



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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Dear Mr. Chairman:

We have reviewed dollar obligations incurred by the Agency for International Development (AID) for population and family planning assistance programs during the period July 1 through December 31, 1971. 97

The review was made in response to the concern expressed by the Senate Committee on Appropriations in its January 25, 1972, report on Foreign Assistance and Related Programs Appropriation Bill, 1972. The Committee directed that, without exception, excess foreign currencies be used to the maximum extent to which they are available to carry out U.S. programs to reduce population pressures. S300

Our review was directed toward ascertaining whether dollars were obligated to finance population program costs in instances where U.S.-owned local currencies could have been used in lieu of dollars. Our work was performed at AID's headquarters in Washington, D.C., and we limited our examination to obligations for population programs in nations designated as excess-currency countries by the Department of the Treasury. Our review focused on dollars obligated for financing of local costs; we did not question dollars obligated to finance foreign-exchange costs of the programs. 38

AID POPULATION PROGRAMS
IN EXCESS CURRENCY COUNTRIES

The Department of the Treasury has determined that the U.S. supplies of currencies of the following countries are excess to its normal requirements for fiscal years 1972 and 1973:

India	Morocco ¹	Guinea	Poland	Yugoslavia
Tunisia	Pakistan	Israel	U.A.R. (Egypt)	Burma

¹ Morocco was designated as an excess-currency country for only fiscal year 1972.

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Our work showed that AID, during the period July to December 1971, took obligation action to support population programs in four of the 10 countries designated "excess" by the Treasury Department--India, Tunisia, Morocco, and Pakistan. As we will discuss below, these obligations were to fund bilateral assistance and programs of international organizations.

From July 1 through December 31, 1971, AID obligated \$25.2 million for population programs; \$3.9 million of this amount was for programs in excess-currency countries, as shown in the following schedule.

AID Obligations for Population
Programs in Excess-Currency Countries
July 1 Through December 31, 1971

	<u>Tunisia</u>	<u>India</u>	<u>Pakistan</u>	<u>Morocco</u>	<u>Total</u>
	----- (thousands) -----				
Bilateral assistance:					
Project assistance	\$ 260.6	\$282.0	\$205.0	\$20.8	\$ 768.4
Program assistance	3,000.0 ^a	-	-	-	3,000.0
International organizations	-	187.5	-	-	187.5
Total	<u>\$3,260.6</u>	<u>\$469.5</u>	<u>\$205.0</u>	<u>\$20.8</u>	<u>\$3,955.9</u>

^aProgram grant authorized October 1971. Actual grant agreement to formally obligate the funds still being negotiated at mid-March 1972.

BACKGROUND INFORMATION

The Congress added title X to the Foreign Assistance Act in November 1967 to provide broader authority for assistance on population and family planning programs in developing countries. For title X programs only, Congress earmarked \$35 million of foreign assistance funds for fiscal year 1968, \$50 million for 1969, \$75 million for 1970, and \$100 million for 1971. The title X earmarked funds are not available for other purposes if they are not used for population assistance. Thus far AID has obligated substantially all the funds earmarked for the population program--\$34.7 million in fiscal year 1968, \$45.4 million in 1969, \$74.6 million in 1970, and \$95.9 million in 1971.

Until mid-fiscal year 1970, AID operated within the concept that it was not authorized to use the earmarked dollars to meet a need for local currencies for population programs in countries where U.S.-owned local currencies were excess or where there were ample country-use currencies

available under section 104(h) of Public Law 480. Under that concept, AID funded numerous population and family planning activities for India. Project local costs and budgetary support were funded with rupees, and foreign-exchange costs were funded with dollars.

In fiscal year 1970, however, AID recognized that one of the foremost determinants of its success or lack of success in fully using the earmarked funds would be policies governing funding methods, especially as they could be modified to permit greater use of grant dollars for work in excess-currency countries. This concern obviously motivated a modification in AID's title X policy. On November 7, 1969, AID announced that

"Dollars can be authorized to finance local costs where careful examination indicates that such expenditures will contribute significantly to the achievement of population and family planning goals."

AID also said that

"In excess currency countries, an additional showing is necessary that the foreign exchange is needed by the economy on balance-of-payments grounds."

Program grant to India

Concurrent with the policy modification, in November 1969 AID offered the Government of India a grant of up to \$50 million of title X funds for family planning purposes.

In June 1970, AID and Government of India representatives signed an agreement for a \$20 million U.S. grant to provide financing for the foreign-exchange cost of general commodity imports not related to family planning. With that grant agreement, AID obligations totaled \$74.6 million of the \$75 million earmarked for title X purposes for fiscal year 1970.

We could not determine the exact status of the balance of \$30 million of AID's original offer to India of up to \$50 million. We did note, however, that AID testimony to a Senate subcommittee in July 1971 indicated AID's willingness to consider additional financing to India from fiscal year 1972 population funds, as well as similar funding for other excess-currency countries.

BILATERAL PROGRAM ASSISTANCE
JULY 1 THROUGH DECEMBER 31, 1971--TUNISIA

AID is negotiating a \$3 million grant of fiscal year 1972 title X funds to Tunisia to purchase soybean oil in the United States and plans to provide \$3 million additional later. The soybean oil will be sold in Tunisia to generate the dinar equivalent of \$3 million which is to be used in Tunisia's family planning programs.

The Government of Tunisia is to utilize the equivalent of \$2 million of the generated dinars to equip, upgrade, and renovate approximately 300 existing family planning centers, maternity and child health clinics, and hospital maternity facilities. The remaining \$1 million equivalent of dinars is to be used to finance the local currency cost of 35 new family planning facilities for which the World Bank is financing the required foreign-exchange costs.

AID's proposed grant agreement provides that, if the generated dinars are not fully used for the planned construction and renovation of facilities, they are to be reprogrammed exclusively for other family planning purposes. In the event that mutual agreement cannot be reached on reprogramming, the dinars will revert to the U.S. Government.

Aside from the fact that Tunisia is an excess-currency country, we noted that the soybean oil to be purchased with AID's \$3 million could have been provided and the local currency generated under a Public Law 480 sales agreement. AID believed, however, that the Tunisian Government would be less susceptible to approving the utilization of the funds for the population program if the currency were generated under a Public Law 480 sales agreement. Tunisia has urgent requirements for development expenditures which are competing with the population program requirements. In 1969 the Tunisian Government financed only 21 percent of its family planning program; the balance was financed by external grants. In requesting approval of a dollar grant rather than a sales agreement, AID's Assistant Administrator for Africa noted that by using nonreimbursable terms the U.S. Government's ability to direct the use of dinar generations for the programs being supported by the United States was increased materially.

BILATERAL PROJECT ASSISTANCE--
JULY 1 THROUGH DECEMBER 31, 1971

Our review indicated that AID's obligations of \$769,000 for the bilateral projects in the four countries were to cover salaries of U.S. advisors (\$532,000), payments for family planning commodities to be

procured in the United States (\$220,000), costs of participant training (\$10,000), and local hire and other direct costs (\$7,000).

The salaries of U.S. personnel, procurement of commodities from the United States, and participant training in the United States or third countries are costs which usually require foreign-exchange financing and would not represent an opportunity for utilization of excess currencies. Certain costs, such as the cost of local hire and local procurements, could be funded with local currency. We were advised that, although dollars had been obligated for such costs, the missions would use the dollars to procure the local currency from the U.S. Disbursing Officer. The net effect apparently would be the utilization of excess currency.

INTERNATIONAL ORGANIZATIONS

During the period July 1 to December 31, 1971, AID obligated \$187,500 for population programs being operated in India by the Pathfinder Fund and the Population Council. The Pathfinder Fund program was granted \$87,500 to finance local administrative and program rupee costs. The Population Council program was granted \$100,000 to be used solely to finance the procurement and transportation of abortion equipment from the United States.

Although dollars were obligated for the Pathfinder Fund, AID's contract provides that the conversion of U.S. dollars for "Cooperating Country" currency to cover the within-country costs shall (1) be approved by the contracting officer and (2) be made through the U.S. Disbursing Officer, the Mission cashier, or equivalent officials in Consulates General. Thus it would appear that the grant to the Pathfinder Fund, in effect, will be funded with excess currency.

AID POPULATION OBLIGATIONS

UNIDENTIFIABLE WITH SPECIFIC COUNTRIES

3 The \$25.2 million obligated by AID for population programs during the period July 1 through December 31, 1971, included a \$5.5 million grant to the International Planned Parenthood Federation (IPPF) for its 1972 budget. IPPF is a federation of indigenous family planning associations located in many nations, including the excess-currency countries. IPPF has budgeted the following funds for its 1972 population programs in excess-currency countries. C. 1782

IPPF 1972 Budget for Programs
in Excess-Currency Countries

<u>India</u>	<u>Pakistan</u>	<u>Egypt</u>	<u>Tunisia</u>	<u>Morocco</u>	<u>Total</u>
----- (thousands) -----					
\$1,000.0	\$511.9	\$103.0	\$45.6	\$24.0	\$1,684.5

AID supports IPPF with approximately 40 percent of its budget requirements; the balance is furnished by other donors. The AID grant to IPPF is provided as general budget support without any designation as to what program costs are to be funded with the money. As a result, although IPPF is funding population programs in excess-currency countries, the costs are not identified with any specific donor.

Originally funding of IPPF was approved by AID on a project-to-project basis. This was changed, however, to general budgetary assistance starting with calendar year 1971. When AID did fund IPPF on a specific-project basis, it did not fund any of IPPF's programs in the excess-currency countries.

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In summary it now appears that AID dollar grants to Tunisia and to IPPF will be used in part to generate local currency for population control programs even though excess currencies are available.

In accordance with the wishes of your Subcommittee staff, we have not followed the customary practice of obtaining agency comments on this report.

We believe that the contents of this report would be of interest to other committees and members of the Congress. However, release of the report will be made only upon your agreement or upon public announcement by you concerning its contents.

Sincerely yours,



Comptroller General
of the United States

01 The Honorable William Proxmire
Chairman, Subcommittee on Foreign Operations S 0305
Committee on Appropriations
United States Senate