-----	Military Assistance—Stockpiling of Defense Articles.
515-----	Military Assistance—Overseas Management of Assistance Prog.
516-----	Military Assistance—Termination of Authority.
524-----	Foreign Military Sales—Reimbursements.
531-----	Security Supporting Assistance—General Authority.
532-----	Security Supporting Assistance—Authorization.
541-----	IMET—General Authority.
605-----	Retention and Use of Certain Items and Funds.
610(a) (b) (c)-----	Transfer Between Accounts.
614-----	Special Authorities.
617-----	Termination of Assistance.
620(a)-----	Prohibitions Against Furnishing Assistance—Cuba.
620(b)-----	Communist countries.
620(i)-----	To countries engaging in or preparing for aggressive mil. effort.
620(s)-----	Pertains to efforts to restrain arms race.
620(x)-----	Suspension of aid to Turkey.
620A-----	Prohibition Against Furnishing Assistance to Countries which Grant Sanctuary to International Terrorists.
620B-----	Arms to Argentina.
622-----	Coordination with Foreign Policy.
623-----	The Secretary of Defense.
624(d) (f)-----	Statutory Officers.
632(d) (e)-----	Allocation and Reimbursement Among Agencies.
633-----	Waivers of Certain Laws.
634(f)-----	Reports and Information.
636(g)-----	Provisions on Uses of Funds.
637(b)-----	Administrative Expenses.
643-----	Saving Provisions.
644-----	Definitions.
650-----	Use of United States Armed Forces.
652-----	Limitation Upon Exercise of Special Authorities.
653-----	Change in Allocation of Foreign Assistance.
654-----	Presidential Findings and Determinations.
657-----	Annual Foreign Assistance and Military Exports Report.
659-----	Access to Certain Military Bases Abroad.
660-----	Prohibiting Police Training.
662-----	Limitation on Intelligence Activities.
668-----	Report on Korea.
669-----	Nuclear Enrichment Transfers.
670-----	Nuclear Reprocessing Transfers and Nuclear Detonations.
901-----	Statement of Policy.

CROSS REFERENCE OF S. 2420: THE INTERNATIONAL DEVELOPMENT COOPERATION ACT
OF 1968, WITH THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED

<i>S. 2420</i>	<i>Foreign Assistance Act</i>	<i>S. 2420</i>	<i>Foreign Assistance Act</i>
101		301	661(a), (b), (d)
102		311	231, 601(b)
201	102(a)	312	232
201(1)	102(a), 207(a), 208, 281, 636(h)	313	233
201(2)	102(b) (4)	314	234
201(3)	102(b) (5)	315	235
201(4)	102(d) revised	316	236
201(5)	102(b) (2)	317	237
201(6)	113	318	238
201(7)	102(b) (3); 601(a), (b) (1), (b) (5), (b) (7); 601d	319	239
201(8)	102(b) (6), 601(a), (b) (5), (b) (7); 601(d)	320	240A
201(9)	102(a)	331	221
201(10)	209	332	223(i)
202(a)	103a, 215	333(a)	223(a)
202(b)	103(c)	333(b)	223(b)
202(c)	103(b)	333(c)	223(c)
202(d)		333(d)	223(d)
202(d) (1) (2)	117	333(e)	223(e)
202(e)	103A	333(f)	223(f)
202(f)		333(g)	223(g)
202(g)	103(d)	333(h)	223(h)
203(a)	291	333(i)	223(j)
203(b)	104(a)	333(j)	
203(c)	104(d) (1)	341	222A
203(d) (1)	114(a)	351(a)	607(a)
203(d) (2)	114(b)	351(b)	607(a)
203(e)	104(b)	352	601(b) (8), 661
203(f)	104(c)	353(a)	607(b)
204(a)	105(a), 207(c)	353(b)	608(b)
204(b)	105(b)	354	608(a)
205(a) (1)	106(a) (2), 119	401	209
205(a) (2)	118	402	
205(a) (3)	106(a) (3)	403	
205(a) (4)	107	404	305
205(a) (5)	106(a) (6)	406	301(e) (3)
205(a) (6)	106(a) (4)	411	
205(a) (7)	106(a) (5)	412	
205(a) (8)	106(a) (1)	421	301(a)
205(b)	106(b)	422	301(b)
206	211(d)	423	103(e)
207(a)	110(a)	424	301(f)
207(b)	110(b)	501	531
208(a)		502	901
208(b)	102(e)	503	902
208(c)		504	533(d)
208(d)	110(a)	505	533(d)
208(e)	110(b)	506(a)	532(b)
209(a)	121(a)	506(b)	533(c) (1)
209(b)	121(b)	506(c)	
209(c)	121(c)	506(d)	115
221	296	506(e)	901
222	297	521(a)	491(a)
223	298	521(b)	491(b)
224	299	521(c)	491(c)
225	300	522	492
231		523	493
232		601(a)	601(a), (b)
233		601(b)	111, 601(a)
		601(c)	
		601(d)	635(c)
		601(e)	
		602	216
		603	

CROSS REFERENCE OF S. 2420: THE INTERNATIONAL DEVELOPMENT COOPERATION ACT
OF 1968, WITH THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED—Continued

<i>S. 2420</i>	<i>Foreign Assistance Act</i>	<i>S. 2420</i>	<i>Foreign Assistance Act</i>
604	-----	761(b)	109
701	-----	761(c)	610(a)
702(a)	640(B)	761(d)	109
702(b)	622(a)	761(e)	652
703(a)	-----	762	654
703(b)	621(a)	762	617
703(c)	-----	764	616
703(d)	-----	765(a)	635(a)
703(e)	-----	765(b)	201(a), 211(a), 635(b)
703(f)	-----	765(c)	201(b)
704	667	765(d)	201(d)
721	625(a), 625(b)	765(e)	201(e)
722(a)-(l)	-----	765(f)	635(d)
722(m)	625(f)	765(g)	635(e)
722(n)	-----	765(h)	635(g)
722(o)	625(g)	765(i)	635(i)
722(p)	625(j)	765(j)	635(i)
723(a)	626(a)	765(k)	635(i)
723(b)	626(b)	765(l)	635(k)
723(c)	626(c)	766(a)	632(a)
724	627	766(b)	632(b)
725	628	766(c)	632(c)
726	629	766(d)	632(e)
727	630	766(e)	632(f)
728	631	766(f)	632(g)
729	-----	767(a)(1)	116(a), 502(b)
741(a)	611(a)	767(a)(2)	116(b)
741(b)	611(c)	767(a)(3)	116(c)
741(c)	611(d)	767(b)(1)	666(a)
741(d)	611(e)	767(b)(2)	666(b)
742(a)	604(a)	767(c)(1)	620(g)
742(b)	604(b)	767(c)(2)	620(r)
742(c)	604(c)	767(d)	620A
742(d)	604(d)	767(e)	620(a), 620(b)
742(e)	604(e)	767(f)	620(k)
742(f)	636(i)	781(a)	634(b), 657
743	640C	781(a)(1)	640(B)(d)
744	603	781(a)(2)	657, 653(a), 634(d)
745	606	781(a)(3)	634(f)
746(a)	612(b)	781(a)(4)	634(g)
746(b)	612(b)(c), 636(i)	781(a)(5)	657(a)(4)
747	633	781(a)(6)	116(d)
748(a)	605(a)	781(b)	657(d)
748(b)	605(b)	782	671
748(c)	605(c)	783	657(b)
749(a)	636(a)	791	-----
749(b)	636(b)	792	642
749(c)	636(c)	793	643
749(d)	636(d)	794	644
749(e)	636(e)	795	645
750(a)	602(a)	796	646
750(b)	602(b)	797	638
761(a)	614(a)	798	-----

CROSS REFERENCE OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED WITH
S. 2420: THE INTERNATIONAL DEVELOPMENT COOPERATION ACT OF 1978

<i>S. 2420</i>	<i>Foreign Assistance Act</i>	<i>S. 2420</i>	<i>Foreign Assistance Act</i>
102a	201	202(b)	
102b	201	202(c)	
102c	201	202(d)	Deleted but see 795
102d	201	203	
102e	208(b)	204	
103a	202(a)	206	
103b	202(c)	207(a)	201(1)
103c	202(b)	207(b)	202
103d	202(g)	207(c)	204
103e	423	207(d)	203
103f		207(e)	201(7)
103g	423	208	201(1)
103h		209	401
103A	202(e)	211	765(b)
104a	203(b)(1), 291	212	Deleted, see 202-205
104b	203(e)	214	Omitted but not re- pealed
104c	203(f)		
104d	203(c)(1)	215	202
105a	204(a)	216	602
105b	204(b)	217	
105c		218	
106(a)1	205(a)(8)	219	
106(a)2	205(a)(1), 119	220	
106(a)3	205(a)(3)	22A	
106(a)4	205(a)(4)	221	331
106(a)5	205(a)(5)	222	
106(a)6	205(a)(5)	222A	341
106(b)	205(b)	223(a)	333(a)
107	205(a)(4)	223(b)	333(b)
108		223(c)	333(c)
109	761(b), 761(d)	223(d)	333(d)
110a	297(a), 208(d)	223(e)	333(e)
110b	207(b), 208(e)	223(f)	333(f)
111	601(b)	223(G)	333g
113	201(6)	223h	333h
114a	203(d)(1)	223i	332(a)
114b	203(d)(2)	223j	333(i)
115a	506(d)	231	311
115b		232	312
115c		233	313
116(a)	767(a)(1)	234	314
116(b)	767(a)(2)	235	315
116(c)	767(a)(3)	236	316
116(d)	781(a)(5)	237	317
116(e)		238	318
117	202(d)(1)(2)	239	319
118	205(a)(2)	240A	320
119(a)(1)	205(a)(1)	251	
119(a)(2)		252	
119(b)(1)		261	
119(b)(2)		271	
120		272	
121(a)	209(a)	281	deleted but see 201(1)
121(b)	(b)	291	deleted but see 203(a)
121(c)	deleted but see (c).	292	deleted but see 203(b)
201(a)		295	
201(b)	765(b)	296	221
201(c)		297	222
201(d)	765(d)	298	223
201(e)	765(e)	299	224
201(f)	201(7)(8)	300	225
202(a)	deleted but see 202-205	301(a)	421
		301(b)	

CROSS REFERENCE OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED WITH
S. 2420: THE INTERNATIONAL DEVELOPMENT COOPERATION ACT OF 1978—Continued

S. 2420	Foreign Assistance Act	S. 2420	Foreign Assistance Act
301(c) -----	---	601(a) -----	201(7), 201(8), 301, 601(a), (b)
301(d) -----	---	601(b) (1) -----	301, 201(7)
301(e) (1) -----	---	601(b) (2) -----	301
301(e) (2) -----	---	601(b) (3) -----	301
301(e) (3) -----	402	601(b) (4) -----	311(c) (6)—OPIC
301(f) -----	424	601(b) (5) -----	201(7), 201(8), 301, 311(a)—OPIC
302(a) (1) -----	422	601(b) (6) -----	311(c) (6)—OPIC
302(a) (2) -----	---	601(b) (7) -----	201(7), 201(8), 301(a)
302(b) -----	---	601(b) (8) -----	352
302(c) -----	---	601(c) -----	---
302(d) -----	---	601(d) -----	201(7), 201(8), 301(a)
302(e) -----	---	602(a) -----	750(a)
302(f) -----	---	602(b) -----	750(b)
302(g) -----	---	602(c) -----	---
302(h) -----	---	603 -----	744
302(i) -----	---	604(a) -----	742(a)
303 -----	---	604(b) -----	742(b)
304 -----	---	604(c) -----	742(c)
305 -----	404	604(d) -----	742(d)
451 -----	---	604(e) -----	742(e)
461 -----	---	604(f) -----	---
471 -----	---	605(a) -----	748(a)
481 -----	---	605(b) -----	748(b)
482 -----	---	605(c) -----	748(c)
491(a) -----	521a	605(d) -----	---
491(b) -----	521b	606 -----	745
491(c) -----	521c	607(a) -----	351(a) and (b)
492 -----	522	607(b) -----	353(a)
493 -----	523	608(a) -----	354(a)
494 -----	---	608(b) -----	353(b)
494A -----	---	609 -----	---
494B -----	---	610(a) -----	761(c)
495 -----	---	610(b) -----	---
495A -----	---	610(c) -----	---
495B -----	---	611(a) -----	741(a)
495C -----	---	611(b) -----	---
495D -----	---	611(c) -----	741(b)
496 -----	---	611(d) -----	741(c)
497 -----	---	611(e) -----	741(d)
501 -----	---	612(a) -----	792 (not repealed)
502 -----	---	612(b) -----	746(a), (b)
502A -----	---	612(c) -----	203(a)
502B -----	767(a)	612(d) -----	746(b)
503 -----	---	613 -----	792 (not repealed)
504 -----	---	614(a) -----	761(a)
505 -----	---	614(b) -----	---
506 -----	---	614(c) -----	---
511 -----	---	615 -----	---
513 -----	---	616 -----	764
514 -----	---	617 -----	763
515 -----	---	618 -----	---
516 -----	---	619 -----	---
524 -----	---	620(a) (1) -----	but see 767(e)
531 -----	501	620(a) (2) -----	but see 767(e)
532(a) -----	503	620(b) -----	767(e)
532(b) -----	506(a)	620(c) -----	---
533(a) -----	505	620(d) -----	but see 311(c) (8)— OPIC
533(b) -----	---	620(e) (1) -----	---
533(c) (1) -----	506(b)	620(e) (2) -----	792 (not repealed)
533(c) (2) -----	---	620(f) -----	767(e)
533(d) -----	504	620(g) -----	---
541 -----	---	620(h) -----	---
542 -----	---	620(i) -----	---
543 -----	---		

CROSS REFERENCE OF THE FOREIGN ASSISTANCE ACT OF 1961, AS AMENDED WITH
S. 2420: THE INTERNATIONAL DEVELOPMENT COOPERATION ACT OF 1978—Continued

<i>S. 2420</i>	<i>Foreign Assistance Act</i>	<i>S. 2420</i>	<i>Foreign Assistance Act</i>
620(j)-----		634(h)-----	
620(k)-----	767(f)	635(a)-----	765(a)
620(l)-----		635(b)-----	765(b)
620(m)-----	but see Sections 101 and 102	635(c)-----	601(d)
620(o)-----		635(d)-----	765(f)
620(q)-----	767(c)(1)	635(e)-----	735(g)
620(r)-----	767(c)(2)	635(f)-----	765(h)
620(s)-----		635(g)-----	765(i)
620(t)-----		635(h)-----	
620(u)-----		635(i)-----	756(j)
620(w)-----		635(j)-----	765(k)
620(x)-----		635(k)-----	765(l)
620A-----	767(d)	636(a)-----	749(a)
620B-----		636(b)-----	749(b)
621(a)-----	703(b), 201(7)	636(c)-----	749(c)
621(b)-----		636(d)-----	749(d)
621A-----		636(e)-----	749(e)
622(a)-----	702(b)	636(f)-----	
622(b)-----		636(g)-----	
622(c)-----		636(h)-----	746(b), 201(1)
623-----		636(i)-----	742(f)
624(a), (b), (c)-----	701	637-----	
624(d)-----		638-----	797
624(e)-----		640A-----	
624(f)-----	Omitted but see 767(a)(3)	640B-----	702
625(a)-----	721(a)	640C-----	743
625(b)-----	721(b)	641-----	
625(c)-----		642-----	Omitted but see 792
625(d)-----	Omitted but see 722	643-----	793
625(e)-----	Omitted but see 722(1)	644-----	794
625(f)-----	722(m)	645-----	795
625(h)-----	722(o)	646-----	796
625(i)-----	722(a)	647-----	
625(j)-----	722(p)	648-----	792 (not repealed)
625(k)-----	722(g)	649-----	
626(a)-----	723(a)	650-----	
626(b)-----	723(b)	651-----	
626(c)-----	723(c)	652-----	761(e)
627-----	724	653(a)-----	781
628-----	725	653(b)-----	Omitted but see 782
629-----	726	653(c)-----	
630-----	727	654-----	762
631-----	728	655-----	
632(a)-----	766(a)	656-----	
632(b)-----	766(b)	657-----	781
632(c)-----	766(c)	658-----	
632(d)-----		659-----	
632(e)-----	766(d)	660-----	
632(f)-----	766(e)	661-----	352
632(g)-----	766(f)	662-----	
633-----	747	663-----	
634(b)-----	Omitted but see 781	665-----	
634(c)-----		666-----	767(b)
634(d)-----	781	667-----	704
634(e)-----	Omitted but see 781	668-----	
634(f)-----	781(a)(3)	669-----	
634(g)-----	781(a)(4) (A) and (B)	670-----	
		671-----	782
		901-----	Omitted but see 502
		902-----	Omitted but see 503
		903-----	Omitted but see 503(h)