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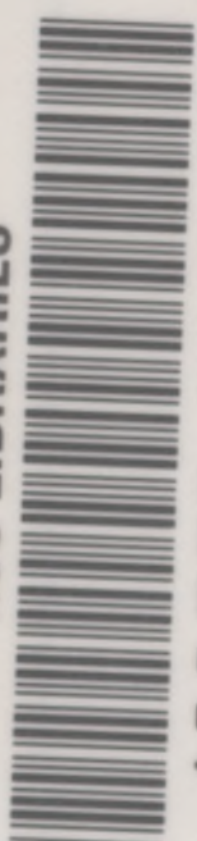
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SECTION-BY-SECTION ANALYSIS OF
DRAFT FOREIGN AID BILL

COMMITTEE PRINT DATED MAY 24, 1966
TO AMEND FURTHER THE FOREIGN ASSISTANCE
ACT OF 1961, AS AMENDED

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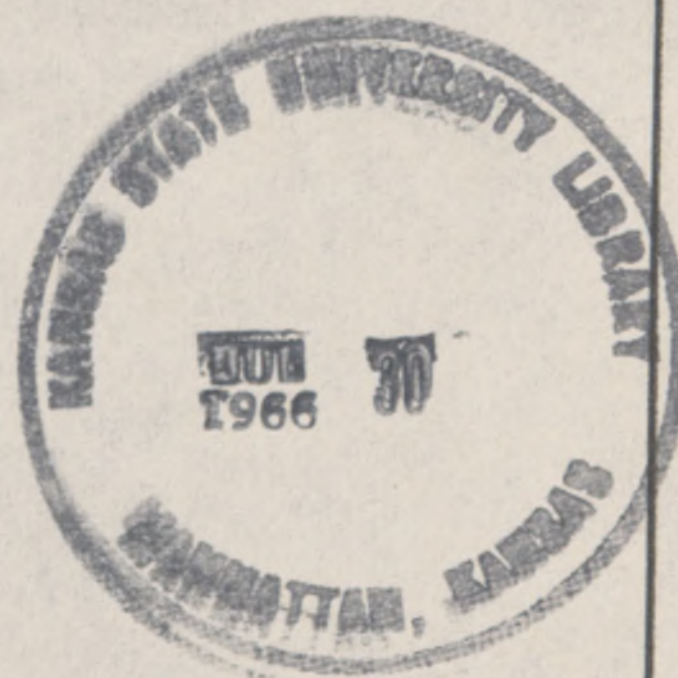
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COMMITTEE PRINT

SECTION BY SECTION ANALYSIS OF
DRAFT FOREIGN AID BILL

COMMITTEE PRINT DATED MAY 21, 1966
TO AMEND THE FOREIGN ASSISTANCE
ACT OF 1961, AS AMENDED

MAY 28, 1966



U.S. GOVERNMENT PRINTING OFFICE
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FOREWORD

MAY 25, 1966.

This section-by-section analysis of the committee print of a bill dated May 24, 1966, to amend further the Foreign Assistance Act of 1961, as amended, has been prepared for the use of the members of the Committee on Foreign Affairs and of the House of Representatives.

THOMAS E. MORGAN, *Chairman*.

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SECTION-BY-SECTION ANALYSIS OF DRAFT BILL

I. INTRODUCTION

1. Purposes of the bill

The proposed legislation to amend further the Foreign Assistance Act of 1961, as amended (the "bill"), has two principal purposes. First, it authorizes new appropriations for fiscal years 1967 through 1971 for development loans and the Alliance for Progress and new appropriations for fiscal year 1967 for technical cooperation and development grants, American schools and hospitals abroad, southeast Asia multilateral and regional programs, international organizations and programs, supporting assistance, contingency fund, the military assistance program and AID administrative expenses. Second, it effects certain substantive amendments in the Foreign Assistance Act of 1961, as amended (the "act").

2. Authorizations

	Authorization request	Appropriation request, fiscal year 1967
Pt. I:		
Ch. 2, Development assistance:		
Title I: Development Loan Fund: Sec. 202(a), authorization.....	¹ \$1, 250, 000, 000	\$665, 388, 000
Title II:		
Technical cooperation, development grants: Sec. 212, authorization.....	231, 310, 000	231, 310, 000
American schools and hospitals abroad: Sec. 214(c), authorization.....	10, 989, 000	10, 989, 000
Title VI:		
Alliance for Progress loans: Sec. 252, authorization.....	¹ 750, 000, 000	455, 300, 000
Alliance for Progress, technical cooperation and development grants: Sec. 252, authorization.....	¹ 100, 000, 000	87, 700, 000
Title VIII: Southeast Asia multilateral and regional programs: Sec. 273, ² authorization.....	(³)	
Total appropriation request, ch. 2.....		1, 450, 687, 000
Ch. 3, International organizations and programs:		
Grants: Sec. 302(a), authorization.....	140, 433, 000	140, 433, 000
Loans, Indus Basin development: Sec. 302(b), authorization.....	⁴ 51, 220, 000	
Total appropriation request, ch. 3.....		140, 433, 000
Ch. 4, Supporting assistance:		
General: Sec. 402, authorization.....	200, 000, 000	197, 200, 000
Vietnam: Sec. 402, authorization.....	550, 000, 000	550, 000, 000
Total appropriation request, ch. 4.....		747, 200, 000
Ch. 5, Contingency fund: Sec. 451(a), authorization.....	150, 000, 000	70, 000, 000
Total appropriation request, part I.....		2, 408, 320, 000
Pt. II: Military assistance.....	917, 000, 000	917, 000, 000
Total appropriation request, pt. II.....		917, 000, 000
Pt. III:		
Ch. 2, Administrative provisions:		
Sec. 637(a), administrative expenses (AID).....	57, 387, 000	57, 387, 000
Sec. 637(b), administrative expenses (State).....	(⁵)	3, 225, 000
Total appropriation request, pt. III.....		60, 642, 000
Total appropriation request, all parts.....		3, 385, 962, 000

¹ Authorization is for each of the 5 fiscal years 1967 through 1971.

² Sec. 106 of the bill would amend the act by adding a new title VIII, including a new sec. 273.

³ Authorization is for such amounts as may be necessary.

⁴ This authorization is for use beginning in fiscal year 1968.

⁵ An authorization of such amounts as may be necessary is now contained in the act.

The act now contains a permanent authorization for appropriations for certain administrative expenses of the Department of State relating to functions under the act (sec. 637(b)).

The bill provides for increased ceilings on specific risk and extended risk guaranties and extends the termination date for the authority to issue extended risk and Latin American housing project guaranties.

II. PROVISIONS OF THE BILL

PART I

CHAPTER 1. POLICY

Section 101. Statement of policy

This section amends section 102 of the act by striking the word "surplus" from the phrase "surplus agricultural commodities" in the seventh paragraph. This amendment reflects the change in emphasis in the food aid program from the concept of disposal of surplus agricultural commodities to the concept of using the abundant agricultural productivity of the United States to encourage economic development and improved agricultural production in the developing countries.

CHAPTER 2. DEVELOPMENT ASSISTANCE

Title I. Development Loan Fund

Section 102(a). Authorization

This section amends section 202(a) of the act, which relates to the authorization for the Development Loan Fund, by substituting for the obsolete authorization for the fiscal years 1962 through 1966 an authorization of \$1.25 billion for each of the 5 fiscal years 1967 through 1971. The previous authorization for the Development Loan Fund also was for a 5-year period.

Section 102(b). Encouragement of private enterprise

This section amends the second proviso to section 202(a) of the act to make that proviso applicable to the fiscal years 1967 through 1971, respectively. The proviso requires that not less than 50 percent of the funds appropriated for the Development Loan Fund shall be available for loans made to encourage economic development through private enterprise.

Title II. Technical cooperation and development grants

Section 103(a). American Educational and Research Institutions

This section amends section 211 of the act, which relates to the general authority for technical cooperation and development grants, by adding a new subsection (d). The purpose of this amendment is to clarify AID's authority to support longer-range programs undertaken by U.S. colleges, universities, and research institutions in fields related to the economic and social development of less developed countries and areas.

Under the authority of section 211 of the act, AID assists educational institutions to develop technical resources in vital fields of development upon which AID can draw, where there is a direct relationship between support of such institutions and known program needs. This amendment would make it clear that this authority

extends to supporting the development of human and other resources likely to be needed for future programs, but not necessarily directly related to identifiable short-range program needs. For example, within the next 10 years agronomists specially trained to deal with the varying requirements of different countries and cultures are likely to be needed for AID programs. At this time, however, it may not always be possible to identify the exact programs in which these agronomists would be used.

Under the amendment, AID will be able to help selected colleges, universities, and research institutions create programs that will permit them to participate effectively in the development process. Such assistance would create permanent institutional facilities upon which AID could draw for development programs and would help these institutions meet the burden on personnel and financial resources and academic programs caused by their contribution to these programs. Without this assistance these institutions would not always be able to support fully the aid program, or conversely, active participation in AID overseas programs might result in a serious drain on faculty and other resources.

Assistance would continue to be furnished only to institutions making a commitment, in terms of personnel, financial participation, and academic programs, to participate actively in the development process.

Section 103(b). Authorization

This section amends section 212 of the act, which relates to the authorization for technical cooperation and development grants, by substituting for the obsolete fiscal year 1966 authorization an authorization of \$231,310,000 for fiscal year 1967.

Section 103(c). American schools and hospitals abroad

This section amends section 214(c) of the act, which relates to the authorization for American schools and hospitals abroad, by substituting for the obsolete fiscal year 1966 authorization an authorization of \$10,989,000 for fiscal year 1967.

Title III. Investment guaranties

Section 104(a)(1). Specific risk guaranty ceiling

This section amends the proviso to section 221(b)(1) of the act by increasing from \$5 billion to \$7 billion the total face amount of specific risk guaranty contracts that may be outstanding at any one time. This increase is designed to provide sufficient issuing authority for the specific risk guaranty program.

Section 104(a)(2). Extended risk guaranty ceilings

This section amends the third proviso to section 221(b)(2) of the act in two respects. First, it increases from \$300 million to \$375 million the total face amount of extended risk guaranty contracts that may be outstanding at any one time. This increase is designed to provide sufficient issuing authority for the extended risk guaranty program.

Second, it increases from \$175 million to \$250 million the amount of the authorized total which may be used for other than housing projects, thereby maintaining the requirement that \$125 million of the total amount authorized for extended risk guaranties be reserved for housing projects.

Section 104(a)(3). Extended risk guaranty termination

This section amends the fourth proviso to section 221(b)(2), which relates to the termination date for the authority to issue extended risk guaranties, by extending the present termination date of June 30, 1967, to June 30, 1969.

In line with past practice, the termination date is extended 2 years beyond the authorization period to assure those eligible investors who start planning before June 30, 1967, but are unable to complete their investments by that time, against the possibility that the extended risk program may lapse in 1967.

Section 104(b). Latin American housing guaranties

This section amends the final proviso to section 224(c) of the act, which relates to Latin American housing project guaranties, by extending the termination date for the authority to issue such guaranties from June 30, 1967, to June 30, 1969.

*Title V I. Alliance for Progress**Section 105(a). General authority*

This section amends section 251(b) of the act by adding a new sentence which provides that Alliance for Progress funds not required to be used for loans (i.e., technical cooperation and development grant funds) shall be available for the purposes of the new section 211(d) of the act. Section 211(d) is added to the act by section 103(a) of the bill.

Section 105(b)(1). Authorization

This section amends section 252 of the act, which relates to the authorization for the Alliance for Progress, by substituting for the obsolete authorization for the fiscal years 1963 through 1966 an authorization of \$850 million for each of the 5 fiscal years 1967 through 1971. The section also substitutes for the obsolete ceilings for each of the fiscal years 1963 through 1966 a ceiling of \$100 million for each of the fiscal years 1967 through 1971 on Alliance for Progress funds available for use on a basis other than dollar-repayable loans (i.e., for technical cooperation and development grants). The previous authorization for the Alliance for Progress was for a 4-year period.

Section 105(b)(2). Presentations to the Congress

This section amends the second sentence of section 252 of the act, which required the President, in presenting requests to the Congress for authorizations for appropriations for the fiscal year 1964 through 1966 to carry out other programs under the act, to present also the proposed Alliance for Progress program, by substituting "1968 through 1971" for "1964 through 1966".

Section 105(b)(3). Encouragement of private enterprise

This section amends section 252 of the act to make that section applicable to the fiscal years 1967 through 1971, respectively. Section 252 requires that not less than 50 percent of the loan funds appropriated for the Alliance for Progress shall be available for loans made to encourage economic development through private enterprise.

*Title V I I I. Southeast Asia multilateral and regional programs**Section 106*

This section amends chapter 2 of part I of the act, which relates to development assistance, by adding a new title V I I I relating to

southeast Asia multilateral and regional programs. The new title emphasizes the special significance of the expanded southeast Asia development program which the President proposed in his speech delivered at Johns Hopkins University on April 7, 1965.

Section 271, which relates to general provisions, is the first section of the new title. Subsection (a) affirms the importance of social and economic progress in achieving the U.S. foreign policy objectives of peace and stability in southeast Asia. It expresses the sense of Congress that these objectives would be served through an expanded effort by the countries of southeast Asia and other interested countries in both multilateral and bilateral cooperative programs for the social and economic development of the region.

Subsection (b) of section 271 authorizes the President to furnish assistance to promote social and economic development and stability in southeast Asia through multilateral institutions and through multilateral or bilateral programs or projects which serve regional development purposes. Assistance may be furnished on a grant or loan basis on such terms and conditions as the President may determine.

The multilateral assistance contemplated may be furnished through the International Bank for Reconstruction and Development; special funds administered by the Asian Development Bank; programs sponsored, planned, or coordinated by the Mekong Development Committee; consortia of donors organized to support particular projects and programs; or other similar bodies or programs.

In addition, bilateral programs or projects which serve regional development purposes are eligible for assistance under this title. For example, bilateral assistance may be provided to educational institutions which are not established on a multilateral basis but which draw students from throughout the region and have a significant impact in regional cooperation and development.

Section 272 of the new title relates to special provisions. It sets out criteria which the President shall take into account in providing assistance for the purposes of this title. These criteria are designed to encourage Asian initiatives in development and stimulate regional cooperation in solving common problems. In addition, the President is required to consider the extent of participation by other donors as well as the degree of cooperative activity among the countries of southeast Asia. Finally, the President must take into account the competence of administering authorities and institutions, such as the new Asian Development Bank, to carry out development projects and programs.

Section 273 of the new title authorizes appropriation to the President for fiscal year 1967 of such funds as may be necessary to carry out the purposes of this title.

CHAPTER 3. INTERNATIONAL ORGANIZATIONS AND PROGRAMS

Section 107(a).—Indus Basin development

This section amends section 301(a) of the act to authorize funds appropriated for international organizations and programs to be used for dollar-repayable loans in connection with the Indus Basin Development Fund administered by the International Bank for Reconstruction and Development (the World Bank). These loans would be subject to the restrictions on development loan terms contained in section 201(d) of the act.

Section 301(a) now authorizes contributions from funds appropriated for international organizations and programs to be made only on a grant basis. This authority is now used to make grants for Indus Basin development.

In 1964 the U.S. Government made a commitment in the form of an executive agreement, subject to appropriation of the necessary funds, to loan to Pakistan \$51,220,000 for Indus Basin development, to be administered by the World Bank. Although this loan could be funded under the authority of section 201 of the act, by funding it under international organizations and programs, both grants and loans for Indus Basin development would be consolidated in one chapter.

Section 107(b).—United Nations development program

This section effects a technical change in section 301(b) of the act by substituting "United Nations Development Program" for "United Nations Expanded Program of Technical Assistance and the United Nations Special Fund" to reflect a recent consolidation and name change.

Section 107(c). Authorization

This section amends section 302 of the act, which relates to the authorization for international organizations and programs, by creating separate subsections for the existing grant authorization and for the new Indus Basin loan authorization.

First, a new subsection (a) substitutes for the obsolete fiscal year 1966 grant authorization a grant authorization of \$140,433,000 for fiscal year 1967.

Second, a new subsection (b) adds a new authorization for the appropriation of funds, in addition to other funds available for Indus Basin development, for dollar-repayable loans for the Indus Basin program. The funds are authorized for use beginning in the fiscal year 1968, when it is expected that the World Bank will request that the United States meet its 1964 commitment.

Third, a new subsection (c) reenacts the last sentence of section 302 of the act, which prohibits use of funds authorized under chapter 3 for contributions to international organizations or foreign governments to pay the costs of developing or operating volunteer manpower programs.

CHAPTER 4. SUPPORTING ASSISTANCE

Section 108. Authorization

This section amends section 402 of the act, which relates to the authorization for supporting assistance, in the following respects:

First, it provides for an authorization of \$200 million for the fiscal year 1967.

Second, it deletes the obsolete second sentence of section 402, which required that not less than \$200 million of the supporting assistance funds made available in fiscal year 1965 be used in Vietnam.

Third, it adds an authorization of \$550 million for fiscal year 1967 for supporting assistance in Vietnam.

Fourth, it provides authority for the transfer of supporting assistance funds made available for use in Vietnam for administrative expenses incurred in connection with programs in Vietnam. The same authority has been requested with respect to the supporting assistance supplemental appropriation now under consideration by

the Congress. Section 610(b) of the act does not now permit a transfer for this purpose. This flexible authority is needed because of the difficulty of estimating at this time the additional administrative expenses resulting from increased economic assistance programs in Vietnam. The provisions of section 610(a) of the act (percentage limitations on transfers and the requirement for a Presidential determination that a transfer is necessary for the purposes of the act) will be applicable to the transfer of funds from the supporting assistance account to the administrative expense account.

CHAPTER 5. CONTINGENCY FUND

Section 109(a). Authorization

This section amends section 451(a) of the act, which relates to the authorization for the contingency fund, by providing for an authorization of \$150 million for the fiscal year 1967.

Section 109(b). Southeast Asia authorization

This section deletes the obsolete last sentence of section 451(a) of the act, which authorized a separate contingency fund for use in southeast Asia in fiscal year 1966.

Section 109(c). Reports to the Congress

This section effects a technical change in section 451(b) of the act, which relates to reports to the Congress with respect to the contingency fund, by striking out the words "the first sentence of".

PART II

CHAPTER 2. MILITARY ASSISTANCE

Section 201(a). Authorization

This section amends section 504(a) of the act, which relates to the authorization for military assistance, by substituting for the obsolete fiscal year 1966 authorization an authorization of \$917 million for fiscal year 1967. The authorization excludes the support of Vietnamese and other free world forces in Vietnam, which is provided for in other legislation.

Section 201(b). Reimbursements

This section amends section 508 of the act, which relates to the special fund account for financing sales, by making two changes in the bookkeeping for the account. Under existing law, when new obligational authority—as distinguished from money already in the account—is obligated to finance a sale, the unliquidated balances of the funds so obligated cannot be shown in the President's budget as an asset of the account. The first of the two changes made by this section of the bill provides for transfer to the special fund account of the unliquidated balances of new obligational authority heretofore obligated for financing sales and guaranties. To conform with this change, the amendment also provides for the transfer into the account of subsequent new obligational authority. As a result of these bookkeeping changes, it will be legally possible for the President's budget to show fully the foreign military sales program proposed to be carried out during the budget year and the complete status of the account.

It should be noted that the transfer of the new obligational authority into the account is not a transfer under section 610(a) of the act; the transfer is merely a bookkeeping transfer which does not change the purpose for which the funds are used.

Section 201(c). Special authority

This section amends section 510(a) of the act by renewing for another year the authority of the President, when he determines it to be vital to the security of the United States, to order defense articles from Department of Defense stocks and defense services to carry out activities under part II of the act, subject to subsequent reimbursement therefor from military assistance funds. As in prior years, this authority is limited to \$300 million in the fiscal year 1967, and prompt notice of action taken under this section is required to be given to the Congress.

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

This section renews indefinitely the \$25 million ceiling in section 512 of the act on the value of grant programs of the defense articles for African countries which previously had been renewed on a year-to-year basis.

PART III

CHAPTER 1. GENERAL PROVISIONS

Section 301(a). Advance acquisition of property

This section amends section 608(a) of the act, which relates to advance acquisition of property, to permit personnel costs directly attributable to the excess property program authorized by section 608(a) to be charged to the excess property revolving fund.

Under the authority of section 608(a) a revolving fund was established from which expenditures might be made, in advance of known program needs, for acquiring U.S. Government excess property.

Section 608(a) now permits the fund to be charged with accessorial costs (costs of acquisition, storage, renovation and rehabilitation, packing, crating, handling, transportation, and other related costs) of excess property. When such property is transferred to carry out authorized programs, the fund is reimbursed from the appropriate account. Reimbursement is in the form of an average service charge to cover the above accessorial costs. However, personnel costs which are directly attributable to the excess property program are not now charged to the fund. This amendment will put the fund on a more businesslike basis by permitting the fund to reflect more accurately all costs directly attributable to the excess property program.

Section 301(b). Special authorities

Section 301(b) amends section 614(a) of the act, which relates to special authorities, by exempting any country which is a victim of active Communist or Communist-supported aggression from the requirement that not more than \$50 million of the funds available under section 614(a) may be allocated to any one country in any fiscal year.

Section 301(c). Prohibitions against furnishing assistance

■ This section amends section 620(1) of the act by substituting for the existing mandatory prohibition against furnishing assistance a requirement that the President consider denying assistance to less developed countries which fail to agree by December 31, 1966, to institute a specific risk guarantee program.

The United States has now investment guaranty agreements with 71 less developed countries and areas. Although negotiations are underway to institute these programs in other countries, it is unlikely that agreement will be reached with all aid-recipient countries by the December 31, 1966, deadline. For example, in some aid-recipient countries where both expropriation and convertibility coverages are currently not available, the internal political situation makes it doubtful that agreement will be reached to institute the program by that date.

Important U.S. interests may nevertheless require that all assistance under the act not be terminated in every country with which investment guaranty agreements have not been concluded. This amendment will provide the President with the necessary flexibility to enable him to weight overall U.S. foreign policy objectives in deciding whether assistance to any such country should be terminated.

CHAPTER 2. ADMINISTRATIVE PROVISIONS

Section 302(a). Commitment authority

This section amends section 635(h) of the act by specifically excluding Alliance for Progress development loans from the provision that contracts or agreements which entail commitments for the expenditure of funds may not extend for more than 5 years. When originally enacted, this provision applied only to technical assistance funds, not to development loans. When title VI of the act, Alliance for Progress, was enacted in 1962, section 635(h) was amended to include the Alliance title among those to which the provision applies. However, the amendment failed to distinguish between Alliance grant programs and Alliance development lending operations. This amendment will correct that oversight.

Section 302(b). Administrative expenses

This section amends section 637(a) of the act, which relates to administrative expenses, by substituting for the obsolete fiscal year 1966 authorization an authorization of \$57,387,000 for fiscal year 1967.

Section 302(c). Definitions

This section deletes section 644(1) of the act, which relates to surplus agricultural commodities. This amendment reflects the elimination of the concept of "surplus" agricultural commodities from the food aid program.



