

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

B-173240

August 30, 1973

The Honorable William S. Moorhead  
Chairman, Foreign Operations and  
Government Information Subcommittee  
Committee on Government Operations  
House of Representatives

Dear Mr. Chairman:

Further reference is made to your letter of February 8, 1973, asking that we consider the propriety of the liquidation by the Agency for International Development (AID) of the working fund described on pages 10-13 of House Report 92-718 and reported in the hearings held by the House Foreign Operations and Government Information Subcommittee, Committee on Government Operations on July 12, 1971, entitled "Economy and Efficiency of U.S. Aid Programs in Laos and Cambodia," and the disposition of the interest on those funds.

You express the view that the situation regarding such funds is similar to that considered in a letter dated January 12, 1973, addressed to Dr. Hannah, Administrator of AID, by Mr. Stovall, Director of our International Division. That letter concerned an advance by AID of \$31 million of a \$35 million grant to the United Nations Relief Operation in Dacca (UNROD) for assistance to Bangladesh. While it first was contemplated by AID that the entire grant would be made to finance specific goods and services for Bangladesh assistance, it subsequently was determined that \$31 million should be made available as a cash transfer to UNROD, reserving the remaining \$4 million to purchase relief commodities requested.

The \$31 million was advanced to UNROD prior to the time UNROD could effectively utilize the funds and, as a result, UNROD was able to earn interest on the funds. Mr. Stovall took the position that the interest earned on such funds should be returned to the United States, citing Comptroller General decision 42 Comp. Gen. 289 (1962) wherein it was held that interest earned on Federal grants belong to the United States rather than to the grantee.

The cited decision involved grants made by the United States through the Department of State to American-sponsored schools or libraries abroad. It was held that interest earned on such grant funds accrued

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the United States in that there appeared nothing evidencing an intent on the part of the Congress to provide unqualified grants or gifts to such institutions.

With respect to the funds discussed in the House Report and the hearings referred to above, the funds contained in the Import Program Working Fund for Laos at the time of its liquidation and here in question, consisted of funds granted to Laos by the United States and the interest earned thereon. Upon liquidation of the Working Fund the funds here in question were, in effect, given over to the Laotian Government.

In explaining the nature of these funds, AID, in a memorandum submitted for the record and which appears on page 21 of the hearings referred to above, stated in part that--

The basic fact to be considered is that AID did give over the original funds to the Royal Laotian Government, as cash grants for budgetary support and to generate counterpart. There were certain limitations on their use, but the existence of conditions on the expenditure of assistance funds is not itself unusual: program assistance funds are often given, for example, with the conditions that they are to be spent only in the United States, or only in the free world, and only for certain commodities.

The September 1964 Agreement liquidating the U.S. Import Program Working Fund clearly presumed that the funds had previously been granted to Laos and were thus Royal Laotian Government assets. Although it might have been feasible for the U.S. Government to stipulate, when making the initial grants, that the funds be returned to the U.S. Government when the needs for which they had been made available no longer existed, this was not done. In the absence of such a stipulation, we believe, that the above dispositions of the U.S. Import Program Working Fund, under which a portion was placed in a bank account belonging to the Royal Laotian Government, were entirely proper. \* \* \* (Emphasis added.)

In the instant case while AID asserts that the funds in question constituted a cash grant directly to the Government of Laos for budgetary

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support and to generate counterpart, AID has been unable to furnish us a copy of the grant agreement. In any event it is noted that among other restrictions the funds properly could be expended only to purchase certain approved commodities and in the manner specified.

In view thereof, the funds appear to have been made available and were actually granted under conditions comparable to those considered in 42 Comp. Gen. 289 (1962) and, in our opinion, any unused portion of such funds and interest earned on the grant funds prior to their expenditure for grant purposes should have been credited to the United States. As noted in that decision when Congress intends to make an outright grant or gift, it has no difficulty in doing so and, as an example, reference was made to 16 U.S.C. 500 directing that 25 percent of income from national forests be paid to the State in which the forest is situated. We find no comparable provisions in the Foreign Assistance Act of 1961, as amended. Furthermore AID agrees that it might have been feasible to have provided in the grant agreement for the return of any funds when the need therefor no longer existed.

Nevertheless, since the actions of both parties from the time that such grant agreement was entered into have been consistent with the concept that the funds, when granted, became the property of Laos, and since very little purpose would be served at this late date in attempting to recover the interest earned on such funds, we do not propose to insist upon collection efforts by AID in this particular case.

You may wish to inform AID of our conclusion that interest earned under its other grant programs, including those for budgetary support, belong to the United States. In the alternative, we will so advise AID by separate letter or, with your permission, send the agency a copy of this letter.

Sincerely yours,

R.F.KELLER

Deputy Comptroller General  
of the United States

FUNDS

Federal grants, etc., to other than states  
Interest earned

INTEREST

Advance payments

As belonging to United States v. others

1955-56

Interest on advance payments received from the States and other sources for the purpose of carrying out the provisions of the Federal Grants Act, 1955-56.

Interest on advance payments received from the States and other sources for the purpose of carrying out the provisions of the Federal Grants Act, 1955-56. This amount represents the interest earned on the advance payments made to the States and other sources for the purpose of carrying out the provisions of the Federal Grants Act, 1955-56.

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Department of the Interior  
Bureau of Reclamation

