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

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The Honorable Daniel K. Inouye
Chairman, Foreign Operations Subcommittee
Committee on Appropriations
United States Senate

Dear Mr. Chairman:

This report covers our review of dollar obligations incurred by the Agency for International Development (AID) for population and family planning assistance programs during the final quarter of fiscal year 1972. Our letters to you, dated April 21 and May 26, 1972, gave the results of our reviews of obligations for the first three quarters of fiscal year 1972.

We directed our work toward ascertaining whether AID obligated dollars to finance population program costs when U.S.-owned local currencies could have been used. Our review was made at AID's headquarters at Washington, D.C., and was limited to obligations for population programs in the 10 countries designated as excess-currency countries by the Department of the Treasury. (See our April 21, 1972, letter.)

These reviews relate to the Senate Committee on Appropriations January 25, 1972, report entitled "Foreign Assistance and Related Programs Appropriation Bill, 1972." In the report the Committee directed that, without exception, excess foreign currencies be used to the maximum extent they are available to carry out U.S. programs to reduce population pressures.

AID DOLLAR OBLIGATIONS DURING THE FINAL QUARTER OF FISCAL YEAR 1972

From April 1 through June 30, 1972, AID obligated \$93.5 million for population programs, raising the total population program obligations for fiscal year 1972 to \$123.3 million. Our review of the \$93.5 million obligations showed that \$5.1 million was for programs in five excess-currency

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countries and $58 million was for programs that would provide population assistance abroad, but countries were not specified or identifiable. The balance of $30.4 million was for programs in non-excess-currency countries.

Obligations for excess-currency countries

A breakdown of the $5.1 million obligated for population programs in excess-currency countries during the final quarter of fiscal year 1972 is shown in the following schedule.

Source of assistance:	Recipient countries				
	India	Pakistan	Tunisia	Morocco	Israel
			(000 omitted)		
Mission programs	$ 90	$41	$3,601	$389	$ -
Regional and interregional programs	974	-	-	-	15
Total	$1,064	$41	$3,601	$389	$15

Assistance for India and Israel

The AID Mission obligation of $90,000 for the India population program was to cover the foreign exchange cost of salaries of U.S. personnel ($84,000), commodities ($3,000), and participant training expenses ($3,000).

In addition to the AID bilateral program funded through the AID Mission, AID/Washington obligated $908,000 to support a Johns Hopkins University research team in India, and $66,000 to support the staff of the Pathfinder Fund in India.

Our review indicated that the $66,000 for the Pathfinder Fund and about $263,000 of the $908,000 for the Johns Hopkins University research team was to meet the rupee costs of these projects in India. However, AID contracts with these organizations contain the usual stipulation that dollars used for local costs are to be converted with U.S. disbursing officers.

In connection with the AID/Washington funding for the Pathfinder Fund, $15,000 was also obligated for the program in Israel, all for local costs.

In view of AID's standard contract and grant provisions for converting dollars for local costs (see encs. I and II), we believe that local currencies will ultimately be used to meet local costs of the projects in India and Israel.

Assistance for Pakistan

In the last quarter of fiscal year 1972, the AID Mission in Pakistan obligated $40,000 for salaries of U.S. personnel and $1,000 for technical support commodities for the population program.

Since November 1971 obligations for the Pakistan family planning program have been limited to AID direct-hire personnel cost and the $1,000 for commodities because of restrictions in the Foreign Assistance Act of 1961, as amended. Section 620(q) of the act restricts the assistance that can be provided to a nation that defaults on any loans provided under the act. In May 1971 Pakistan defaulted on payment of a loan made under the act and 6 months later became ineligible to receive certain assistance. AID officials advised us that the above obligations were for continuing technical support activities only.

Assistance for Tunisia

During the last quarter of fiscal year 1972, AID obligated $3.601,000 for the population program in Tunisia. These obligations included the $3 million grant for importing soybean oil, authorized in October 1971 and discussed in our earlier reports.

The remaining $601,000 was for the following foreign exchange costs: U.S. personnel, $8,000; participant training, $31,000; U.S. commodities, $71,000; and other costs, $491,000. The other costs relate to the Mission's planned purchase of local currency to contribute to the budget of the Tunisia Government's Family Planning Institute. AID officials advised us, and the AID congressional presentation for the fiscal year 1972 program also stated, that the dollars would be used to purchase the required Tunisian dinars from the U.S. Treasury.

Assistance for Morocco

The $389,000 obligated by AID for the Morocco population program in the last quarter of fiscal year 1972 was for the following foreign exchange costs: salaries of U.S. personnel, $117,000; participant training, $25,000; and U.S. commodities, $247,000.

AID OBLIGATIONS NOT IDENTIFIABLE WITH SPECIFIC COUNTRIES

AID obligations in the final quarter of fiscal year 1972 included $58 million for population projects that would provide assistance abroad, but countries in which funds were to be expended were not specified or identifiable. The $58 million included $9 million for five research projects, $20 million for 17 general technical service projects, and $29 million for the United Nations Fund for Population Activities.

Research projects

The five AID contracts for research projects provide that, when dollars are to be used to meet in-country local costs, contractors should obtain their supply of certain foreign currencies from U.S.-owned excess currencies, through either U.S. disbursing officer accommodation exchanges or the Treasury Department in Washington, D.C.

We noted, however, that $1,043,000 obligated by AID for one of the research contracts was to be combined by the contractor with anticipated contributions of $1,084,000 from the United Nations Fund for Population Activities (UNFPA) and other international donor agencies. The contractor's expenditures, including those in excess-currency countries, would not be specifically identified as U.S. or UNFPA funded. Therefore, the contractor could spend dollars in excess-currency countries without the expenditure being attributed to U.S. funding and without obtaining its supply of foreign currencies from U.S.-owned excess currencies.

We believe AID should explore the possibility of having the contractor attribute its costs in excess-currency countries to the U.S. contribution and, to the extent practicable, obtain its supply of foreign currencies from the U.S. disbursing officer accommodation exchange.

General technical service projects

During the last quarter of fiscal year 1972, AID obligated $20 million for 17 interregional contracts and grants which did not identify specific countries in which local or dollar costs might be incurred.

We noted that 12 of the 17 technical service agreements contained provisions which required the contractor or grantee to convert dollars for local costs in excess-currency countries at U.S. disbursing office facilities. Three other agreements provided that the contractors obtain from AID Missions guidelines and procedures which should be followed for converting U.S. dollars to local currency.

The remaining two agreements were for procuring U.S.-manufactured contraceptives for various international organizations. One of the agreements was a grant of $2.5 million for procuring nonoral contraceptives and other commodities in the United States by the International Planned Parenthood Federation. The other was for $4 million to cover procurement by the General Services Administration of oral contraceptives for use by the Federation and other international organizations in implementing their programs.

UNFPA

During the final quarter of fiscal year 1972, AID obligated $29 million for general budget support of UNFPA's allocation for its own activities and for UNFPA's allocations to other U.N. agencies and to private international organizations which carry out numerous country, regional, and interregional projects. The U.S. support, however, was not designated or identified for use in any particular project or country program.

Neither AID nor the Department of State could furnish us with specific information on the planned use of funds by UNFPA during 1972 in excess or non-excess-currency countries. We therefore checked records available for UNFPA's allocations during 1971 and found that UNFPA and UNFPA-supported organizations had funded programs and projects in several countries designated as excess-currency countries by the Treasury Department. It is reasonable to expect that these and similar activities and programs were continued in UNFPA's 1972 program.

In a similar situation in which the United States has supported activities of the United Nations, the Inspector General of Foreign Assistance has noted instances when the program objectives could have been accomplished by providing U.S.-owned excess currency. For example, the Inspector General noted that the United Nations Children's Fund had spent $2.5 million in U.S. dollars to purchase Indian rupees for refugee relief purposes. If such local currency purchases are being made in excess-currency countries by UNFPA or its executing agencies, an alternate course of action could be to use U.S.-owned excess currency.

VERIFICATION OF CONTRACTOR USE OF EXCESS CURRENCIES

AID, in its 1972 research and technical services agreements, has attempted to highlight the fact that local currency requirements in excess-currency countries are to be met by converting dollars into local currency at the U.S. Treasury or U.S. disbursing office facilities. The provisions used by AID in the grant and contract agreements are included as encs. I and II.

We attempted to verify that dollars were being converted at U.S. Treasury or at U.S. disbursing office facilities under earlier Washington-funded grants and contracts which had provided assistance to excess-currency countries. The data available in Washington does not permit such verification. AID personnel stated that the only control to ensure that dollars were converted at a U.S. accommodation exchange would be a review of the contract cost by AID's auditors.

In fiscal year 1972 AID started inserting a provision in Washington-funded contracts that, at AID's option, per diem in excess-currency countries shall be paid in local currency. (See enc. I.) We were unable to identify an example in which the option had been exercised, nor were AID personnel able to furnish us with an example. AID said that contract personnel received their per diem in dollars.

In accordance with the wishes of your Subcommittee staff, we have not obtained agency comments on the contents of this letter.

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Copies of this letter are being sent to the Chairman, Senate Committee on Appropriations.

The contents of this letter may be of interest to other committees and members of the Congress. However, release of the letter will be made only upon your agreement or upon public announcement by you concerning its contents.

Sincerely yours,

R. F. Keller

[Deputy Comptroller General
of the United States

Enclosures - 2

LOCAL CURRENCY PROVISIONS INCORPORATED BY AID IN POPULATION CONTRACTS

"Full utilization of excess and near-excess foreign currencies is an objective of the U.S. Government. The Contractor should obtain its supply of certain foreign currencies which have been determined by the U.S. Treasury Department to be excess to its needs from the U.S. Government--either through local accommodation exchanges or through the Treasury Department in Washington, D.C.

"Travel to, through, or from certain countries shall, at AID's option, be funded from U.S.-owned foreign currency. When AID intends to exercise this option, it will so advise the Contractor after receipt of the Contractor's notice of intent to travel required under this contract. AID will issue a Government Transportation Request (GTR) which the Contractor may exchange for tickets, or AID will issue the tickets directly.

"Per Diem (subsistence) expense of the Contractor in certain countries shall, at AID's option, be funded from U.S.-owned foreign currency. If such is to be the case, AID will so advise the Contractor after receipt of the Contractor's notice of intent to travel to those countries, or the employees of the Contractor will be so notified upon contact with the USAID Mission when first arriving in such a country.

"The use of said U.S.-owned currencies will constitute a dollar charge to this contract."

LOCAL CURRENCY PROVISIONS INCORPORATED BY AID IN POPULATION GRANTS

"The Grantee agrees not to expend dollars in 'excess' or 'near-excess' currency countries unless otherwise approved by the Grant Officer. The Grantee further agrees that in countries designated 'excess' or 'near-excess' currency countries by the U.S. Treasury, Grantee shall consult with the Project Manager concerning the availability of such currencies for use under this Grant. In the event such currencies are not available, Grantee agrees to convert all dollar checks through the U.S. Disbursing Officer, of the American Embassy, unless otherwise authorized by the Grant Officer."