United States General Accounting Office 131508

GAO

Report to the Honorable David L. Boren
United States Senate

October 1986

FOREIGN AID

Improvement Needed in Loan Reporting and Administration

131508

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GAO/NSIAD-87-2

537142

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United States
General Accounting Office
Washington, D.C. 20548

National Security and
International Affairs Division

B-220840

October 23, 1986

The Honorable David L. Boren
United States Senate

Dear Senator Boren:

This report completes our response to you concerning your request for information on economic and military loan and grant aid to foreign countries. It focuses on loan management and reporting by the Agency for International Development, which is primarily responsible for administering the development assistance and economic support fund authorizations and appropriations.

We issued a separate report on foreign governments' repayments of foreign military sale loans and the status of the Guaranty Reserve Fund set up to back those loans in October 1985 (GAO/NSIAD-86-10, Oct. 30, 1985).

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 10 days from the date of this letter. At that time, we will send copies to the Senate Committee on Foreign Relations, the House Committee on Foreign Affairs, and other appropriate House and Senate Committees; the Director, Office of Management and Budget; the Secretaries of State, Defense, and the Treasury; the Administrator, Agency for International Development, and other interested parties.

Sincerely yours,

Frank C Conahan

Frank C. Conahan
Assistant Comptroller General

Executive Summary

Purpose

Loans are an important segment of U.S. foreign assistance programs, adding to the debt burden of developing countries and bolstering the need for improved loan program management. Reduced repayments because of extensive debt rescheduling have increased the uncertainty of eventually recovering amounts owed the United States. Statutory provisions require that development loan aid be effectively applied and that the Congress be kept well and currently informed regarding U.S. loan policies and program effectiveness.

This report responds to Senator David Boren's request for a study of U.S. loan aid provided and repaid. It assesses the extent to which the Agency for International Development (AID) has adhered to various loan administration and reporting requirements. Data prepared by agencies responsible for administering or coordinating U.S. economic assistance was also reviewed.

Background

AID has administered the principal U.S. economic assistance programs through which developing countries have received loans on very favorable (concessional) terms since the end of World War II. At September 30, 1985, AID managed a portfolio valued at $19.3 billion. Approximately $7.1 billion, or more than a third of these receivables, had been rescheduled, sometimes repetitively. Debt reschedulings, designed to preserve the value and enhance the prospects for eventual recovery of U.S. loan assets, have been on the rise.

Foreign assistance and appropriations legislation require, among other things, that

- concessional loan terms fundamentally reflect the recipient country's level of development and economic capacity to service debts;
- new assistance not be provided to countries in default on their loan repayments;
- the Congress be fully informed regarding loan repayments, status of active credits, and U.S.-granted debt relief to aid recipients; and
- an effective management system be established to assist in evaluating program performance, reviewing budgetary requests, and deciding assistance priorities.

The AID Administrator is responsible for annually reporting the results of U.S. development loan policies and programs to the Congress.

Results in Brief

Although AID generally observed statutory loan administration and reporting provisions, it did not fully adhere to certain requirements aimed at achieving the most effective use of loan resources and full disclosure of program results.

GAO's Analysis

Loan Term Criteria Not Always Met

AID did not adequately consider current income levels or future economic prospects of recipients in establishing loan interest rates and repayment periods. As a result, recipients of minimum loan terms did not strictly meet statutory criteria. Minimum interest rates were provided to countries with significantly different per capita incomes. For example, in 1983, countries receiving minimum interest rates on their loans had annual per capita incomes ranging from $260 to $2,120. (See pp. 22 and 25.)

AID revised its interest rate policy in 1985 to more clearly differentiate aid terms based on the recipient's ability to service its debt. GAO concurs with this action but urges close monitoring of the new policy's implementation to assure its fairness and consistent application. (See pp. 25 and 26.)

Loan Repayments Not Accelerated

Only one country's (Venezuela) loan repayments had been accelerated. Active loans of some countries with highly developed economies were not considered for accelerated repayment. (See p. 27.)

Loans Being Repetitively Rescheduled

A number of loan recipients rescheduled their loans, sometimes repetitively, to avoid being in default and cut off from further aid. AID provided new loans in 1985 to several of these countries at the same time that old loans were being rescheduled. While few loans had been written off, the collectibility or realizable value of loans in the AID portfolio had not been determined. (See pp. 30, 32, 37, 41, and 59.)

Loan Program Results Not Adequately Reported

Loan data submitted by AID and other agencies which report independently to the Congress provide much useful information, but reports are prepared using varying formats and classifications which hinder program analysis. In some respects, the information presented was incomplete and misleading. Also, Congress may not be fully aware of how debt reschedulings have prevented loan defaults and allowed countries to receive further aid. AID ceased publishing annual program summaries, including financial statements, of its loan operations in 1979. (See pp. 44 and 60.)

Recommendations

The AID Administrator:

- In determining which countries should be requested to accelerate loan repayments, should include those that have achieved high economic development and those with active loans from predecessor agencies.
- In coordinating the reporting of loan program results, should address all statutory requirements and ensure that the data presented is clear, complete, timely and consistent with underlying records and with other congressional submissions.
- In discharging stewardship responsibilities, should resume publication of annual loan program summaries, including financial statements, detailing the results of operations and conditions and collectibility of receivables.

Also, the AID Administrator, together with the Secretaries of State and the Treasury, should disclose to the Congress more clearly why proposed debt reschedulings are necessary and how they and past debt relief actions affect U.S. financial interests.

Agency Comments and GAO's Evaluation

In addressing GAO's recommendations, AID stated that:

- The procedures for accelerating loan repayments would be reviewed.
- Staffing constraints, limited flexibility of agency financial systems, and interagency coordination problems impeded responding to congressional reporting requirements in a uniform, complete, and timely manner. GAO believes that congressional and executive branch decisionmakers require complete, consistent, and timely information to effectively assess the cost and results of government operations, such as the AID lending programs.
- It opposed preparing a loan program summary because agency resources were scarce and the summary would have marginal utility and would

not enhance congressional oversight. However, AID is willing to cooperate with other reporting agencies and GAO in finding ways to better coordinate reporting requirements and eliminate duplication. GAO believes that consolidating and comparing actual with planned operating results and financial positions enables an activity the magnitude of AID's loan program to be effectively managed, reliably portrayed, and adequately accounted for.

The State and Treasury Departments said they report the specific terms of each negotiated rescheduling. State said that information on prior debt reschedulings would be provided if the Congress wanted it. We believe that the Congress would find it useful to receive such important information as how much and with what frequency foreign government debt to the United States has been rescheduled, why prior debt restructurings failed, and what the prospects are for collection of current rescheduled debt.

Contents

Abbreviations

AID	Agency for International Development
DA	Development Assistance
DCC	Development Coordination Committee
ESF	Economic Support Fund
FAA	Foreign Assistance Act of 1961, as amended
FMS	Foreign Military Sales
GAO	General Accounting Office
IDCA	International Development Cooperation Agency
MAP	Military Assistance Program
OECD	Organization for Economic Co-operation and Development

Introduction

U.S. foreign assistance programs are inextricably linked to national security and foreign policy interests. The programs are designed to strengthen the ability of U.S. allies to defend themselves against external aggression and subversion, provide adequate security, and permit economic growth and development. Since the end of World War II, the United States has provided foreign assistance through post-war relief (1946-1948), the Marshall Plan (1949-1952), the Mutual Security Act (1953-1961), and the current Foreign Assistance Act of 1961, as amended (FAA).

While grants continue to be the dominant segment of economic assistance, loans comprise a significant segment of U.S. bilateral aid programs. In general, the terms of military loans more nearly reflect the cost of money to the Treasury while economic loan aid is much more accommodative. In fiscal year 1985, however, military loan aid shifted back to being provided at lower rates. Also, with the removal of a floor on development assistance lending in 1985, more economic grant aid has been provided. Development lending, primarily administered by the Agency for International Development (AID), remains on very low (concessional), even more liberalized terms.

This report responds to Senator Boren's request (see app. III) that we study U.S. loan aid programs, including summarizing U.S. lending activity and identifying loan aid recipients that are seriously delinquent in their repayments to the United States.

Magnitude of U.S. Assistance Programs

AID annually submits a report, U.S. Overseas Loans and Grants, to congressional committees concerned with foreign aid which summarizes U.S. loans and grants provided under the FAA and antecedent legislation. The latest available report shows that the United States provided a total of $299 billion in foreign assistance during fiscal years 1946-85. The majority of this bilateral assistance was in the form of grants ($211 billion). Most of the loan aid ($88 billion) was for economic support ($55 billion) and was provided on highly concessional terms; the remaining military loan aid ($33 billion) carries significantly stiffer repayment terms. The military loan aid excludes that for which the United States has waived repayment by Israel ($9.3 billion) and Egypt ($2.3 billion).

Foreign assistance provided by the major international lending organizations during the same period amounted to $219 billion. The United States is a member of, and the major contributor to, these bodies; in fiscal year 1985, it provided 27.4 percent of the total assessments and voluntary contributions of all member states.

In addition, the United States provided $55 billion in export credit financing during this period. Appendix I presents a recap of U.S. assistance by major program category since World War II. Data on all outstanding foreign indebtedness, arrearages, and contingent liabilities by country, submitted by U.S. operating agencies and published by Treasury triennially, are presented in app. I.

Coordination of Development Assistance

U.S. foreign assistance is made up of security and economic assistance. Security assistance, consisting of military assistance programs and the Economic Support Fund (ESF), accounts for more than two thirds of current U.S. aid. Economic assistance provided through multilateral international financial institutions, international organizations and programs, and bilateral economic assistance programs accounts for less than a third of total current assistance.

AID is responsible for administering development assistance and economic support fund authorizations. In 1979, the responsibility for coordinating all U.S. development-related activities was transferred to the International Development Cooperation Agency (IDCA). At the present time, the AID Administrator is also the Acting Director of IDCA, and IDCA staff functions are being performed by AID personnel.

To this end, IDCA, composed of AID and other U.S. development-oriented agencies, serves as the mechanism through which the administration submits its comprehensive development assistance budget and coordinates the reporting of how development policies and programs were carried out. The President's annual budget request encompasses all major U.S. economic assistance programs. The interagency Development Coordination Committee, under IDCA's cognizance, submits an annual Development Issues report to the Congress which responds to a legislative requirement for a comprehensive analysis of U.S. development policies, programs, and activities for the preceding year.

The Secretary of the Treasury also reports annually to the Congress on the economic and financial situations in foreign countries and assists in formulating U.S. development policy by virtue of chairing the National Advisory Council on International Monetary and Financial Policies.

AID submits an annual summary of U.S. assistance policies and programs to the Development Assistance Committee to assist it and its parent body, the Organization for Economic Co-operation and Development (OECD), and member countries to better coordinate official development assistance. Official development assistance, as defined and agreed to by OECD members, is aid which promotes economic development and welfare and contains a grant element of at least 25 percent. The United States is the largest donor, accounting for an estimated 30 percent of total official aid. The grant element, or indicator of loan softness (concessionality), is determined by measuring the maturity period, the interval to first principal repayment, and the effective interest rate. The conventional discount rate used in assessing concessionality of terms is 10 percent. Overall, U.S. official development assistance in 1983 and 1984, including loans and grants, carried a grant element of 94 percent; loan aid had a grant element of 62 and 64 percent, respectively. (Both figures exclude debt reorganization).

In 1984, new U.S. official loans averaged an effective interest rate of 2.82 percent and maturity period of 34.6 years, including a 10-year interval to first payment. The concessionality of U.S. assistance easily surpassed the OECD Development Assistance Committee recommendation that overall official development aid by any member country should contain a grant element of at least 86 percent.

The Secretary of State established the Commission on Security and Economic Assistance (Carlucci Commission) on February 22, 1983, to review the goals and activities of U.S. foreign assistance efforts. In a report released in November 1983, the Commission concluded that economic and military assistance must be closely integrated and mutually reinforcing. It recommended that foreign assistance programs be developed on a recipient country approach and contain a mix of security and economic assistance resources that best serves U.S. national interests.

Program Administration

U.S. bilateral aid is administered through interrelated economic development, humanitarian, and security assistance programs, each with its own characteristics and objectives. The principal programs are Development Assistance (DA), Economic Support Fund, Food for Peace (better known as Public Law 480 food aid), Foreign Military Sales (FMS) credits, Military Assistance Program (MAP) grants, and miscellaneous grant technical assistance and export credit activities. Generally, assistance is allocated in the context of how it contributes to promoting U.S. interests in a particular region or country. Multilateral aid, composed of capital subscriptions and contributions to development banks and international organizations and programs, has gradually been declining in favor of bilateral aid, which provides a more direct and immediate link to security concerns. A rising segment of the bilateral program is fast-disbursing non-project (mainly ESF) assistance with high balance of payments impact (currently about $3 billion, or 60 percent of the total).

In terms of loan assistance, AID administers the DA, ESF, and disaster relief programs, certain Public Law 480 foreign currency loans, and loans authorized by predecessor agencies. The objective of DA is to expand economic and social opportunity with programs in sectors that promote equitable economic growth. Agriculture development, nutrition, health, population, education, and alternative energy development are the primary program priorities. Criteria for allocating the amount and form—grant or loan—of DA to a country are based on its needs, economic progress and prospects, and commitment to growth policies. The type of project or activity under consideration is also an important factor in deciding on the form of assistance. DA loans to low-income countries are generally repayable over 40 years, including a 10-year grace period before principal repayments start, and bear a minimum interest rate of 2 percent during the grace period and 3 percent for the remaining period. DA loans to higher per capita income countries are limited to 25- and 20-year repayment terms and usually have borne the same minimum interest rates. Under revised guidelines, effective for fiscal year 1986 aid transactions, the interest rates on loans to higher income countries were raised from 2 percent to 2-4 percent during the 10-year grace period and from 3 percent to 5-6 percent during the 15- and 10- year amortization periods.

ESF grants and loans promote economic and political stability in countries or regions where the United States has significant security interests and determines that quick impact or sizable financial commitments will help to avert major economic or political crises and secure peace. The Department of State allocates ESF aid, a responsibility carried out in cooperation with AID. ESF loan terms are determined on the basis of the nature of assistance being provided, the reasons for its provision, and overall country conditions. They also generally have been extended on highly concessional terms and tend to be consistent with terms for DA loans to the same countries. ESF loans, unlike DA program loans, respond to emergency situations but are increasingly being used to address specific developmental projects.

Public Law 480 food assistance is jointly administered by AID and the Department of Agriculture, the latter providing the funds. In part, the program finances imports of U.S. food commodities through long-term concessional sales agreements. The food aid is allocated on the basis of the country's need for imported food beyond its capacity to finance such imports on commercial terms. Public Law 480 loan terms vary according to the country's ability to service the debt but may not be more concessional than the most concessional DA program loans. Most Public Law 480 loan agreements signed in fiscal years 1984 and 1985 were on the maximum concessional terms; i.e. repayable over 40 years, including 10 years grace, bearing interest at 2 percent during the grace period and 3 percent for the remaining period.

The FMS and MAP programs, administered by the Defense Department, enhance the security of friendly countries by providing them with financial assistance for military equipment and support. They are discussed in a separate report (see GAO/NSIAD 86-10, Oct. 30, 1985.)

Other bilateral grant emergency and technical assistance includes disaster relief through AID, refugee aid and narcotics control through the State Department, and development projects through the Peace Corps. Export credits consist mainly of Export-Import Bank loans. Appendix I presents a summary of U.S. foreign economic assistance in the form of loans and grants by country for fiscal years 1946-85.

Loans Administered by AID

AID is by far the largest administrator of U.S. foreign economic loan assistance, accounting for about 70 percent of such loan aid and more than 25 percent of all U.S. long-term credits used and outstanding by foreign debtors. The amount due the United States on outstanding AID development loans continues to grow each year, due to a combination of higher levels of new loan authorizations than repayments and rescheduling of existing debt. As of September 30, 1985, cumulative loans administered by AID amounted to $31.4 billion, including capitalized (unpaid) interest added to principal of $0.6 billion. Cumulative loan repayments of $10.2 billion, less currency adjustments and write-offs of $1.9 billion, left an outstanding balance of $19.3 billion, of which $7.1 billion had been at least partially rescheduled.[1] However, less than

[1]In reporting receivables, Treasury requires agencies to show those amounts which have been subject to rescheduling or any other form of stretching out or extending into the future the original payment(s) or payment due dates.

$1 billion of this rescheduled amount was for payments past due and formally rolled over into new loans.

During fiscal year 1985, AID made new loans of $609 million and was repaid $839 million, consisting of $448 million in principal and $391 million in interest. The repayments represented about 80 percent of loan installments and interest due. Loans receivable of $1,084 million were affected by reschedulings during the year (compared with $187 million in fiscal year 1984) and interest of $11 million was capitalized, i.e. rolled over into new loans. The average yield on AID loans during fiscal year 1985 was 2 percent.

In its reporting to the Congress, AID does not summarize loan authorizations, repayments, and outstanding balances by major programs but rather by country. However, we determined from AID records that as of September 30, 1985, ESF loans amounted to $6.6 billion, of which $6.3 billion remained outstanding, predominantly to Egypt ($2.5 billion) and Israel ($1.3 billion). AID used to allocate most of its DA loans to the densely populated countries of Asia, followed by Africa and Latin America. Development aid to Latin America has risen rapidly and now ranks second in volume. The Near East, represented by Egypt, Israel, and Turkey, dominated ESF and total official U.S. loan aid. Major recipients are shown in table 1.1.

Table 1.1: Major Aid Loan Recipients
(As of Sept. 30, 1985)

Dollars in billions

Country	Loaned	Repaid	Balance owed[a]
India	$6.4	$3.5	$2.4
Egypt	3.0 (2.5 ESF)	0.3	2.6
Pakistan	2.7 (0.1 ESF)	0.6	1.9
Turkey	2.1 (0.6 ESF)	0.5	1.4
Israel	1.8 (1.3 ESF)	0.4	1.3
Brazil	1.4 (0.1 ESF)	0.2	1.0
All others	14.0 (2.0 ESF)	4.7	8.7
Total	**$31.4 (6.6 ESF)**	**$10.2**	**$19.3**

[a]Adjusted for exchange rate fluctuations on local currency loans and write-offs.

Appendix I shows the status of loans for major AID borrowers at September 30, 1985, and loan authorization/debt relief activity during fiscal years 1983-85.

Prior GAO Concerns With the AID Loan Program

We have previously reviewed various aspects of the AID loan program and expressed concerns about the need for improved overall reporting, closer consultation with the Congress on debt relief matters, and increased efforts to identify potential candidates for acceleration of loan repayments. Our observations from these reviews are summarized briefly below.

Developing Countries' External Debt and U.S. Foreign Assistance: A Case Study (B-177988, 5/11/73). This report noted the importance of keeping the Congress well informed about debt relief matters. The report urged AID to systematically and comprehensively report debt relief assistance to the Congress with the President's annual proposals for foreign assistance. Proposed debt relief is currently being reported to the Congress, but we believe that more complete reporting of the amount of relief should be made. (See ch. 3.)

Legislative Changes Urged in Loan Program of the Agency for International Development (ID-76-80, 1/5/78). This report stated that AID continued to make loans to certain countries after they had been provided relief from making payments on their earlier loans. It concluded that the realizable value of AID loans was less than their recorded value. The report recommended that the Foreign Assistance Act of 1961 be amended to provide that congressional approval be required before providing additional AID lending to borrowers who received debt relief which reached a prescribed maximum level permitted in any year. The FAA was not amended to include such a provision. We continue to believe the recommendation is sound. (See ch. 3.)

Efforts to Improve Management of U.S. Foreign Aid—Changes Made and Changes Needed (ID-79-14, 3/29/79). This report pointed out that AID was not consistently carrying out annual evaluations to identify candidates for accelerated loan repayments as required by AID's accelerated repayment policy of April 1976. In January 1979, AID officials agreed that the Agency should annually review each developing country having significant loan balances to identify those from which the United States might request accelerated loan repayments. AID currently conducts such reviews annually and has identified three countries that met its criteria for accelerated repayments. (See ch. 2 for further discussion.)

Objectives, Scope, and Methodology

Our objectives were to determine whether AID, in administering its loan programs, was (1) adhering to specific legislative requirements and U.S. development lending and debt rescheduling policies, (2) fully reporting the status of loan repayments, reschedulings, and unpaid debt, and (3) properly accounting for the billing and recording of loan transactions.

Compliance With Legislative Requirements

We reviewed applicable foreign aid legislation and examined AID loan records and reports to assess whether loans were made and administered in conformity with provisions of law. Major provisions that we examined for AID compliance included a 30-percent allocation requirement of development assistance funds for lending, minimum interest rate and loan repayment terms, acceleration of repayments, cut-off of aid to delinquent borrowers, write-offs, and adequacy of reporting. (See ch. 2.)

Conformance to Debt Rescheduling Policy

We obtained information from State, AID, Treasury, and Commerce on the debt restructuring process for developing countries and recent U.S. participation in these multilateral debt reschedulings. In particular, we were interested in the volume of such activity, the adequacy of congressional reporting, and the effect of rescheduling actions on existing and new AID loans. (See ch. 3.)

Loan Program Reporting

We obtained and analyzed reports and related statistical data on U.S. foreign assistance covering July 1, 1945 through September 30, 1984 and (as data became available) September 30, 1985. We interviewed State, AID, Treasury, and Commerce officials responsible for preparing the reports to obtain a better understanding of them. We were principally concerned with the effectiveness with which U.S. loan assistance, repayments, and debt relief was being reported and whether it was responsive to congressional concerns. We examined the reports for content, clarity, and reliability. In addition, as requested by Senator Boren, we summarized U.S. economic aid, focusing on development lending activity. The reports are discussed in chapter 4 and summarized in the statistical annex (app. I).

Loan Administration

We familiarized ourselves with the loan accounting systems used by AID to bill, collect, record, and report loan transactions but we did not perform any substantive testing of them. Instead we relied on prior audits and management studies conducted by GAO, the AID Inspector General, Office of Management and Budget, and others addressing AID loan program financial administration. We also examined current reports produced by the loan accounting systems, examined relevant contract and correspondence files, and discussed our observations with loan management officials. (See ch. 5.)

As agreed with Senator Boren's office, this report focuses on the AID loan program and provides only general details on other U.S. economic assistance programs. (Military assistance is discussed in our report GAO/NSIAD 86-10, Oct. 30, 1985).

We conducted our work at the headquarters offices of AID and the Departments of State, Commerce, and the Treasury in Washington, D.C. Our examination, which was originally conducted during September 1984 through May 1985 and updated in the spring of 1986, was performed in accordance with generally accepted government auditing standards. In addition, we requested and obtained comments on the report from AID and the Departments of State and the Treasury. Their comments and our evaluation of them are addressed in appropriate sections of this report and are presented in their entirety as appendices IV through VI.

AID Compliance With Legislative Requirements for Development Lending Can Be Improved

The FAA and related foreign assistance legislation requirements for agencies administering economic assistance programs in less developed countries or in areas where the United States has special strategic interests are intended to assure that bilateral aid programs are carried out in accordance with congressional intent and U.S. foreign policy objectives. The requirements encompass virtually all aspects of bilateral aid lending activity. We examined how AID is complying with some of the major legislative requirements pertaining to development assistance lending.

We found that AID generally adhered to legislative requirements concerning development lending though there was room for improvement. Development assistance funds were allocated to loans in the approximate percentage specified by law. While most loans were made on terms and conditions that satisfied minimum legal requirements, several authorized longer repayment periods than those specified in the law for income criteria. Also, few recipients were identified as being capable of servicing loans at higher interest rates than the minimum required. Similarly, regular annual reviews aimed at identifying candidates for acceleration of loan repayments have produced more potential than actual accelerations. Legislative requirements (FAA section 620(q) and the Brooke Amendment) to restrict further assistance to recipients in serious default on loan repayments were observed; however, the restrictions are only partly effective in curtailing delinquencies because of frequent loan reschedulings which render these aid cut-off provisions inoperative. Loan write-offs were relatively insignificant and generally based on proper authority.

Allocation Requirement for Lending Substantially Met

AID substantially complied with a congressional requirement in effect during fiscal years 1982-84 to allocate at least 30 percent of DA funds for loans. This requirement provided a measure of direction in an effort to achieve an appropriate mix of loan and grant aid. More recently, Congress has decided to remove the arbitrary percentage on the amount of development assistance that should be used for loans and permit AID to fix amounts and terms of loans based on existing law and prudent financial judgment. A similar allocation requirement did not exist for ESF funds.

AID allocated new DA obligation authority for loans during fiscal years 1982 and 1983 in a manner which substantially met the 30-percent allocation requirement, although it fell short in fiscal year 1984. The elimination of the DA "loan floor" from the fiscal year 1985 continuing resolution is reflected in the significant drop in loans, as shown in table 2.1.

Table 2.1: Allocation of DA Funds for Loans

Dollars in thousands

Fiscal year	DA obligation authority	Loans	Percent
1982	$1,295,000	$390,000	30.1
1983	1,303,000	389,000	29.9
1984	1,422,000	404,000	28.4
1985	1,682,522	289,670	17.2

ESF may be provided through either grants or loans and, unlike DA, has not been subject to a statutory loan floor. The ESF terms for an individual country, in a number of instances, are specifically directed by the Congress. For example, legislation directs that ESF funds be provided as grants to both Israel and Egypt. Loans constituted only a small part of current ESF funding and they have generally been provided on highly concessional terms, as shown in table 2.2.

Table 2.2: Allocation of ESF

Dollars in thousands

	Fiscal year	
	1984	**1985**
Grants:		
Egypt	$852,900	$1,065,000
Israel	910,000	1,950,000
All others	1,095,200	1,980,779
	$2,858,100	**$4,995,779**
Loans:		
2-3%, 40 yrs.	$123,500	$59,105
2-3%, 25 yrs.	84,000	87,500
5%, 20 yrs.	80,500	105,000
	$288,000	**$251,605**
Total	**$3,146,100**	**$5,247,384**

Loan Repayment Period Generally Consistent With Per Capita Income Criteria

The repayment period authorized for new AID loans was generally consistent with per capita income criteria determined by the World Bank and established in foreign assistance legislation. Most AID development loans during fiscal years 1983-85 were made to low and lower middle-income countries on the most concessional loan repayment terms available, i.e., 40 years including a 10-year grace period. Shorter repayment periods for upper middle-income countries generally conformed to the per capita income criteria in foreign assistance appropriation acts. A few loans were provided on longer repayment terms than the related country income criteria permitted.

The fiscal year 1986 appropriations act eliminated the requirement that maximum repayment periods of AID loans be based upon a country's per capita income. The Senate Committee on Appropriations concluded that per capita income alone was an insufficient measure of a country's ability to service its debt and that many concessional borrowers were currently facing liquidity problems brought on by bunching short-term payments with long-term development assistance loans. Therefore, the Committee considered that a profile of debt repayment schedules would be important in judging the ability of these borrowers to repay their loans.

In prior years, the repayment period for development assistance loans was determined by the per capita income level of recipient countries, based on cut-off levels set in the annual Foreign Assistance Appropriation Acts. Table 2.3 shows the maximum repayment periods authorized for these cut-off levels.

Table 2.3: Per Capita Income Cut-Off Levels

Fiscal year	40-year loans	25-year loans	20-year loans
1981	$588 or less	$589—962	$963 or more
1982	730 or less	731—1,179	1,180 or more
1983	795 or less	796—1,284	1,285 or more
1984	795 or less	796—1,284	1,285 or more
1985	805 or less	806—1,300	1,301 or more

AID development assistance loans made during fiscal years 1983-85 generally conformed to this income criteria; ESF loans also generally conformed to the criteria though they were not subject to it. Most of the loans with 40-year repayment periods were provided to low and lower-middle income countries. However, 40-year loans were authorized to Cameroon, Guatemala, and the Philippines, which were only eligible for

25-year loans. Also, while the large majority of loan authorizations were made in accordance with the latest available country income criteria (i.e., fiscal year 1984 loans were based on 1982 income data), certain other loans to the Dominican Republic, Ecuador, Panama, and Peru, were made for 25-year periods rather than the 20-year periods that the latest available income criteria permitted. Table 2.4 shows DA loan authorizations which were made for excessive periods.

Table 2.4: DA Loan Authorizations
(Fiscal Years 1983-85)

Country	Per capita income[a]	Repayment period	Eligible period	Amount (millions)
Cameroon	$880 (1981)	40 yrs.	25 yrs.	$13.0 (1983)
"	890 (1982)	40 yrs.	25 yrs.	11.3 (1984)
"	820 (1983)	40 yrs.	25 yrs.	6.6 (1985)
Dominican Republic	1,330 (1982)	25 yrs.	20 yrs.	22.8 (1984)
"	1,370 (1983)	25 yrs.	20 yrs.	9.7 (1985)
Ecuador	1,350 (1982)	25 yrs.	20 yrs.	4.0 (1984)
"	1,430 (1983)	25 yrs.	20 yrs.	7.0 (1985)
Guatemala	1,140 (1981)	40 yrs.	25 yrs.	3.0 (1983)
Panama	1,910 (1981)	25 yrs.	20 yrs.	3.8 (1983)
Peru	1,310 (1982)	25 yrs.	20 yrs.	9.0 (1984)
Philippines	820 (1982)	40 yrs.	25 yrs.	23.1 (1984)

[a]Source for this column is the World Bank

Conclusion

Repayment periods for loans were generally in line with per capita income criteria. Although AID did not apply the correct repayment periods for some loans, we do not believe that it intentionally violated the per capita income legislative provisions. Additionally, appropriation legislation for fiscal year 1986 eliminated the requirement that loan repayment periods be based solely on a country's per capita income.

AID Loans Usually Made at Minimum Authorized Interest Rates

AID loans were usually made at the minimum authorized interest rates despite an apparent capacity of recipient countries to service the loans at higher rates. AID has an annual assessment procedure for identifying countries which can service development loans with higher interest rates than the minimum authorized by the FAA, but in practice AID continued until recently to apply the minimum authorized rates on these loans regardless of the recipient country's income level. This has resulted in middle-income countries obtaining loans at the same minimum rates as those for the least developed countries. (See table 2.5.) AID revised its guidelines on terms of aid in 1985, raising the interest rates on loans to other than the least developed countries.

It is long-standing U.S. policy that terms of concessional assistance should reflect the recipient country's level of development and economic capacity to service the debts incurred. The FAA requires that in making loans for development assistance, consideration be given to the economic circumstances of the borrower and other relevant factors, including the capacity of the recipient country to repay the loan at a reasonable rate of interest; as a minimum, loans are to be made at annual interest rates of not less than 2 percent during a 10-year grace period and 3 percent during the balance of the life of the loans. Loans may not be made at higher than the applicable legal rate of interest of the country in which the loans are made. The FAA consequently allows for loans to be made at higher interest rates, depending on the economic conditions of the borrowing countries.

Pursuant to this requirement, AID in April 1976 established a policy on loan terms providing a two-tier loan term structure for both Supporting Assistance[1] and Development Assistance loans. The policy required AID to assess annually the situation of each country on the basis of uniform, quantitative data to identify those countries which could service loans on harder than the minimum terms authorized by statute. After a review of all relevant economic and political circumstances of the individual recipient, if it was determined that a country could service its AID loans on harder than the prescribed minimum (which in practice has become standard) development loan terms,[2] that country was to be extended AID loans on intermediate loan terms.[3] Such loan terms were to apply to countries which had made substantial economic progress and enjoyed prospects for continued advancement but were not yet able to rely completely on commercial capital flows for their external capital requirements. AID's loan policy directive did not address loans with 20-year or lesser repayment periods, although such loans were made.

In 1985, Congress removed the requirement that 30 percent of DA funds be disbursed through loans. At the same time, it expressed the opinion that AID should continue to make loans in appropriate cases and to negotiate them on more realistic terms than have been negotiated in the past, particularly for those countries with greater ability to repay.

[1] Later redesignated as the Economic Support Fund.

[2] Minimum development loan terms are 40 years maturity including 10 years grace, with interest at 2 percent during the grace period and 3 percent thereafter. These rates have been in effect since 1968.

[3] Intermediate development loan terms are 25 years maturity, inclusive of a 5-year grace period and 5 percent interest rate for the grace and repayment periods, applicable to both DA and ESF loans.

Consequently, AID revised its guidelines on terms of aid in 1985, to take effect in fiscal year 1986. Under this guidance, only low income countries (i.e., those with per capita income of $790 or less in 1984) would be entitled to the minimum permitted development loan terms. For countries with 1984 per capita income of $791 to $1,274, loans will be for 25 years with a 10-year grace period. Interest for these countries will be at 2 percent during the first half of the grace period, 3 percent during the second half of the grace period, and 5 percent during a 15-year amortization period. For countries with per capita incomes exceeding $1,274 in 1984, loans will be for 20 years with a 10-year grace period. Interest will be at 3 percent for the first half of the grace period, 4 percent for the second half, and 6 percent during a 10-year amortization period.

AID's practice, consistent with existing legislation, is to extend grant assistance to the least developed countries. However, the 30-percent loan floor provision in effect for DA funds from fiscal year 1982 through fiscal year 1984 made it necessary for some DA funds to be provided to these countries as loans rather than grants in order to comply with this provision. These loans were generally made on the most concessional terms allowed by law. Most loans authorized in fiscal year 1985 were made to recipient countries at the minimum authorized interest rates despite a wide range in their per capita incomes. The only difference in terms for most of these loans was the repayment period, as illustrated in table 2.5.

Table 2.5: Countries Receiving Minimum Interest Rate Loans (Fiscal Year 1985)

Dollars in thousands

Country	Amount	Repayment period	Per capita income (1983)
India	$59,300	40 years	$260
Honduras	19,800	40 years	670
Peru	6,681	25 years	1,040
Ecuador	7,000	25 years	1,420
Costa Rica	10,700	20 years	1,020
Panama	7,915	20 years	2,120

Per capita income is not the only determinant of a country's ability to service its loans, but it is probably the most widely used criterion. Consequently, AID should consider the country's income level as well as its future economic prospects as the principal guide for setting interest rates at higher than the minimum authorization, consistent with the borrowing country's ability to service its debt.

The President's Private Sector Survey on Cost Control recommended that AID establish a minimum or "base" lending rate for all official development assistance loans based on the cost of funds to the U.S. government, apply interest rates and maturities on borrower capacity to repay, and deny additional loan principal where the proceeds would be used to pay the higher interest rate debt. The survey estimated that implementation of these recommendations would reduce government costs up to $60 million annually and, over a 3-year period, would generate $360 million in additional revenues.

We did not support the recommendations because of the long-standing U.S. policy on concessional lending embodied in foreign assistance legislation, i.e., that terms of AID loans should be based more on development, political, and strategic considerations than on economic rationale. Since virtually all of AID's loans are to host governments or government-controlled entities, the United States would find it difficult to accomplish its foreign policy objectives without adequate flexibility in loan terms on official aid, given the disparity in loan recipients' ability to pay and the policy influence the United States is seeking to obtain.

Conclusion and Agency Action

Flexibility to determine loan terms carries with it the responsibility to exercise good judgment in setting interest rates consistent with the level of economic development in a country. In our view, AID's past practice of applying minimum legal interest rates to country loans without regard to differences in income levels is not consistent with U.S. policy and FAA requirements that terms of concessional aid should reflect a recipient's ability to service its debts. We believe that the AID Administrator should continually monitor the appropriateness of aid terms to recipient countries based on their ability to pay, applying minimum authorized interest rates only on loans to the least developed countries and to middle and higher income countries only in exceptional circumstances. Accordingly, we recommended that the AID Administrator assure that the minimum authorized interest rates on loans be applied only to the least developed countries and to higher developed countries only in exceptional circumstances.

AID's new interest rate policy, effective for fiscal year 1986 aid transactions, is an attempt to differentiate in a general way the aid terms based on the recipient's ability to service its debt. We concur with this action as a step in the right direction in moving countries with greater resources toward accepting aid on more realistic terms. Therefore, we have withdrawn our recommendation but urge continued monitoring of the new interest rate policy's implementation to determine its fairness and consistent application.

Loan Repayments Infrequently Accelerated

AID reviews bilateral concessional loan balances annually, as required by law, to identify countries which potentially can accelerate their loan repayments, but it does not report to the Congress the results of these reviews or its efforts to accelerate repayments. To date, these reviews have identified three countries that have met AID's criteria for accelerated repayment. However, in only one instance has AID actually achieved early repayment of its loans. For the other two countries which could have been requested to accelerate their loan repayments, AID cited political and strategic considerations for deciding not to make such requests. Another contributing factor in not requesting acceleration of other loan repayments is that, unlike AID loans signed since 1962, foreign assistance loans to European countries by predecessor agencies administered by AID do not contain provisions requiring the borrowers to negotiate accelerated payment if their economic situations improve.

The FAA was amended in August 1979 to add a provision for accelerated repayments affecting all loans administered by AID. The provision (sec. 127) states that:

> "The Administrator of the agency primarily responsible for administering this part shall conduct an annual review of bilateral concessional loan balances and shall determine and identify those countries whose financial resources make possible accelerated loan repayments. In particular, European countries that were recipients of concessional loans by predecessor agencies to the agency primarily responsible for administering this part shall be contacted to negotiate accelerated repayments..."

Further, for a 2-year period (1980 and 1981), the administration was required to describe the efforts made to negotiate accelerated loan repayments in the annual reports on foreign assistance submitted to Congress pursuant to section 634 of the Act.

In September 1974, 5 years before the provision for accelerated loan repayments was added to the Act, AID established a policy directed toward requesting accelerated repayment on AID loans, following our recommendation that it initiate discussions with the government of Brazil to renegotiate better loan terms in light of Brazil's economic boom.[4] In April 1976, AID supplemented this policy by requiring that every year between January 15 to March 15 an intensive study be made of countries which appeared to have reached relatively high stages of development and had the financial resources to cover the accelerated repayments without essentially affecting their own internal capital requirements.

Statistical criteria were established to determine which countries should be considered candidates for accelerating loan repayments. This criteria consists of per capita income; ratio of reserves to imports of goods, services and income; and ratio of current account surplus to imports of goods, services, and income. Three countries met all criteria for accelerated loan repayments as of May 1985—Venezuela, Iran, and Malta. In 1976, Venezuela, during U.S.-initiated negotiations, offered to accelerate its repayments schedule on AID loans of nearly $30 million by October 1980, and it did so. Although Iran and Malta, with current loan balances of $47 million and $5 million, respectively, were first identified in the 1974 and 1979 reviews as being financially capable of accelerating their repayments, they have not been requested to do so because of political and strategic reasons.

A number of other countries meet only part of AID's criteria and have not been requested to accelerate their repayments. AID's 1984 review (the latest available at the time of our review) identified 14 such countries, including Argentina, Chile, Greece, Jordan, and Spain, classified by the World Bank as having upper middle-income or industrial market economies. The review did not list European countries with AID loans which the World Bank classifies as having industrial market economies, as shown in table 2.6.

Table 2.6: Loan Balances of Selected Industrial Market Countries Not Considered for Acceleration

Country	Balance due, 9/30/85	Average interest rate	Final maturity
Austria	$14,884,713	4.0	1999
Finland	10,561,172	3.4	1989
United Kingdom	7,424,500	2.5	1987

AID does not make acceleration determinations for loans made by predecessor agencies, including loans to European countries where the loan

[4] The Brazilian Economic Boom: How Should the United States Relate To It? (B-133283), Aug. 26, 1974.

agreements do not contain provisions for repayment negotiations, or for loans to countries which, over time, have moved to a higher level of development through their own efforts. We think this is contrary to FAA section 127 which requires AID to review all concessional loan balances, including European countries that received predecessor agency loans.

Our 1979 report (see p. 16) pointed out that AID had identified few candidates for accelerated loan repayments; this situation still exists today. We further noted that although binding agreements for loans made by predecessor agencies, including loans made to European countries, did not contain provisions for repayment negotiations, some European countries had made advance loan repayments.

Conclusions

We continue to believe, as stated in our 1979 report, that AID should encourage countries which have the means to make voluntary early repayments on their loans to do so, even if the loans were made by predecessor agencies.

Congressional oversight could be enhanced if the AID Administrator's annual report on foreign assistance included a description of the efforts made to accelerate loan repayments pursuant to the review of concessional loan balances required by FAA section 127.

Recommendations

We recommend that the AID Administrator:

- Initiate negotiations with countries which received concessional loans from predecessor agencies or which have achieved high economic development, and seek agreements on early repayment.
- Describe in the annual report to the Congress on foreign assistance the efforts made to accelerate loan repayments pursuant to requirements of FAA section 127.

Agency Comments

AID agreed with both recommendations. It said that agency procedures would be reviewed to permit more effective negotiation of loan accelerations with higher developed countries. Also, the agency will include, when appropriate, a description of its efforts to accelerate loan repayments in the annual report to the Congress.

Provisions for Cut-Off of Additional Aid to Delinquent Countries Not Fully Effective

Foreign assistance legislation contains two provisions for limiting delinquencies on repayment of foreign aid loans. These provisions, referred to as "section 620(q)" and "the Brooke Amendment," provide for escalating sanctions to curtail further aid to loan recipients which are in arrears on their repayments. We found that the provisions have been only partially effective in reducing delinquencies, because rescheduling of amounts due lifts the sanctions, allowing aid to continue. Also, we found that aid was not cut off when required in one instance.

FAA section 620(q), added in 1966, prohibits new assistance to countries with arrearages on repayment of loans in excess of 6 months; however, that assistance may be continued if the Secretary of State (having been delegated this function by the President) determines that such assistance would be in the national interest and so notifies the Congress. This waiver cannot extend beyond a year because of requirements of the Brooke Amendment. This amendment, incorporated in foreign assistance appropriation acts (including continuing resolutions) since 1976, prohibits new assistance funded under the Arms Export Control Act and the FAA to countries with arrearages on repayment of FMS loans or AID loans in excess of one year.

We found that AID carefully monitors countries that are at or near the point when these sanctions would be imposed. As of September 30, 1985, seven AID loan recipients were in violation of the Brooke Amendment and assistance to these countries had been cut off as required, with one exception (Tanzania). Tanzania received a final grant of $1,190,000 to complete a rural development training project in fiscal year 1984, apparently in error, after the Brooke Amendment took effect. Further aid to Tanzania has been terminated. At the same time, eight other countries were in violation of FAA section 620(q). All were undergoing loan rescheduling or had been given waivers from the legislative provision. Countries affected by the aid cut-off provisions at September 30, 1985, are listed in table 2.7.

Table 2.7: Countries Subject to AID Cut-Off Sanctions (As of Sept. 30, 1985)

Brooke Amendment	Violation date	Date of last aid
Guyana	03-05-83	Sept. 1983
Iran	01-31-81	Pre-1975
Laos	06-24-76	FY 1975
Nicaragua	03-06-82	FY 1982
Syria	06-22-85	FY 1979
Tanzania	02-10-83	FY 1984
Vietnam	05-29-76	FY 1976
FAA section 620(q)		**Period of rescheduling (no.)**
Argentina	08-10-85	1/1/85 - 12/31/85 (1st)
Brazil	07-11-85	Unspecified (2nd)
Costa Rica (waiver)	04-18-85	1/1/85 - 3/31/86 (2nd)
Liberia (waiver)	05-16-85	7/1/84 - 6/30/85 (4th)
Madagascar	07-25-85	1/1/85 - 3/31/86 (4th)
Peru	09-26-85	5/1/84 - 7/31/85 (3rd)
Zaire (waiver)	07-01-85	1/1/85 - 3/31/86 (6th)
Zambia (waiver)	06-30-85	1/1/84 - 12/31/84 (2nd)

Appendix I contains a schedule of principal AID borrowers that are delinquent on their repayments and the status of aid cut-off sanctions concerning them as of September 30, 1985.

During fiscal years 1982-84, the countries listed in table 2.8 were subjected to but later released from the section 620(q) and Brooke Amendment sanctions because of rescheduling of their official debt.

Table 2.8: Countries Released From AID Cut-Off Sanctions Through Rescheduling (Fiscal Years 1982-84)

Country	Sanction	Rescheduling period (no.)
Ecuador	620(q)	1/1/85 - 12/31/87 (2nd)
Malawi	620(q)	7/1/83 - 6/30/84 (2nd)
Uganda	620(q)	7/1/82 - 6/30/83 (2nd)
Zambia	Brooke	1/1/84 - 12/31/84 (2nd)
Jamaica	Brooke	4/1/85 - 3/31/86 (2nd)
Sudan	Brooke	1/1/84 - 12/31/84 (4th)

In addition, a number of other countries had undergone debt reschedulings, some of them repetitively, including Chile (3), Ivory Coast (2), and Senegal (4).

Conclusion

Debt reschedulings remove countries in default on their repayments from the threat of aid cut-off. Although debt reschedulings reduce the effectiveness of the statutory provisions for restricting further aid, we believe the provisions are needed to force action on delinquencies; that is, as a part of the debt rescheduling process, the debtor country agrees to take steps necessary to improve its economic condition and overcome the deficiencies which led to the need to reorganize its debt-service payments.

Agency Comments and Our Evaluation

AID did not comment on this matter but the State Department, as lead agency in the debt rescheduling process, stated that the U.S. government agrees to reschedule primarily in the interest of improving its repayment prospects, though other economic interests in the debtor country, as well as political and strategic goals, may also influence the decision. While we agree with the concept of debt rescheduling as a means of preserving the value of U.S. loans, we believe that better reporting is needed concerning proposed debt relief agreements and their consequences. This issue is discussed in more detail in chapter 3.

Loan Write-Offs Generally Based on Proper Authority

Write-offs of AID-administered loans are relatively insignificant in amount and generally have been made properly. In only one instance did we note that an FAA loan had been improperly written off, using compromise authority intended for loan reschedulings. Unlike FAA, predecessor legislation did not prohibit write-offs.

AID administers loans made pursuant to the FAA, predecessor legislation, and Public Law 480 local currency loans. FAA section 620(r) prohibits relieving a borrower of liability for ultimate repayment of any part of the principal or interest on loans made under its authority. (However, private sector revolving fund loans are excluded from this requirement.) Loans made pursuant to predecessor legislation may be written off based on a determination of their uncollectibility. Although the statutes under which the loans were made are no longer in effect, AID administers such loans in accordance with their terms and conditions. AID does this pursuant to FAA section 643(a) which provides that agreements entered into under authority of any provision of law repealed by the Act shall continue in full force and effect until modified by appropriate authority.

According to a February 15, 1972, memo from AID's Office of General Counsel, AID has legal authority to forgive, in whole or in part, past due or future repayments of principal and interest for loans made by predecessor legislation. AID is also responsible for administering Public Law 480 local currency loans which were funded from the foreign currency proceeds accrued to the United States from the sale of surplus agriculture commodities. Since these loans were not funded by the FAA, AID is not restricted from writing off such loans when they are determined to be uncollectible. Such loan write-offs have been relatively insignificant. As of September 30, 1985, AID had written off a total of $73 million in loan principal plus accrued interest of $10 million, virtually all from non-FAA loans. Write-offs of Public Law 480 and predecessor agency loans account for less than 1 percent of total disbursements. Authorities under which AID wrote off these loans and accrued interest are shown in table 2.9.

Table 2.9: Basis Used to Write Off AID Loans (As of Sept. 30, 1985)

Dollars in millions

	Amount
FAA of 1975, sec. 496(b)—Cape Verde Islands	$3.0
Public Laws 94-330 and 91-619—Israel	32.7
Prepayment discount offered government of Japan	24.9
Public Law 480 and predecessor agencies— private debt	21.5
FAA of 1961, sec. 635(g)(2)—country debt	0.9
Total	**$83.0**[a]

[a]Includes interest.

One FAA loan write-off, amounting to $931,000 for the government of Guinea was the result of a 1980 government-to-government settlement agreement. In addition, while we found no indication that write-offs of FAA loans to private enterprises have yet occurred, an AID manual order (M.O. 1055.2, dated May 17, 1972) improperly permits the write-off of such uncollectible loans.

Conclusion

Since FAA section 620(r) prohibits any write-offs of loans authorized under FAA (except from the private sector revolving fund), AID should revise its existing instructions to make clear that no FAA loan or interest receivable may be written off.

Recommendation

We recommend that the AID Administrator revise AID's manual orders to make clear that no FAA loan (except from the private sector revolving fund), whether to a public or private borrower, may be written off.

Agency Comments

AID agreed with our recommendation, saying it would take steps to assure that its manual orders and/or handbooks clearly reflect the intent of FAA section 620(r), prohibiting write-off of FAA loans. AID noted however, and we concur, that FAA section 108(c)(1) specifically excludes private sector revolving fund loans from this provision, enabling such loans made under this 1983 amendment to the FAA to be written off under appropriate circumstances.

Extent of Foreign Debt Rescheduling Not Fully Disclosed

Debt rescheduling (or restructuring) constitutes refinancing or extension of debt usually due to be paid within one year. Reschedulings do not diminish the borrower's repayment obligation but do provide a form of debt relief in that the borrower is able to stretch out repayments over a longer period, usually at the same concessional interest rate. U.S. agencies participating in reschedulings view the process not as a windfall to debtors but as a logical response to enhance the probability of debt repayment when debtors are facing specific debt service problems.

The principal creditors of developing countries are commercial banks, nonbank foreign businesses, developed country governments, and multilateral institutions. Commercial bank representatives generally negotiate restructuring with debtors in what is known as the "London Club". Private nonbanks, such as bondholders and suppliers, do not generally reach restructuring agreements in a group setting. Developed country government creditors and less developed country debtors—the main subjects focused on in this chapter—normally meet and negotiate debt restructuring in an informal forum known as the "Paris Club".[1] Multilateral institutions do not reschedule their own credits, but they take part as observers and mediators when requested to do so by participants in other forums.

The developing countries, partly as a result of extensive debt rescheduling and continued assumption of new commercial bank financing and official loan aid in recent years, have been able to avoid defaulting on their external debt. U.S. strategy is to improve these countries' export performance, which would contribute to satisfying their debt-servicing requirements and reducing their balance-of-payments assistance needs. Developing country balance of payments have improved. The International Monetary Fund estimated that their export earnings rose $41 billion in 1984, compared with an $8-billion increase in interest payments on foreign debt. Nonetheless, their debt levels increased substantially and their capacity to service debt worsened over the period 1980-85.

[1]The "Paris Club" is made up of developed and developing country representatives (creditors) and debtor country representatives, who negotiate rescheduling terms for specific government debt.

U.S. Participation in Foreign Debt Reschedulings

The United States was a significant participant in 21 government debt reschedulings of loans to non-OPEC developing countries between January 1983 and June 1984 affecting $11.5 billion, including principal and interest. (Although statistics on overall developing country debt are sketchy, the World Bank estimates that government creditors accounted for about $280 billion, or about one-third, of the total of $810 billion at the end of 1984.) U.S. participation in these multilateral debt reschedulings was in accord with authority provided under FAA and antecedent legislation and U.S. policy on foreign debt rescheduling. This policy, which is promulgated through the National Advisory Council on International Monetary and Financial Policies and governs all creditor agencies (see app. II), permits debt rescheduling to take place on a case-by-case basis in circumstances of imminent default and then only within the framework of a multilateral creditor club agreement.

In the Paris Club, weak balance-of-payments prospects for many developing countries have generally led to increased debt relief through consolidation of a larger percentage of principal and interest to be repaid over longer grace periods and overall maturities. In addition, rescheduling agreements include "goodwill clauses" in cases where future debt relief is expected—indicating a willingness to consider future rescheduling if a stabilization program is in place to help insure repayment by restoring economic stability and creditworthiness. New credit is not taken up at Paris Club meetings; that decision is left to the individual creditor governments.

Procedure for Rescheduling Official Foreign Debt

Following a debtor request to reschedule, the State Department coordinates and heads U.S. participation in multilateral debt rescheduling negotiations and is responsible for securing a bilateral agreement. The Treasury Department prepares the position papers for each rescheduling. In the executed Paris Club agreement, the U.S. government commits itself to recommend the implementation of the terms to the U.S. agencies involved, although the agreement is not legally binding.

The International Development and Food Assistance Act of 1978 requires the Secretary of State to transmit to the Congress debt rescheduling agreements with foreign governments no less than 30 days prior to their entry into force together with a detailed justification of the U.S. interest in the proposed debt relief. Barring objection, the agreement goes into effect after the 30-day waiting period. Subsequently, creditor agencies develop individual implementing agreements with affected countries which include payment schedules for the rescheduled debt. Although early signing of agency implementation agreements is encouraged, State said it had no particular policy on when implementing agreements should be signed. AID traditionally has been slow to draft them. We noted that some AID implementing agreements were still not signed more than a year after the bilateral agreements had been signed. AID attributed the slow drafting of its implementing agreements to staff shortages and a significant increase in the number of reschedulings but said this had not affected loan payments.

Congressional Notification of Debt Reorganization

The Secretary of State notifies congressional leaders of the U.S. intent to participate in multilateral debt renegotiations for affected countries and the scheduled dates of the Paris Club meetings. The notifications do not state whether the country has undergone a previous debt rescheduling or what amounts the proposed negotiations would cover.

Following the debt renegotiations, the Secretary of State transmits a copy of the bilateral agreement to the House and Senate Appropriation Committees and the Senate Foreign Relations and House Foreign Affairs Committees, and describes the terms of the agreement and estimates the amount and budget impact of the debt involved, but does not provide a detailed justification of why the United States participated in the debt relief. In lieu thereof, the transmittals contain this general statement.

> "The agreement reflects the prevailing view of participating creditors that a rescheduling of [country's] debts is essential to ensure the repayment of outstanding credits. U.S. participation via this agreement protects our interest in assuring equitable burden sharing among creditors and in maintaining efficient international procedures for the extension of debt relief."

We believe that the State Department should include in its reporting to the Congress the extent to which the country has had previous reschedulings, the reason(s) why the rescheduling is necessary and in the U.S. interest, and what the prospects are for eventual recovery of the debt. This would give the Congress a better basis to decide whether to intervene in the proposed debt relief or to alter U.S. debt relief policy.

Similarly, in waiving the FAA section 620(q) provision requiring cut-off of aid to countries that are 6 months delinquent in their repayments (see ch. 2) pending completion of debt restructuring agreements, the Secretary of State's determinations have not clearly described the reasons why the legislative sanction is being waived. Also, the justifications tended to be repetitive, as illustrated in waivers for Costa Rica submitted to the Speaker of the House of Representatives and the Chairman of the Senate Foreign Relations Committee, shown in table 3.1.

Table 3.1: Waiver of Sec. 620(q) Sanctions for Costa Rica

Date of waiver	Fiscal year covered
February 25, 1982	1982
March 18, 1983	1983
October 11, 1983	1984

The text of each notification was nearly identical, as follows.

"In accordance with Section 620(q) of the Foreign Assistance Act of 1961, as amended (hereinafter, "the Act"), and the delegations of authority issued thereunder, I have determined that it is in the national interest to furnish assistance under the Act in Fiscal Year... to Costa Rica, notwithstanding that the Government of Costa Rica is more than six months in default in payment to the United States of principal and interest on loans made under the Act.

"Continuation of U.S. assistance to Costa Rica is consistent with the commitment of this Administration and in Congress to help Costa Rica regain economic viability. We therefore regard such assistance, which is designed to help the Government with financial and management reforms and with needed credit to the private sector, as vital and in the national interest. We are hopeful that bilateral debt restructuring will be completed within the next several months."

We believe that the Congress would be better served if waiver notifications described all prior debt relief actions and expressed more clearly the reason(s) why the current waiver determination is "vital and in the national interest." The debt restructuring process and U.S. participation in official debt reorganization negotiations is discussed in International Finance, the annual report of the National Advisory Council on International Monetary and Financial Policies (a Treasury publication). However, as with State's reporting, no details are provided on amounts involved, whether prior reschedulings have taken place, or the relationship between the portion of debt rescheduled and amounts still owed.

The process of official debt reschedulings and a list of agreements involving commercial banks and government creditors are presented in the Development Coordination Committee (DCC) Chairman's 1985 report to the Congress. These lists, which show reschedulings by country, date, and amount, were not presented in the DCC Chairman's prior report and are a step in the right direction. However, the lists do not show what portion of the rescheduled amounts are applicable to the United States or the U.S. creditor agencies affected, whether prior reschedulings have occurred, and how cumulative reschedulings compare with loan amounts actually repaid and balances remaining outstanding.

Also, we found significant differences in the amount of official debt rescheduled shown in the DCC Chairman's report compared with the records maintained by the Treasury Department. These differences (which we were not able to reconcile) are shown in table 3.2 for the five largest government creditor reschedulings occurring between January 1983 and June 1984, as shown in the 1985 DCC Chairman's report.

Table 3.2.: Comparison of Official Debt Reschedulings Shown in DCC Chairman's 1985 Report and Treasury Records

Dollars in millions

Country	Date	DCC report	Treasury records
Brazil	Nov. 1983	$3,478	$1,999
Mexico	June 1983	2,000	1,650
Morocco	Oct. 1983	1,489	1,034
Peru	June 1984	1,000	581
Zaire	Dec. 1983	1,497	380[a]

[a]Revised to $3,170 million and $1,120 million, respectively, per Treasury comments (see p. 107).

Treasury said that the differences between its and DCC's figures were the result of differences in methodology in making the calculations, though it did not reconcile the varying estimates.

Rescheduling of AID Loans

As of September 30, 1985, AID had rescheduled one or more payments due on loans valued at $7.1 billion, more than one-third of the face amount of its outstanding loans. AID records showed that $819 million in amortization payments due on these loans had thus far been formally rescheduled as the result of being overdue. These reschedulings are likely to rise significantly, because many of AID's outstanding loans either had not yet reached or were early into the amortization stage and a number of reschedulings had not yet been posted. At the same time, $549 million in interest had been capitalized. (Capitalized interest is unpaid interest which has been added to the principal of the loan.) Capitalization liquidates the interest owed and correspondingly increases the principal amount to be repaid. Interest continues to accrue at the same rate.

In 1981, the Office of Management and Budget recommended that AID change its interest rate policy on all rescheduled loans to charge an interest rate equal to the cost of funds to the U.S. Treasury. The intent of the recommendation was to shift to borrowers the extra cost that Treasury incurs when it borrows at market rates to make up for shortfalls in receipts due to debt reorganizations. AID opposed the recommendation as inconsistent with the major objective of U.S. debt reorganization policy, i.e., to enhance the probability of all debt repayment, and as detrimental to U.S. relations with debtor and other creditor countries. Therefore, AID continues to compute interest on outstanding balances of principal and interest at the same rate as in the original loan agreement.

We believe that AID's position is reasonable, provided that reschedulings occur only when a country's ability to repay its debt is seriously threatened and the burden is equitably shared among creditor countries. AID does comply with the U.S. policy to reschedule loans only when the debtor undergoes a formal, multilateral debt rescheduling. However, there is no limit on the number of times that a country's official debt can be rescheduled. Indeed, for some countries which have had multiple reschedulings, the process appeared to be circular.

Continued Lending to Countries Being Provided Debt Relief

Another essential element of U.S. policy on debt rescheduling is that debt relief should not be given as a form of development assistance; however, it may be granted administratively without express congressional approval of the amounts rescheduled. Further, new loans may be and are being made to countries which are in default on their existing loan agreements to assist in financing stabilization efforts and providing balance-of-payments support. In this connection, reschedulings have the effect of staying implementation of the FAA sec. 620(q) and Brooke Amendment provisions (see ch. 2) which require cut-off of new aid to countries that are in default on their loan obligations.

Our 1978 report (see p. 16) noted that AID continued to make loans to certain countries after they had been provided relief from making payments on their earlier loans. This practice still continues, as shown in table 3.3.

Table 3.3: New Loan Authorizations Concurrent With Debt Reschedulings

Dollars in millions

Country	Reschedulings: Number	Reschedulings: Latest period	Amount loaned (fiscal year 1985)
Costa Rica	2	1/1/85—3/31/86	$10.7
Ecuador	2	1/1/85—12/31/87	7.0
Jamaica	2	4/1/85—3/31/86	74.4
Morocco	2	9/1/85—2/28/87	18.0
Peru	3	5/1/84—7/31/85	6.7
Philippines	1	1/1/85—6/30/86	20.8
Zaire	6	1/1/85—3/31/86	0.4

In our 1978 report, we recommended an approach by which rescheduling and new lending would be linked. Our recommendation was not adopted, but we continue to believe in the fundamental soundness of such a linkage; that is, further loans generally should not be given to countries currently unable to service their debt unless it can be demonstrated clearly that their inability to service existing debt is temporary and nonrecurring.

Conclusion

Although nearly one third of outstanding AID loans have been at least partially rescheduled and debt restructurings continue unabated, the debt reschedulings have taken place within the framework of U.S.-ratified multilateral creditor club agreements. AID continues to make loans to countries undergoing current reschedulings. This practice and the lack of full disclosure in congressional notifications of proposed debt reschedulings and summarization of concluded agreements indicate that congressional reporting needs to be more explicit in describing how the United States has been affected by current and prior reschedulings. In addition, linking current debt rescheduling with new lending would better enable the Congress to know which countries were experiencing severe debt service problems. This should improve congressional oversight and help in resolving questions of proposed debt relief.

Recommendation

We recommend that the Secretaries of State and the Treasury and the DCC Chairman provide more information in reporting debt rescheduling activity to the Congress. Specifically, (1) notifications of proposed reschedulings should state clearly why the rescheduling is necessary and in the U.S. interest and (2) reports of completed official debt reschedulings should present a more complete picture of how agreements affect U.S. financial interests, including how much and how many times debts owed to U.S. agencies have been rescheduled and the prospects for collecting rescheduled receivables.

Agency Comments and Our Evaluation

The Departments of State and the Treasury, primarily responsible for foreign debt reschedulings, replied that they report in detail the specific terms of each rescheduling and describe in a general way the amount of debt involved following completion of the Paris Club negotiations. According to State, the parameters including amounts of debt reschedulings are not known until these meetings are held. State did agree to provide additional information on previous debt reschedulings with a foreign government, if the Congress wanted it; however, State did not consider the information germane to a debtor's current financial problems.

State and Treasury report the terms of individual debt reschedulings but they generally do not describe how the actions affect U.S. interests. We believe that if the Congress is to exercise its oversight function effectively regarding approval of proposed debt relief agreements with foreign governments, it also needs to know why the proposed debt relief action is necessary, how much debt has previously been rescheduled, why prior debt relief agreements have failed, and what the current prospects are for collecting the rescheduled receivables.

Treasury questions the advisability of any linkage between rescheduling and new lendings. It considers that providing additional financing to a country undergoing current rescheduling is by no means inconsistent with enhancing the country's ability to repay its debts. As a condition of the financing, a debtor country is expected to implement policy measures designed to improve its repayment prospects. Thus, Treasury regards new lending to be an integral part of reestablishing a country's long-term creditworthiness.

We agree with Treasury that continued lending ought to remain optional in those instances where realistic expectations exist that new financing will improve the recipient country's repayment prospects. However, we continue to favor linking reschedulings with new debt to excessively indebted countries as a means of restricting further loan aid whenever their inability to service existing debts is not clearly temporary and nonrecurring.

Improvements Needed in Loan Program Reporting

AID and other U.S. agencies involved in U.S. foreign assistance programs submit to the Congress and the public extensive reports concerning these programs as part of the budget justification process and in response to specific legislative requirements and congressional requests. The reports provide information in support of current U.S. development policies, proposed programs, strategy assessments, aid flows to recipient countries, and address foreign loan repayments and debt status. However, they do not provide the full and fair disclosure needed to properly assess the management of U.S. loan programs, primarily because they lack uniformity of presentation, clarity, and specificity.

Recurring Congressional Reporting Requirements

Legislative reporting requirements and congressional requests for data concerning how U.S. foreign economic assistance has been carried out have culminated in a series of recurring reports being sent to the Congress and made available to the public each year in addition to the Congressional Presentation[1] documents. We reviewed the following most widely circulated and authoritative of these reports and found that in some instances they lack consistency and detail.

1. The annual narrative report of the Chairman of the Development Coordination Committee, Development Issues, and its statistical annexes.

2. U.S. Overseas Loans and Grants ("Green Book"), prepared annually by AID's Office of Planning and Budgeting, Bureau for Program and Policy Coordination.

3. International Finance (National Advisory Council on International Monetary and Financial Policies annual report, Department of the Treasury).

4. Status of Active Foreign Credits (Department of the Treasury).

5. Amounts Due and Unpaid 90 Days or More on Foreign Credits (Department of the Treasury).

6. Contingent Foreign Liabilities (Department of the Treasury).

[1] The Congressional Presentation is a comprehensive description of the major objectives and strategies and proposed U.S. official foreign economic assistance and the channels through which this assistance flows to the less developed countries. This coordinated budget request is submitted by the International Development Cooperation Agency.

7. Food for Peace program, annual report on Public Law 480 (Department of Agriculture).

Annual Report of the DCC Chairman

FAA section 634 requires that the DCC Chairman (AID Administrator) prepare and transmit to Congress, no later than February 1 of each year, a report which is to include a comprehensive and coordinated review of all U.S. policies and programs having a major impact on developing countries. The report is specifically required to provide

1. a summary of loan repayments, by country (sec. 634(a)(3));

2. the status of active U.S. government credits (sec. 634(a)(4));

3. the status of debt servicing capacity of each aid recipient (sec. 634(a)(5)(A));

4. all forms of debt relief granted by the United States, including detailed statements of specific debt relief granted to each country and why (sec. 634(a)(5)(B)); and

5. net aid flow summaries, taking U.S. debt relief into consideration (sec. 634(a)(5)(C)).

Pursuant to these requirements, the DCC Chairman prepares an annual report, entitled Development Issues, from information compiled by various agencies. It discusses the events of the prior fiscal year and has statistical annexes which provide miscellaneous requested data. We found that the report and its annexes contain considerable data but do not adequately disclose and assess loan program results and are not submitted on a timely basis.

For example, the report does not fully or clearly define loan repayments, outstanding balances, debt service capacity of aid recipients, or debt relief granted by the United States. Separate annexes, using data obtained from different sources, indicate that repayments on U.S. loans extended under FAA and related programs amounted to $27.0 billion (per AID) or $14.9 billion (per the Commerce Department) during 1946-84. Although a large part of the difference is evidently attributable to interest being included in the AID data, the amounts did not appear to be easily reconcilable. The report did not address the debt servicing capacity of individual aid recipients. Although the 1985 report did disclose the amount of government and commercial bank debt rescheduled by country (see ch. 3), it did not discuss U.S. involvement, frequency of occurrence or scope of the countries' accumulated debt restructuring, and cause. The FAA requires specificity regarding debt relief provided by the United States and why it was necessary.

Instead of being transmitted by February 1 of each year as required, the 1984-86 DCC reports were transmitted months after they were due. Legislative history indicates that the February 1 reporting deadline was carefully chosen and expected to be met. The late submission reduces the report's effectiveness, since it is not available at the time that hearings and deliberations take place on the administration's foreign aid budget request.

U.S. Overseas Loans and Grants Report ("Green Book")

This annual report, prepared at the request of and for use by the congressional authorization and appropriations committees concerned with foreign aid, summarizes U.S. economic and military assistance and repayments by program, region, and country from 1945. It also shows the assistance received by each country from international organizations. The report is compiled from reports of various donor agencies and serves as the statistical annex I to the DCC Chairman's annual report to the Congress.

We could not reconcile the data in this report with other agency publications on U.S. credits used and repaid and only partially with underlying AID records for comparable periods of time. These problems are illustrated in tables 4.1 and 4.2.

Table 4.1: Comparison of U.S. Foreign Loan and Repayment Data (Fiscal Years 1946-84)

Dollars in billions

Source/program	Loans	Repayments	Net loans[a]
1. The Green Book (AID) (DCC annex I)			
FAA (includes MAP)	$58.6	$27.0[b]	$31.6[c]
Public Law 480 (AID/Agriculture)	17.8	9.2[b]	8.6[c]
Eximbank	48.1	40.0[b]	8.1[c]
Other	15.3	14.9[b]	0.4[c]
Total	**$139.8**	**$91.1[b]**	**$48.7[c]**
			Outstanding[a]
2. Development Issues (DCC annex 2)	**$52.7**	**$14.9**	**$37.8**
3. International Finance (Commerce)			
FAA	$52.7	$14.9	$37.8
Public Law 480	18.2	6.5	9.7[d]
Eximbank	45.3	28.5	16.8
Other	18.7	14.7	4.0
Total	**$134.9**	**$64.6**	**$68.3[d]**
4. Active Foreign Credits (Treasury)			
FAA	([e])	([e])	$37.7
Public Law 480	([e])	([e])	9.9
Eximbank	([e])	([e])	15.0
Other	([e])	([e])	5.7
Total	**([e])**	**([e])**	**$68.3**

[a]As of Sept. 30, 1984, for Green Book and Active Foreign Credits data; others as of Dec. 31, 1984.

[b]Includes principal and interest, paid or capitalized.

[c]Loan authorizations less repayments and interest (paid or capitalized).

[d]Adjusted for write-offs.

[e]Not available.

The Green Book, which AID employs as a net aid fund flow report, is not as informative as it could be and is designed in such a way that it could be misinterpreted. For example, it combines principal repayments and interest as a deduction from loans made during the period, yielding a net total which is the difference between dollars loaned and repaid but which easily could be mistaken for the amount owed, which is significantly more than the amount shown. Also, the interest shown as a repayment includes amounts rolled over as a new loan, i.e., capitalized interest. Moreover, the Green Book omits the effects of write-offs and adjustments due to exchange fluctuations on loans repayable in local currency. This method of presenting net loan repayments results in negative amounts being shown whenever countries have made combined principal and interest repayments that are more than the amount of loan principal provided. Finally, while data is presented for a number of program categories, DA and ESF loans and grants are not separately identified, though they form the bulk of U.S. economic assistance.

Commerce Department statistics presented in the annual DCC and National Advisory Commission on International Monetary and Financial Policies reports show a much smaller level of loans and repayments than those in the Green Book, partly because of differences in coverage and method of tabulation. Treasury's report, Status of Active Foreign Credits, lists only loans which are not fully repaid; although the outstanding balances reported by Treasury at September 30, 1984, agreed in total with Commerce, the latter's statistics were for December 31, 1984, and individual classifications differed.

The total AID and predecessor agency loan authorizations shown in the Green Book did not agree with the underlying agency loan agreement summaries, although the amounts shown for principal and interest repayments did, as shown in table 4.2.

Table 4.2: Comparison of AID-Administered Loans and Repayments
(Fiscal Years 1946-84)

Dollars in billions

Source/program	Loan authorizations	Repayments	Net loans[a] (9/30/84)
1. The Green Book			
AID	$27.3	$12.3[a]	$15.0[b]
Public Law 480	9.8	4.8[a]	5.0[b]
Total	**$37.1**	**$17.1[a]**	**$20.0[b]**
2. Agency loan summary			**Outstanding (9/30/84)**
AID[c]	$25.1	$6.5[c]	$18.6
AID[d]	•	5.8[d]	•
Public Law 480[c]	5.6	3.2[c]	2.4
Public Law 480[d]	•	1.6[d]	•
Write-offs			(1.9)
Total	**$30.7**	**$17.1[a]**	**$19.1**

[a]Principal and interest.

[b]Loan authorizations less principal repayments and interest.

[c]Principal.

[d]Interest.

The difference of $0.9 billion between cumulative net loans in the Green Book and the outstanding balance in the Agency loan summary masks offsetting larger differences in the respective loan authorizations ($6.4 billion) and in how interest ($7.4 billion) and write-offs ($1.9 billion) are treated in arriving at the net or outstanding loan amounts. The official responsible for preparing the Green Book could not explain why the amount of the loan authorizations varied significantly from that of the Agency loan summary, particularly those involving the Public Law 480 program, except that loan authorization and repayment data were derived from separate sources.

We were not able to fully resolve the differences either, but since the Green Book report is based on data compiled from various agencies and widely used, we believe there is a need to ensure that its data is correct, understandable, and consistent with other reports.

International Finance

This annual report, submitted by the Chairman of the National Advisory Commission on International Monetary and Financial Policies, presents an account of U.S. participation in the International Monetary Fund, the World Bank, and related institutions. It also includes a discussion of U.S. policy on and summary of agreements reached in connection with foreign debt reschedulings. Statistical tables in the report summarize U.S. bilateral aid by area, type, and country; repayments; outstanding indebtedness; analysis of terms; and assistance authorizations by donor agency.

Loan data in the report, for the most part, is informative and authoritative. However, (1) amounts covered by debt relief agreements and their relationship to repayments and outstanding debt were not identified, (2) the statistics in the tables of U.S. bilateral aid could not be reconciled with data in the DCC Chairman's annual report and the Green Book, and (3) some of the statistics in the tables were incomplete or misleading. For example, to support the statement that the majority of debts due the United States have been paid on time, the 1985 report states that only 2.9 percent of outstanding debt at December 31, 1984, was due and unpaid 90 days or more. It should have noted that only 6 percent of the outstanding debt was due and repaid during the year, raising the arrearage on currently due debt to 22 percent. Also, delinquent amounts were dropped from the arrearage tables when loans were rescheduled.

Status of Active Foreign Credits (Including Amounts Due and Unpaid 90 Days or More)

This report, prepared at fiscal year-end and June 30 and December 31 of each year by the Treasury Department and included in Annex 3 to the DCC Chairman's report, presents a status record of active foreign credits. Because the report excludes fully repaid loans and credits and uses different cut-offs, it does not tie to the historical data in the Green Book or the statistics in International Finance. However, we did selectively determine that the outstanding balances of AID-administered loans shown in this report generally agreed with the balances shown in AID loan agreement summaries. The report also incorporates data on foreign debt arrearages, primarily loans due and unpaid 90 days or more. Appendix I shows the credits summarized by major program and country as of September 30, 1985. Amounts outstanding and delinquencies which correspond to program totals and principal debtors are shown in tables 4.3 and 4.4, respectively.

Table 4.3: Long-Term U.S. Credits Used and Outstanding, by Program (As of Sept. 30, 1985)

Dollars in millions

Program	Amount outstanding[a]	Principal and interest 90 days or more overdue
Economic foreign assistance and related acts (FAA)	$19,160	$205
Military sales (FAA)	19,676	24
Agriculture trade development and assistance (Public Law 480)	10,510	162
Commodity Credit Corporation Charter Act	1,505	412
Export-Import Bank	16,661	717
Other	3,205	147
Total	**$70,717**	**$1,667**

[a]Principal disbursed and outstanding.

Source: Department of the Treasury

Table 4.4: Long-Term U.S. Credits Used and Outstanding, by Major Debtor (As of Sept. 30, 1985)

Dollars in millions

Program	Amount outstanding[a]	Principal and interest 90 days or more overdue
Bangladesh	$1,161	$13
Brazil	2,490	122
Colombia	1,097	•
Egypt	9,041	1
India	3,116	4
Indonesia	2,597	2
Israel	10,027	•
Korea	4,244	2
Mexico	1,577	18
Morocco	976	29
Pakistan	3,616	1
Philippines	963	•
Poland	966	638
Spain	1,546	•
Taiwan	1,368	•
Turkey	3,687	1
United Kingdom	2,558	•
Zaire	1,069	21
All others	18,618	815
Total	**$70,717**	**$1,667**

[a]Principal disbursed and outstanding.

Source: Department of the Treasury

Contingent Foreign Liabilities

This report, prepared at fiscal year-end and June 30 and December 31 of each year by the Treasury Department and included in Annex 3 to the DCC report, presents U.S. contingent liabilities on its contracts of foreign insurance and guarantees. As of September 30, 1985, they were as shown in table 4.5.

Table 4.5: Contingent Liabilities of the U.S. Government on Insurance and Guarantees of Private Contracts With All Foreign Obligors, by Program (As of Sept. 30, 1985)

Dollars in millions

Program	Contingent liabilities	Net claims paid
Overseas Private Investment Corp.- Investment Support	$6,172.9	$22.9
FAA Housing and Other Credit Guarantee Programs	1,199.5	52.6
Arms Export Control Act	180.0	•
Commodity Credit Corporation Charter Act	6,521.3	67.3
Export-Import Bank Act	7,961.9	95.2
Total	**$22,035.6**	**$238.0**

Source: Department of the Treasury

A schedule of contingent liabilities and net claims paid by country is presented in app. I.

Food for Peace Program (Public Law 480 Annual Report)

The Secretary of Agriculture submits an annual report to the Congress on agricultural export activities carried out under the Food for Peace (Public Law 480) program. The report, prepared by the Foreign Agricultural Service, reviews program accomplishments, describes progress made by recipient countries toward self-help measures, and provides comprehensive financial and commodity delivery data. The Public Law 480 title I long-term dollar credit sales data presented in this report varied slightly from that shown in the Green Book, as illustrated in table 4.6. The differences appear to be attributable to the fact that the Agriculture report is prepared on a gross sales basis while the AID report shows net credit sales after deducting the initial downpayments specified in some of the sales agreements.

Table 4.6: Public Law 480 Title I and Green Book Credit Sales Data

Dollars in millions

	Fiscal years		
Source	**1983**	**1984**	**1955-84**
The Green book (AID)	$773	$784	$11,714
Public Law 480 report (Agriculture)	$796	$806	$12,187

Other Congressional Reporting

The Congress and its committees and members frequently ask for information on foreign assistance programs which may not be covered by the annual budget presentation or the foregoing reports. These non-recurring congressional requests take various forms and have provided useful insight into the rationale for and carrying out of development assistance programs. However, not much of this information has dealt effectively with loan repayments and reschedulings. For instance:

1. On August 2, 1982, the administration submitted its report of a comprehensive analysis of foreign assistance, as required by section 722 of the International Security and Development Cooperation Act of 1981. The report provides a useful discussion of how development policy issues affect the size, mix, and composition of U.S. bilateral aid programs. However, it did not address any issues related to debt relief and rescheduling, although it was to be used to reappraise the magnitude and direction of future foreign assistance programs.

2. AID annually provides the Senate Committee on Appropriations with organization and program data in support of its aid request. Included in this submission are a series of tables which summarize the status and collections of dollar repayable loans, project repayments, and proposed new loan authorizations. This information was not as useful as it could be. For example:

a. Actual repayment data covered only a 4-month period (Oct. 1 through Jan. 31). Since loan installments and interest are generally payable on 6-month cycles, the period covered was too short to determine whether amounts due were being paid on a timely basis.

b. Projected repayments were not based on scheduled or billed amounts but rather on anticipated collections over a 12-month period after factoring in prior repayment experience and reschedulings. While this factoring results in a more realistic estimate of future receipts, it precludes the possibility of comparing amounts due and actual repayments to determine the shortfall.

c. Actual loan authorizations sometimes differed materially from those previously listed as proposed with no explanation for changes.

3. In response to a question raised on the AID Administrator's April 1983 testimony before the House Committee on Appropriations, Subcommittee on Foreign Operations, AID reported that a total of $769 million rescheduled principal and interest repayments on AID loans remained outstanding as of March 31, 1983. As of this same date, AID reported to the Treasury that it had on its books total rescheduled receivables of $5.9 billion. The difference appears to be that the $769 million relates only to installments that had fallen due by the reporting date whereas

the $5.9 billion reflects the total volume of loans affected by reschedulings as of that date. However, the basis for the data was not explained in the response.

4. In reply to a request by the Senate Committee on Appropriations, Subcommittee on Foreign Operations, State/AID provided data in May 1985 on how FAA Section 620(q) and the Brooke Amendment have been implemented during the past 3 fiscal years. Although the data clearly demonstrates that a number of countries were susceptible to these sanctions at the time their loans were rescheduled, it does not indicate the repetitiveness with which some of the affected countries have been subject to and released from the sanctions because of loan reschedulings. A number of countries have undergone multiple reschedulings, including rescheduling of previously rescheduled debt. Consequently, the Subcommittee and others may not be fully aware of the extent to which debt reschedulings have prevented countries in default on their loan obligations from being cut off from further aid.

Conclusions

Current loan program reporting, whether for AID-administered or total U.S. foreign credits, does not present an accurate and complete picture of how aid recipients are discharging their repayment obligations to permit meaningful comparisons and assessments. Increased efforts should be made by reporting offices to classify loan and repayment data on a uniform basis for identical periods and to submit it in accordance with established reporting deadlines. This would facilitate better use of all the data. As a minimum, the statistical data should identify the amount of assistance provided by country; by character (economic vs. military); type (grants vs. loans); major program; historically by legislative authority; comparatively for the preceding 5-year period by fiscal year; amounts repaid and status of repayment obligations (i.e., whether amounts are current, delinquent, and rescheduled); and principal balance remaining outstanding.

AID's Green Book supplies much of this data but does not show

- a breakdown of the major AID programs (DA and ESF),
- principal repaid,
- remaining principal balance,
- interest collected,
- delinquent principal and interest,
- rescheduled principal and interest, or
- number of recurrence of loan reschedulings.

The Commerce and Treasury publications focus on total and active U.S. credits and obligations, not just those related to foreign aid programs, and thus complement but do not substitute for the Green Book. The accuracy of the data in the Green Book is questionable because the loan authorization and repayment data shown for AID and predecessor agencies can be only partially reconciled to other published reports.

In addition, explanations of repayments, reschedulings, and debt owed in the recurring reports and responses to congressional requests need to be more forthright and complete. If this information was more systematically reported, there might be fewer inquiries and a better overall understanding and basis to evaluate loan program effectiveness.

Recommendations

We recommend that the AID Administrator, as DCC Chairman, pursuant to the requirements of FAA section 634, revise the annual congressional report and accompanying annexes as may be necessary to:

- Show clearly the amounts of foreign assistance loan authorizations, disbursements, rescheduled debt, repayments, and balances outstanding, by program and country.
- Define the status of repayments, including applicability of aid cut-off sanctions and collectibility of non-current loans, by country.
- Disclose the reasons for any significant shortfalls in repayments of billed loan principal and interest for the preceding year.
- Ensure consistency with the underlying agency loan records.
- Meet the required February 1 reporting deadline.

We also recommend that the AID Administrator revise the Green Book to provide certain information and ensure that the data reported in this book is consistent with other loan records and reports submitted to the Congress by other executive agencies.

Agency Comments and Our Evaluation

AID did not disagree with the essence of our recommendations but cited staffing constraints and technical limitations in the existing automated loan accounting system as reasons why it would have difficulty in complying with them. It said it would review the loan information contained in the Development Issues report and annexes, including the Green Book, in an effort to be more responsive to the disclosure requirements of FAA sec. 634(a). While AID did not agree with the need to change the form or content of the Green Book and would revise it only at congressional direction, it did agree that the data therein should be reconcilable to other internal AID records. However, it felt that specifically tying the numbers in the Green Book to other agency publications was unnecessary, would create an unmanageable burden, and would prevent publication of the report in a timely manner. It said that a new accounting system scheduled for implementation within the next year should help in providing some of the needed data.

AID also said it would try to improve the report's timeliness. The Agency attributed its inability to meet the congressional deadline to unavailability of source data on a timely basis, time-consuming coordination requirements, and shortage of staff resources to concurrently prepare the DCC report and the annual budget justification.

We are aware that AID's staffing constraints do not permit it to make changes which will significantly add to its workload. This is not what we are advocating. Rather, we remain concerned that AID take steps to ensure that loan authorization, repayment, and status data are correctly reported and in a form which will permit meaningful comparisons to be made. If it did so, the need to reconcile Green Book data with other agency publications would become more apparent. We believe that the recommended revisions in reporting would not require the development of additional data but rather would involve finding a more logical and consistent way of presenting it. In this connection, we are available to discuss with and assist AID representatives to better coordinate and reconcile their loan data gathering and reporting activities.

AID Loan Administration Can Be Improved

In FAA section 621A, the Congress expresses the belief that U.S. foreign aid funds could be used more effectively through improved information retrieval, analysis, and management decisionmaking. The section requires a management system that includes methods for comparing actual program results with those anticipated when they were undertaken. The system should provide information to the administrative agency and to Congress that uses quantitative indicators of progress toward aid objectives in order to assist in evaluating program performance, reviewing budgetary requests, and setting program priorities.

AID employs a well-established accounting and financial reporting system for its loan operations, but the system has limited capability for management to perform program analysis. The system provides reasonable assurance that loans are properly accounted for and billed, collections are promptly and accurately recorded, and loan status is being reported to AID management on a regular basis. Furthermore, internal reviews in 1984 and prior years found no significant discrepancies in the loan information being reported or with the collection of repayments. However, because of staffing shortages and the inability of AID's accounting system to respond to certain information requirements, we found that the agency's financial analysis and management reporting was not as timely and effective as it could be. For this reason, we focused our attention on what could be done to make AID's loan program administration and management reporting more responsive to congressional concerns and informational needs.

Loan Administration

AID's Loan Management Division and Bureau for Program and Policy Coordination are primarily responsible for loan administration. The Loan Management Division maintains the official loan records, accounts for loan activity using two fully automated systems that enter all transactions to general ledgers and individual loan accounts, and monitors collections. Loan management is conducted on an exception basis, with primary emphasis on following up delinquencies and closely monitoring loans susceptible to FAA section 620(q) and Brooke Amendment aid cutoff sanctions.

The Bureau for Program and Policy Coordination is responsible for analyzing the recipient countries' financing needs, proposing the level and forms of U.S. and other donor assistance, rescheduling AID loans, and recommending appropriate AID policy on terms and conditions of new assistance and adjusting terms on existing AID loans. The Bureau uses report data generated by the automated loan accounting systems to produce the Green Book. It does not analyze loans in the AID portfolio to determine their collectibility. However, significant loan defaults and repetitive debt reschedulings strongly suggest that the realizable value of loan receivables may be materially less than their book value. AID reports do not reflect the losses that are likely to result from uncollectibility of AID loans.

AID's loan recordkeeping systems have remained essentially unchanged since the early 1970's. They keep track of individual loan agreements and the status of funding authorities as they were designed to do, but they have limited capability to summarize lending activity in the format presented in budget requests and to permit certain analyses to be made. The general ledger accounting and reporting system provides for reporting of loan program financial condition and operating results. Loan activity is summarized for seven broad funding authorities, which AID administers separately for budget and reporting requirements.

The system does not permit independent tracking of DA, ESF, private sector, and other individual loan program categories. The loan accounting information system records all transactions to individual loan accounts. It does not provide for ready determinations of the age or estimated realizable value of receivables, actual versus billed collections, and the effects of reschedulings. Both systems stress financial accounting, not reporting and analysis. Both are based on generally accepted commercial accounting principles and practices.

Accounting for Billing and Collections

Loan accounts are established in accordance with the terms of the underlying loan agreements. The loan accounting information system is designed to ensure that control is adequate for prompt issuance of billings and timely repayment of amounts due the United States. Billings are automatically produced and manually verified for accuracy of principal and interest computations before being delivered to the borrower. Disbursements accrue interest from the date that loan funds are disbursed from the Treasury. Principal repayments and accrued interest are treated as collected on the due date if they are received within 10 days after this date; if not received by then, interest on subsequent billings will be calculated on the basis of the outstanding balance of the loan from the due date. Interest remaining due and unpaid is capitalized, i.e., added to the principal of the loan, and it is normally subject to the same interest charges applicable to the original principal.

Collections are received by wire transfer or checks drawn on U.S. and foreign banks and deposited to the U.S. Treasury. If payments are not received within 10 calendar days of the due date, or there is an underpayment, followup action is triggered to collect the delinquent repayment. If the delinquency persists beyond 90 days, it is subject to be reported as in arrearage and identified as potentially becoming in violation of the FAA section 620(q) and Brooke Amendment aid cut-off provisions. Changes in loan interest rates, extension of payment periods originally prescribed in the loan agreement, and writeoff of uncollectible principal and interest due require formal authorization before they can be reflected on the loan records and so accounted for.

Loan Reporting

The two automated loan accounting systems generate the following series of reports detailing the financial administration of the AID loan portfolio.

1. W-244, Loan Activity Report - Monthly report of current year loan authorization activity data by country, region, and program.

2. W-224, Status of Loan Agreements - Comprehensive quarterly report of the cumulative status of each loan administered by AID, with summaries by country, region, and loan fund. Monthly supplements to the report provide management with status data on loan implementation and conditions requiring loan officer action.

3. W-242, Delinquent Loan Report - Monthly report showing unpaid loan installments by loan number, country, and due date. Report is used as a basis for quarterly status reports to Treasury and Commerce.

4. TFS 4502, Current Status of Active Credits, including Statement of Arrearages - Report provides Treasury and Commerce with the status of loans, as required, quarterly.

5. Principal and Interest Projections - Report provides semiannual estimates of principal repayments and payments of interest over stated future periods.

6. Loan Program Annual Financial Report - Annual report of consolidated statements of financial condition and operating results of AID's loan program.

In addition, loan accounting staff carefully monitor delinquent loans and prepare a monthly report identifying countries in or near violation of FAA section 620(q) or the Brooke Amendment. They also prepare a semi-annual report of loans which have been rescheduled or written off.

We found these reports to be generally quite useful, except that in some instances they were not current or complete. For example, the Loan Program Annual Financial Report had not been published since 1979, although the underlying financial statement data continue to be generated annually. Also, at the time of our review, a manually prepared semiannual report of rescheduled and written-off loans had been updated only through September 30, 1981. Further, although the reports produce good historical and current loan status data for management, they do not concurrently provide analytical or trend data for managers to (1) assess the current financial condition of the overall loan portfolio and component programs, (2) determine the age, collectibility, and yield of receivables, (3) compare projected and actual repayments, (4) evaluate the effects of reschedulings, and (5) respond fully and quickly to congressional concerns. A former AID loan official told us that congressional committees have been critical of the adequacy of AID's loan program reporting.

Efforts were under way at the time of our study to improve loan program reporting. AID is installing a new computer system designed to integrate financial management operations and improve report quality and timeliness. The new system, scheduled to become operational in 1986-87, will provide more detail on loans but is not expected to materially alter the way that AID loans are accounted for and reported to management.

Much of the data necessary to prepare an effective annual loan program financial summary is already available through the existing loan accounting and reporting systems. The 1979 loan program report presented consolidated financial statements, related schedules and notes, and a 5-year summary of loan operations. Information is also being generated on delinquencies, reschedulings, effects of the FAA section 620(q) and Brooke Amendment provisions, and other matters. This data needs to be assembled and presented in a format which would show the results of consolidated loan operations, individual programs, and effects of specific legislative provisions. In our opinion, the publication of such an annual financial summary would contribute significantly to a better understanding of AID's loan programs and should not unduly interfere with its austerity measures for administering these programs. A financial summary is prepared quarterly for AID's housing and other credit guaranty programs.

Internal Evaluations of AID Loan Operations

Financial management reviews of the AID loan program by the AID Inspector General have been conducted infrequently and have yielded no notable exceptions. A survey of loan transactions by the AID Inspector General concluded in March 1984 that the Loan Management Division's reports were accurate and provided excellent management-type information; furthermore, internal controls for collecting loan principal and interest repayments were deemed to be adequate. The previous internal audit in this area, conducted in 1977, disclosed no major deficiencies.

Our reviews of AID's loan recordkeeping systems have produced mixed results. A May 1980 debt collection study, conducted jointly by the Office of Management and Budget and AID, concluded that the systems for billing, collecting, and accounting for loans were "highly efficient and reliable". On the other hand, a study completed in April 1979 by a private contractor concluded that the accounting system had extremely limited capability for providing information, performing financial analysis, and responding to inquiries on a timely basis. The results of this study were more in line with our own assessment of weaknesses in AID's loan systems, e.g., the ability to analyze lending and debt collection activities and to be more responsive to congressional information needs.

A vulnerability assessment of AID's internal controls for loan operations, required by Office of Management and Budget Circular A-123 and the Federal Manager's Financial Integrity Act, was completed in April 1985. It concluded that operating procedures and controls were generally satisfactory but that staffing shortages and a corresponding inability to have appropriate checks and balances on critical functions had produced a high-risk environment for potential losses, which could have an adverse impact on AID loan programs as well as on U.S. relations with the concerned foreign governments. Improved management reporting would mitigate this potential or opportunity for losses.

Conclusions

We believe that the Congress and AID management would be better able to evaluate the effectiveness of AID's loan programs and the status of its receivables if reporting of loan operations were improved. In the absence of full disclosure of program results, it is difficult for managers and evaluators to determine whether program objectives are being achieved. We believe that resuming publication of the annual loan program summary, including financial statements and performance indicators, would contribute significantly to more effective program analysis and decisionmaking. In addition, the information-retrieval capability of the existing loan accounting and information system needs to be enhanced in order to facilitate summarizing loan activity in program format; permit more detailed analysis of collections and reschedulings; and provide more complete disclosure on the age, investment rate of return, and realizable value of outstanding receivables.

The loan program summary should be prepared at the end of each fiscal year and contain at least the following information.

1. Statements of financial condition, income and expense, changes in financial position, status of appropriations, and explanatory notes.

2. Program data, including

- schedule of outstanding loans, by years of maturity;
- aging of delinquent principal and interest;
- new loan agreements signed during year;
- loans rescheduled during year;
- 5-year summary of loan disbursements, repayments, interest collections, and outstanding balances;
- average rates of return;
- debt reschedulings in process; and
- brief portfolio analysis assessing prospects of loan recoveries.

3. Loan status by country, showing loan amounts disbursed, capitalized (rollover of interest), repaid (principal and interest), written off or adjusted, outstanding, rescheduled, and reserved for probable losses.

Recommendation

We recommend that the AID Administrator prepare and submit to the Congress an annual loan program summary, consisting of financial statements, program data, and loan information by country, which adequately discloses the condition and collectibility of loan receivables and operating results of AID lending activity.

Agency Comments and Our Evaluation

AID disagrees with our recommendation, saying that an annual loan program summary would not greatly enhance the program oversight responsibilities of the Congress and would be of marginal utility and quite costly compared to the benefits received. AID said that its decision to make a loan as a component of its bilateral development assistance was predicated on its newly revised "Guidelines on Terms of Aid" and on the country program strategy. In its view, the proposed financial statements require considerable staff time to prepare and their preparation is seen as an inappropriate use of scarce Agency resources.

We believe that preparation of an annual loan program summary, including financial statements which adhere to principles and standards contained in our guidance to federal agencies, would require some additional staff time but that the additional cost would be modest and worthwhile. Congressional and executive branch decisionmaking require effective financial management data to assess the cost and results of government operations. To be effective, agency financial systems must be designed to produced complete, reliable, consistent, and timely information. Performance information should be routinely integrated with accounting systems to help in assessing program results. Only through consolidating operating results and financial positions can a complete picture of program activities be reliably portrayed.

Disclosing the cumulative financial effect of past decisions aids the public and policy formulators in understanding how agency resources have been spent and in planning new commitments. For a government activity with the magnitude of AID's loan program ($19.3 billion in loans outstanding as of Sept. 30, 1985), we consider that the staff time necessary to prepare an effective financial summary represents a sound investment in better program management and aids in the disclosure of the agency's stewardship of resources.

Statistical Annex

Table I.1: Summary of U.S. Foreign Loan and Grant Aid, by Program (Fiscal Years 1946-85)

Dollars in millions

	Fiscal year			
Program	**1946-83**	**1984**	**1985**	**1946-85**
I. U.S. Foreign Economic Assistance	$165,144	$9,038	$12,327	$186,509
Loans	51,476	1,621	1,579	54,676
Grants	113,668	7,417	10,748	131,833
A. AID program	$91,846	$5,684	$8,132	$105,662
Loans	26,358	837	595	27,790
Grants	65,488	4,847	7,537	77,872
B. Food For Peace	$34,171	$1,524	$2,052	$37,747
Loans	17,015	784	984	18,783
Grants	17,156	740	1,068	18,964
C. Other loans	$8,103	$ •	$ •	$8,103
D. Contrib. (grants) to dev. banks	$15,595	$1,324	$1,548	$18,467
E. Other grants	$15,429	$506	$595	$16,530
II. U.S. Military Assistance	$100,504	$6,486	$5,801	$112,791
Loans	26,916	4,401	2,365	33,682
Grants	73,588	2,085	3,436	79,109
III. U.S. Economic and Military Assistance	$265,648	$15,524	$18,128	$299,300
Loans	78,392	6,022	3,944	88,358
Grants	187,256	9,502	14,184	210,942
IV. Export Credit Financing	$53,174	$1,284	$351	$54,809
V. Total Loans and Grants	**$318,822**	**$16,808**	**$18,479**	**$354,109**
Loans	**131,566**	**7,306**	**4,295**	**143,167**
Grants	**187,256**	**9,502**	**14,184**	**210,942**

Source: U.S. Overseas Loans and Grants, Agency for International Development.

Table I.2: U.S. Foreign Economic Aid and Export Credits Provided, by Country (Fiscal Years 1946-85)

Dollars in millions

	Loans						
Region/Country	**AID**	**PL 480**	**Other**	**Total**	**Grants**	**Economic assistance**	**Eximbank and other financing**
Africa							
Algeria	$ •	$11.6	$ •	$11.6	$192.0	$203.6	$1,047.6
Angola	•	•	•	•	23.0	23.0	230.2
Benin	23.7	•	•	23.7	42.1	65.8	0.2
Botswana	16.7	•	•	16.7	191.1	207.8	•
Burkina	•	•	•	•	241.1	241.1	1.0
Burundi	•	•	•	•	59.8	59.8	•
Cameroon	60.1	•	•	60.1	125.7	185.8	104.3
Cape Verde	3.0	•	•	3.0	63.3	66.3	•
Central African Republic	•	•	•	•	30.2	30.2	2.8
Chad	•	•	•	•	127.8	127.8	•
Comoros	•	•	•	•	3.9	3.9	•
Republic of Congo	•	1.9	•	1.9	17.6	19.5	52.8
Democratic Republic of Djibouti	•	•	•	•	26.6	26.6	•
Entente States	33.4	•	•	33.4	4.6	38.0	•
Republic of Equatorial Guinea	•	•	•	•	7.1	7.1	•
Ethiopia	133.2	9.6	.4	143.2	351.7	494.9	44.8
Gabon	•	•	•	•	19.8	19.8	39.0
Gambia	•	•	•	•	55.8	55.8	•
Ghana	171.5	111.5	•	283.0	198.2	481.2	139.7
Guinea	7.6	108.6	•	116.2	84.5	200.7	30.1
Guinea-Bissau	•	•	•	•	36.7	36.7	•
Ivory Coast	6.9	7.6	•	14.5	34.9	49.4	146.0
Kenya	132.2	86.4	•	218.6	390.5	609.1	19.2
Lesotho	•	•	•	•	183.8	183.8	•
Liberia	103.1	79.0	7.7	189.8	440.0	629.8	135.6
Libya	7.0	•	•	7.0	205.5	212.5	0.1
Madagascar	5.0	44.9	•	49.9	41.9	91.8	10.9
Malawi	30.9	2.3	•	33.2	93.6	126.8	•
Mali	6.4	0.4	•	6.8	259.6	266.4	•
Mauritania	1.4	•	•	1.4	133.3	134.7	5.9
Mauritius	•	15.4	•	15.4	37.5	52.9	•
Morocco	359.5	381.1	•	740.6	641.2	1,381.8	236.3
Mozambique	•	35.0	•	35.0	102.1	137.1	36.1
Niger	3.5	•	•	3.5	255.3	258.8	5.4
Nigeria	83.4	•	.2	83.6	322.9	406.5	381.1
Rwanda	•	•	•	•	92.1	92.1	0.9

Region/Country	Loans: AID	Loans: PL 480	Loans: Other	Loans: Total	Grants	Economic assistance	Eximbank and other financing
Sao Tome and Principe	$ •	$ •	$ •	$ •	$3.7	$3.7	$ •
Senegal	•	1.6	•	1.6	325.8	327.4	7.7
Seychelles	•	•	•	•	14.1	14.1	•
Sierra Leone	•	23.7	•	23.7	104.6	128.3	28.6
Somalia	16.0	127.8	•	143.8	410.3	554.1	•
Republic of South Africa	•	•	1.3	1.3	•	1.3	149.4
Sudan	23.8	219.4	•	243.2	879.0	1,122.2	44.4
Swaziland	9.9	•	•	9.9	77.7	87.6	•
Tanzania	37.8	52.1	•	89.9	257.5	347.4	16.0
Togo	•	•	•	•	92.5	92.5	2.1
Tunisia	236.6	223.1	•	459.7	555.1	1,014.8	139.1
Uganda	11.4	.2	•	11.6	84.5	96.1	1.8
Zaire	139.4	266.8	•	406.2	459.1	865.3	290.8
Zambia	144.2	83.4	22.4	250.0	109.1	359.1	106.6
Zimbabwe	5.0	8.0	•	13.0	282.0	295.0	28.9
Portuguese Territories in Africa	•	•	•	•	3.4	3.4	•
Sahel Regional	•	•	•	•	247.0	247.0	•
East Africa	•	2.6	•	2.6	30.7	33.3	•
Southern Africa Region-OSARAC	17.3	•	•	17.3	152.5	169.8	•
Africa Regional	67.4	•	•	67.4	706.9	774.3	4.4
Subtotal	**$1,897.5**	**$1,904.0**	**$32.0**	**$3,833.5**	**$9,932.5**	**$13,766.0**	**$3,489.8**
Near East and South Asia							
Afghanistan	$84.6	$32.9	$ •	$117.5	$423.1	$540.6	$64.8
Bahrain	•	•	•	•	2.4	2.4	22.0
Bangladesh	226.8	566.1	•	792.9	1,308.7	2,101.6	92.9
Bhutan	•	•	•	•	3.8	3.8	•
Cyprus	1.2	•	•	1.2	222.1	223.3	28.4
Egypt	2,727.0	2,763.5	10.7	5,501.2	6,285.6	11,786.8	515.8
Greece	164.0	90.7	96.7	351.4	1,558.9	1,910.3	502.1
India	3,927.6	3,382.8	300.9	7,611.3	3,621.3	11,232.6	692.8
Iran	224.5	51.0	25.9	301.4	464.2	765.6	1,187.7
Iraq	•	13.5	.9	14.4	31.1	45.5	13.2
Israel	1,509.3	570.3	•	2,079.6	8,721.5	10,801.1	1,130.5
Jordan	278.2	62.9	•	341.1	1,247.1	1,588.2	402.9
Kuwait	•	•	•	•	•	•	50.0
Lebanon	4.9	26.6	1.6	33.1	266.3	299.4	83.2
Maldive Islands	•	1.5	•	1.5	•	•	•

Region/Country	Loans: AID	Loans: PL 480	Loans: Other	Loans: Total	Grants	Economic assistance	Eximbank and other financing
Nepal	$0.4	$7.2	$ •	$7.6	$348.6	$356.2	$ •
Oman	45.0	•	•	45.0	29.0	74.0	•
Pakistan	2,282.1	1,397.8	.1	3,680.0	2,516.3	6,196.3	418.9
Saudi Arabia	•	•	4.3	4.3	27.5	31.8	47.3
Sri Lanka	305.3	346.5	•	651.8	210.6	862.4	27.5
Syria	397.7	96.5	•	494.2	87.7	581.9	0.1
Turkey	1,728.5	316.9	12.2	2,057.6	2,039.1	4,096.7	388.9
Yemen Arab Republic	6.4	13.0	•	19.4	247.5	266.9	0.7
Peoples Democratic Republic of Yemen	•	•	•	•	4.5	4.5	•
Cento	•	•	•	•	39.6	39.6	•
Near East Regional	•	•	•	•	653.5	653.5	•
Subtotal	**$13,912.2**	**$9,741.0**	**$453.3**	**$24,106.5**	**$30,359.6**	**$54,466.1**	**$5,669.7**
Latin America							
Argentina	$119.5	$18.2	$43.5	$181.2	$18.2	$199.4	$1,493.5
Bahamas	•	•	•	•	.3	.3	56.8
Barbados	•	•	•	•	3.8	3.8	10.3
Belize	24.5	•	•	24.5	36.1	60.6	2.0
Bermuda	•	•	•	•	•	•	27.9
Bolivia	366.5	88.5	16.8	471.8	501.5	973.3	103.7
Brazil	1,185.0	454.1	103.7	1,742.8	703.5	2,446.3	3,719.9
Chile	582.9	237.9	34.4	855.2	326.7	1,181.9	1,131.4
Colombia	840.8	98.0	50.0	988.8	405.5	1,394.3	1,205.5
Costa Rica	356.5	88.8	12.6	457.9	477.6	935.5	81.9
Cuba	•	•	•	•	4.0	4.0	93.8
Dominican Republic	419.7	211.6	8.4	639.7	458.2	1,097.9	194.7
Ecuador	147.8	43.5	28.0	219.3	322.9	542.2	94.8
El Salvador	303.2	196.3	39.9	539.4	928.1	1,467.5	24.9
Grenada	•	•	•	•	59.7	59.7	1.0
Guatemala	208.5	26.6	29.3	264.4	372.0	636.4	50.5
Guyana	68.4	6.9	•	75.3	37.0	112.3	9.1
Haiti	22.6	103.5	.3	126.4	365.6	492.0	43.7
Honduras	329.6	57.5	8.1	395.2	476.0	871.2	34.8
Jamaica	444.0	168.2	•	612.2	162.3	774.5	97.9
Mexico	66.4	17.6	35.3	119.3	254.0	373.3	3,166.9
Nicaragua	225.8	17.4	13.4	256.6	130.9	387.5	49.7
Panama	247.5	•	12.9	260.4	277.1	537.5	137.8
Paraguay	62.0	19.0	7.8	88.8	111.7	200.5	20.7

Region/Country	Loans: AID	Loans: PL 480	Loans: Other	Loans: Total	Grants	Economic assistance	Eximbank and other financing
Peru	$396.0	$199.5	$50.7	$646.2	$492.0	$1,138.2	$946.9
Suriname	1.0	•	•	1.0	5.4	6.4	5.9
Trinidad & Tobago	•	•	•	•	40.9	40.9	332.3
Uruguay	61.0	55.9	11.9	128.8	33.1	161.9	39.4
Venezuela	55.0	•	72.9	127.9	74.7	202.6	574.7
ROCAP	267.0	•	15.6	282.6	180.3	462.9	•
Other West Indies-Eastern Caribbean	195.0	•	•	195.0	257.0	452.0	57.2
Latin America Regional	29.0	•	•	29.0	804.2	833.2	54.1
Subtotal	**$7,025.1**	**$2,109.0**	**$595.4**	**$9,729.5**	**$8,320.2**	**$18,049.7**	**$13,863.2**
East Asia							
Brunei	$ •	$ •	$ •	$ •	$ •	$ •	$20.2
Burma	33.5	1.9	5.0	40.4	142.9	183.3	3.4
Peoples Rep. of China	•	•	•	•	2.3	2.3	77.4
Hong Kong	•	•	•	•	43.8	43.8	134.3
Indochina Associated States	•	•	•	•	825.6	825.6	•
Indonesia	1,073.1	1,444.0	66.2	2,583.3	738.4	3,321.7	1,354.0
Japan	•	105.5	824.0	929.5	1,781.6	2,711.1	3,044.7
Kampuchea	•	289.0	•	289.0	624.8	913.8	•
Republic of Korea	481.4	982.6	33.4	1,497.4	4,559.1	6,056.5	4,359.2
Laos	•	•	•	•	904.1	904.1	•
Malaysia	20.2	•	•	20.2	72.0	92.2	168.6
Philippines	449.6	193.3	103.2	746.1	1,975.6	2,721.7	1,034.4
Ryukyu Islands (U.S.)	•	8.9	10.2	19.1	394.6	413.7	0.5
Singapore	•	•	•	•	2.8	2.8	419.2
Thailand	168.7	17.4	6.2	192.3	726.0	918.3	273.7
Vietnam	131.2	435.6	•	566.8	6,381.1	6,947.9	•
Western Samoa	•	•	•	•	14.7	14.7	•
Taiwan	211.6	89.2	95.5	396.3	1,810.6	2,206.9	2,231.8
Asia Regional	•	•	•	•	445.5	445.5	•
Subtotal	**$2,569.4**	**$3,567.6**	**$1,143.7**	**$7,280.7**	**$21,445.5**	**$28,726.2**	**$13,121.2**
Europe							
Albania	$ •	$ •	$ •	$ •	$20.4	$20.4	$ •
Austria	•	25.5	11.7	37.2	1,098.0	1,135.2	215.1
Belgium/Luxemburg	68.0	•	31.0	99.0	493.3	592.3	357.9
Czechoslovakia	•	•	7.6	7.6	185.4	193.0	22.8
Denmark	33.3	•	1.0	34.3	247.6	281.9	171.5

Region/Country	Loans: AID	Loans: PL 480	Loans: Other	Loans: Total	Grants	Economic assistance	Eximbank and other financing
Finland	$ •	$28.0	$24.8	$52.8	$4.0	$56.8	$293.4
France	225.6	6.5	394.4	626.5	3,291.6	3,918.1	1,860.2
Dem. Rep. of Germany	•	•	•	•	.8	.8	•
Fed. Rep. of Germany	216.9	•	1,016.9	1,233.8	2,807.3	4,041.1	234.5
West Berlin	•	•	•	•	131.9	131.9	•
Hungary	•	•	15.9	15.9	16.8	32.7	44.9
Iceland	24.7	21.5	.3	46.5	35.7	82.2	24.0
Ireland	128.2	•	•	128.2	18.3	146.5	145.5
Italy	95.6	96.0	209.3	400.9	3,019.6	3,420.5	1,352.1
Malta	5.0	•	•	5.0	78.9	83.9	1.2
Netherlands	152.5	•	34.1	186.6	841.0	1,027.6	482.9
Norway	39.2	•	24.2	63.4	238.4	301.8	491.0
Poland	61.0	47.3	37.7	146.0	535.6	681.6	2,128.8
Portugal	426.7	265.2	•	691.9	336.1	1,028.0	777.8
Romania	•	•	•	•	22.4	22.4	515.2
Spain	99.0	237.5	.3	336.8	783.2	1,120.0	1,985.0
Sweden	20.4	•	1.6	22.0	87.0	109.0	251.6
Switzerland	•	•	•	•	•	•	101.2
United Kingdom	384.8	•	3,828.5	4,213.3	3,458.8	7,672.1	1,916.3
U.S.S.R	•	•	•	•	186.4	186.4	1,011.7
Yugoslavia	187.6	733.0	•	920.6	1,188.5	2,109.1	1,227.9
European Regional	103.0	•	67.5	170.5	448.5	619.0	48.2
Subtotal	**$2,271.6**	**$1,460.5**	**$5,706.8**	**$9,438.9**	**$19,575.2**	**$29,014.1**	**$15,660.4**
Oceania and Other							
Australia	$ •	$ •	$7.8	$7.8	$.2	$8.0	$1,283.9
New Zealand	•	•	4.3	4.3	•	4.3	227.1
Papua New Guinea	•	•	•	•	3.3	3.3	30.5
Oceania Regional	•	•	•	•	79.9	79.9	9.8
Trust Territory of Pacific Islands	•	•	0.9	0.9	823.3	824.2	•
Subtotal	**$ •**	**$ •**	**$13.0**	**$13.0**	**$906.7**	**$919.7**	**$1,551.4**
Canada	$ •	$ •	$17.5	$17.5	$ •	$17.5	$1,450.7
Interregional activities	114.0	•	141.3	255.3	41,292.3	41,547.6	2.0
Subtotal	**$114.0**	**$ •**	**$158.8**	**$272.8**	**$41,292.3**	**$41,565.1**	**$1,452.7**
Grand total	**$27,789.8**	**$18,782.1**	**$8,103.0**	**$54,674.9**	**$131,832.0**	**$186,506.9**	**$54,808.4**

Note: Totals vary slightly from summary on p. 66 due to rounding.

Source: U.S. Overseas Loans and Grants Agency for International Development.

Table I.3 Outstanding Long-Term U.S. Foreign Credits - By Area, Country, and Program (September 30, 1985 - $500 Million or More)

Dollars in millions

Area/Country	FAA	PL 480	Eximbank	Other	Total
Africa:					
Algeria	$ •	$ •	$592.5	$ •	$592.5
Morocco	468.2	283.3	89.3	135.4	976.1
Tunisia	475.7	131.9	82.1	18.8	708.4
Zaire	264.6	164.9	623.6	15.8	1,068.8
All others	1,210.9	936.8	689.9	47.8	2,885.6
Subtotal	**$2,419.4**	**$1,516.9**	**$2,077.4**	**$217.8**	**$6,231.4**
Near East					
Egypt	$6,737.6	$2,170.7	$67.5	$65.0	$9,040.7
Greece	565.4	23.2	52.0	•	640.7
Israel	9,611.9	122.8	278.8	13.4	10,026.9
Jordan	479.8	34.1	237.9	•	751.8
Turkey	3,249.5	59.3	197.1	180.8	3,686.7
All others	411.9	132.8	4.0	43.2	591.8
Subtotal	**$21,056.1**	**$2,542.9**	**$837.3**	**$302.4**	**$24,738.6**
South Asia:					
Bangladesh	$303.0	$844.4	$ •	$13.5	$1,160.9
India	2,401.0	577.8	137.3	•	3,116.1
Pakistan	2,531.8	998.6	85.7	•	3,616.1
Sri Lanka	212.2	295.5	9.0	•	516.7
All others	73.3	25.1	0.1	•	98.4
Subtotal	**$5,521.3**	**$2,741.4**	**$232.1**	**$13.5**	**$8,508.2**
East Asia:					
Indonesia	$866.9	$1,142.1	$568.0	$20.0	$2,597.0
Korea	1,316.5	724.8	2,199.2	3.2	4,243.7
Philippines	431.9	96.1	422.4	12.9	963.3
Taiwan	71.8	14.3	1,282.1	•	1,368.2
All others	434.5	267.9	1,210.9	121.3	2,034.5
Subtotal	**$3,121.6**	**$2,245.2**	**$5,682.6**	**$157.4**	**$11,206.7**
Latin America:					
Brazil	$1,030.7	$52.6	$1,185.8	$221.0	$2,490.1
Canada	•	•	605.6	•	605.6
Colombia	637.1	12.8	447.2	•	1,097.1
Dominican Republic	306.4	158.6	74.0	•	539.0
El Salvador	362.3	174.4	0.8	•	537.5
Jamaica	377.9	146.7	48.0	36.6	609.2
Mexico	34.1	•	1,523.3	19.9	1,577.3

Area/Country	FAA	PL 480	Eximbank	Other	Total
Peru	$322.0	$158.9	$56.7	$94.9	$632.5
All others	2,517.5	456.8	874.8	9.2	3,858.3
Subtotal	**$5,588.0**	**$1,160.8**	**$4,816.2**	**$381.6**	**$11,946.6**
Europe:					
Poland	$7.0	$47.3	$241.8	$670.3	$966.4
Spain	846.3	80.5	613.9	4.9	1,545.6
U.S.S.R.	•	•	302.7	674.0	976.7
United Kingdom	7.4	•	330.1	2,220.1	2,557.6
Yugoslavia	20.7	4.6	610.2	6.4	641.9
All others	248.5	170.4	917.0	52.9	1,388.8
Subtotal	**$1,129.9**	**$302.8**	**$3,015.7**	**$3,628.6**	**$8,077.0**
Grand total	**$38,836.7**	**$10,509.9**	**$16,661.2**	**$4,709.5**	**$70,717.3**

Source: Status of Active Foreign Credits of the United States Government, Department of the Treasury.

Table I.4 Major Arrearages[a] Of 90 Days or More on U.S. Foreign Credits - By Country and Program (September 30, 1985—$3 Million or More)

Dollars in millions

Country	FAA	PL 480	Eximbank	Other	Total
Long-term credits					
Argentina	$0.5	$ •	$109.7	$ •	$110.2
Bangladesh	•	12.5	•	0.3	12.8
Bolivia	3.0	3.6	12.2	•	18.8
Brazil	28.9	3.6	89.3	•	121.8
Cambodia	•	48.8	•	•	48.8
Cameroon	•	•	5.2	•	5.2
China (pre-1949)	•	•	•	96.7	96.7
Costa Rica	7.9	1.7	6.4	•	16.0
Cuba	•	•	87.0	•	87.0
Dominican Republic	2.7	15.4	18.5	•	36.6
Ecuador	1.4	•	3.0	•	4.4
Ethiopia	4.6	•	•	•	4.6
Guyana	10.2	1.5	2.3	•	14.0
India	•	3.6	•	•	3.6
Iran	27.1	51.8	•	39.7	118.6
Ivory Coast	0.1	0.2	6.7	•	7.0
Jamaica	•	1.6	2.3	•	3.9
Liberia	2.1	0.2	•	1.8	4.1
Mexico	•	•	17.7	•	17.7
Morocco	10.8	2.5	11.1	4.6	29.0
Mozambique	•	•	8.8	•	8.8
Nicaragua	29.8	1.5	18.5	•	49.8
Peru	7.2	8.6	15.1	7.1	38.0
Poland	4.5	12.0	226.2	395.1	637.8
Sudan	2.5	0.4	1.6	2.1	6.6
Syria	3.4	6.9	•	•	10.3
Tanzania	8.6	1.4	4.9	•	14.9
Venezuela	•	•	14.2	•	14.2
Vietnam	32.3	4.7	•	•	37.0
Yugoslavia	•	•	39.8	•	39.8
Zaire	7.7	3.0	7.9	2.2	20.8
Zambia	1.5	•	3.7	•	5.2
All other countries	8.8	8.0	4.8	1.8	23.4
Subtotal	**$205.6**	**$193.5**	**$716.9**	**$551.4**	**$1,667.4**

Country	FAA	PL 480	Eximbank	Other	Total
Short-term credits and accounts receivable[b]					
Argentina	$5.7	$ •	$ •	$ •	$5.7
China (pre-1949)	•	•	•	20.2	20.2
Colombia	11.6	•	•	•	11.6
Cuba	•	•	•	4.6	4.6
Dom. Repub.	3.8	•	•	88.7	92.5
Ecuador	7.5	•	•	•	7.5
Egypt	319.9	•	•	•	319.9
El Salvador	12.0	•	•	•	12.0
Ethiopia	15.3	•	•	•	15.3
Greece	18.9	•	•	0.5	19.4
Iran	1.6	•	•	3.7	5.3
Italy	4.9	•	•	0.2	5.1
Japan	•	•	•	4.1	4.1
Jordan	40.8	•	•	•	40.8
Morocco	30.2	•	•	•	30.2
Nicaragua	5.7	•	•	0.2	5.9
Peru	10.0	•	•	46.4	56.4
Philippines	47.9	•	•	0.2	48.1
Poland	•	71.3	•	853.1	924.4
Spain	2.5	•	•	1.4	3.9
Sudan	7.5	•	•	22.2	29.7
Taiwan	•	•	•	5.2	5.2
Thailand	20.0	•	•	0.2	20.2
Turkey	87.8	•	•	•	87.8
United Kingdom	0.9	•	•	2.8	3.7
United Nations	4.5	•	•	•	4.5
All other countries	12.3	•	•	17.7	30.0
Subtotal	**$671.3**	**$71.3**	**$ •**	**$1,071.4**	**$1,814.0**
Total	**$876.9**	**$264.8**	**$716.9**	**$1,622.8**	**$3,481.4**

[a]Principal and interest.

[b]Obligation with original maturity periods of less than 1 year.

Source: Amounts Due and Unpaid 90 Days or More on Foreign Credits of the U.S. Government, Department of the Treasury.

Table I.5: Contingent Liabilities of the United States Government on Insurance and Guarantees of Private Contracts With Foreign Private Obligors - Summary by Country as of September 30, 1985 (In Dollars or Dollar Equivalent)

COUNTRY	CONTINGENT LIABILITIES	NET CLAIMS PAID
ALGERIA	6,244,967	0
ANGOLA	1,645,302	0
ANTIGUA AND BARBUDA	74,796	0
ARGENTINA	21,220,842	9,021,557
AUSTRALIA	30,772,775	0
AUSTRIA	2,827,870	0
BAHAMAS, THE	2,854,990	0
BAHRAIN	641,633	0
BANGLADESH	46,156,322	0
BARBADOS	1,380,534	0
BELGIUM	16,645,831	0
BELIZE	55,205,080	0
BERMUDA	4,947,758	0
BOLIVIA	11,307,345	1,315,129
BOTSWANA	292,114	0
BRAZIL	543,458,377	1,597,168
BRITISH VIRGIN ISLANDS	113,714	0
BRUNEI	558,902	0
BURKINA	3,092,342	0
BURMA	2,562,750	0
BURUNDI	50,898	0
CAMEROON	10,585,737	333,806
CANADA	119,261,449	0
CAYMAN ISLANDS	1,477,676	249,219
CHILE	527,754,145	7,226,705
COLOMBIA	249,192,412	421,622
COSTA RICA	46,011,068	2,647,516
CYPRUS	2,397,519	0
DENMARK	3,589,936	691
DJIBOUTI	125,049	0
DOMINICA	1,325,947	0
DOMINICAN REPUBLIC	207,209,534	28,176,270
ECUADOR	215,115,023	1,401,120
EGYPT	554,835,377	432
EL SALVADOR	85,435,472	1,279,223
ETHIOPIA	1,046,204	781,249
FIJI	15,917	0
FINLAND	2,474,804	0
FRANCE	50,349,769	16
FRENCH GUIANA	199,295	0
FRENCH POLYNESIA	4,385,323	0
GABON	5,640,446	0
GERMANY, FED. REP. OF,(BONN)	28,393,953	1,135
GHANA	59,782,000	0
GREECE	57,685,825	96,626
GREENLAND	22,580	0
GRENADA	2,320,565	0
GUADELOUPE	315,999	50
GUATEMALA	96,686,980	1,045,742
GUINEA	157,609,347	0
GUYANA	3,134,797	471,441
HAITI	43,643,278	0
HONDURAS	58,641,583	1,018,400
HONG KONG	16,746,319	0
ICELAND	264,196	0
INDIA	78,865,301	0
INDONESIA	342,464,125	0

COUNTRY	CONTINGENT LIABILITIES	NET CLAIMS PAID
IRAN	27,558,499	40,430
IRAQ	33,094,812	0
IRELAND	761,059	0
ISRAEL	469,907,419	0
ITALY	42,077,754	0
IVORY COAST	25,158,595	163,589
JAMAICA	265,400,120	6,587,521
JAPAN	245,432,724	75
JORDAN	24,224,218	0
KENYA	40,296,889	0
KIRIBATI	7,392	0
KOREA, REPUBLIC OF (SEOUL)	1,121,581,958	0
KUWAIT	16,997,899	0
LEBANON	197,350	0
LIBERIA	22,885,960	0
LIECHTENSTEIN	31,996	0
LUXEMBOURG	318,904	0
MACAU	372,214	0
MADAGASCAR	100,000,000	0
MALAWI	3,332,055	0
MALAYSIA	111,961,289	0
MALI	28,730	0
MALTA	655,018	0
MAURITIUS	1,714,500	0
MEXICO	338,730,946	53,183,941
MONACO	4,543	0
MONTSERRAT	15,077	0
MOROCCO	213,648,083	0
MOZAMBIQUE	376	0
NEPAL	316,950	0
NETHERLANDS	19,296,750	0
NETHERLAND ANTILLES	22,743,074	0
NEW CALEDONIA	8,121	0
NEW ZEALAND	6,537,324	0
NICARAGUA	6,355,552	1,502,938
NIGER	1,076,726	0
NIGERIA	107,934,397	321,346
NORWAY	66,084,179	10
OMAN	100,904,195	0
PAKISTAN	299,684,903	0
PANAMA	53,507,543	595,667
PAPUA NEW GUINEA	4,848	0
PARAGUAY	4,348,087	346,166
PERU	180,148,323	16,801,382
PHILIPPINES	347,033,639	5,072,410
PORTUGAL	9,666,738	668,177
QATAR	10,473,768	0
REUNION	6,314	0
RWANDA	1,720,056	0
SAINT CHRISTOPHER AND NEVIS	41,933	0
SAINT LUCIA	947,288	0
SAINT VINCENT AND THE GRENADIN	196,611	0
SAUDI ARABIA	214,759,300	1,340,472
SENEGAL	15,887,388	388,700
SEYCHELLES	104	0
SIERRA LEONE	35,736,300	645,582
SINGAPORE	41,152,068	0
SOLOMON ISLANDS	106	0

COUNTRY	CONTINGENT LIABILITIES	NET CLAIMS PAID
SOMALIA	39,000,000	0
SOUTH AFRICA	16,336,178	840
SPAIN	203,666,156	0
SRI LANKA	72,138,057	0
SUDAN	146,051,811	13,283,153
SURINAME	8,888,019	0
SWAZILAND	3,519,000	0
SWEDEN	8,087,670	0
SWITZERLAND	6,384,997	0
SYRIA	2,027,061	362
TAIWAN	415,779,966	704
THAILAND	153,217,637	0
TOGO	49,500	0
TRINIDAD AND TOBAGO	83,175,313	0
TUNISIA	161,372,559	0
TURKEY	285,226,307	0
UNITED ARAB EMIRATES	7,098,526	0
UNITED KINGDOM	247,099,329	0
URUGUAY	11,501,659	363,086
VANUATU	1,351	0
VENEZUELA	45,985,991	12,362,914
WESTERN SAMOA	45,134	0
YEMEN (SANAA)	152,110,525	0
YUGOSLAVIA	370,639,469	0
ZAIRE	25,737,673	7,646
ZAMBIA	71,649,718	215,741
ZIMBABWE	98,315	0
CABEI	20,000,000	0
WORLDWIDE UNSPECIFIED	6,890,000	0
TOTAL OF ALL COUNTRYS	11,004,006,969	170,977,969

Source: Department of the Treasury.

Table I.6: Status of AID Loans, by Major Borrower (As of September 30, 1985 - $100 Million or More)

Dollars in millions

Region/country	Amount of loan aid provided	Amount repaid	Amount written off or adjusted	Loan balance: Outstanding	Loan balance: Rescheduled[a]	Loan balance: Delinquent
Africa:						
Ethiopia	$134	$40	$ •	$94	$ •	$ •
Ghana	191	72	18	101	•	•
Zaire	172	19	21	132	130	3.0
Zambia	144	•	•	144	125	0.1
Others	633	79	16	538	149	4.3
Subtotal	**$1,274**	**$210**	**$55**	**$1,009**	**$404**	**$7.4**
Asia:						
Bangladesh	$305	$1	$1	$303	$100	$ •
China (Taiwan)	255	176	(4)	83	•	•
India	6,384	3,520	461	2,403	2,183	2.0
Indonesia	874	116	16	742	14	•
Japan	105	80	25	•	•	•
Korea	494	113	4	377	•	•
Pakistan	2,652	551	223	1,878	1,551	0.6
Philippines	365	52	16	297	2	•
Sri Lanka	240	20	4	216	5	•
Thailand	113	48	•	65	•	•
Vietnam	132	73	•	59	•	15.6
Others	78	49	•	29	•	•
Subtotal	**$11,997**	**$4,799**	**$746**	**$6,452**	**$3,855**	**$18.2**
Latin America:						
Argentina	$130	$81	$14	$35	$ •	$0.4
Bolivia	308	51	18	239	1	1.5
Brazil	1,394	224	197	973	•	17.9
Chile	634	251	18	365	345	•
Colombia	881	228	28	625	•	•
Costa Rica	292	18	•	274	90	2.1
Dominican Republic	338	64	•	274	•	0.6
Ecuador	127	56	•	71	61	0.6
El Salvador	252	18	•	234	•	0.1
Guatemala	147	25	•	122	•	0.5
Honduras	253	20	•	233	•	0.2
Jamaica	383	12	•	371	•	•
Nicaragua	218	12	•	206	•	10.2
Panama	216	44	•	172	•	•
Peru	348	73	7	268	80	1.1

Region/country	Amount of loan aid provided	Amount repaid	Amount written off or adjusted	Loan balance Outstanding	Rescheduled[a]	Delinquent
Regional	$385	$35	$ •	$350	$ •	$ •
Other	400	173	18	209	•	5.2
Subtotal	**$6,706**	**$1,385**	**$300**	**$5,021**	**$577**	**$40.4**
Near East and Europe:						
Egypt	$3,034	$261	$178	$2,595	$25	$ •
Greece	228	114	10	104	•	•
Iran	258	213	(2)	47	•	46.8
Israel	1,785	386	98	1,301	•	•
Jordan	211	6	•	205	•	•
Morocco	392	116	20	256	122	0.9
Syria	204	12	•	192	6	0.8
Tunisia	301	99	15	187	4	•
Turkey	2,077	492	148	1,437	1,005	•
France	232	231	1	•	•	•
Ireland	128	109	19	•	•	•
Italy	192	192	•	•	•	•
Netherlands	152	152	•	•	•	•
Portugal	426	202	2	222	•	•
Spain	301	187	24	90	•	•
United Kingdom	385	377	•	8	•	•
Yugoslavia	506	177	300	29	1	•
Others	574	431	20	123	7	5.3
Subtotals	**$11,386**	**$3,757**	**$833**	**$6,796**	**$1,170**	**$53.8**
Total	**$31,363**	**$10,151**	**$1,934**	**$19,278**	**$6,006[a]**	**$119.8**

[a]As of Sept. 30, 1984; breakdown of $7.1 billion total at Sept. 30, 1985 by country not available.

Source: Agency for International Development.
Department of the Treasury.

Table I.7: AID Loan Authorizations and Debt Relief (Fiscal Years 1983-85)

Dollars in millions

	Authorizations			Reschedulings			
				No. of	Period covered		
Region/country	FY 1983	FY 1984	FY 1985	occurrence	From	To	Amount
Africa:							
Cameroon	$13.0	$11.3	$6.6	•	•	•	$ •
Ivory Coast	•	•	•	2nd	1–1–85	12–31–85	NA
Kenya	16.1	25.4	•	•	•	•	•
Liberia	1.7	•	•	4th	7–1–84	6–30–85	3.5
Madagascar	•	•	•	4th	1–1–85	3–31–86	NA
Malawi	•	2.0	•	2nd	7–1–83	6–30–84	1.1
Morocco	•	•	18.0	2nd	9–1–85	2–28–87	NA
Niger	•	•	•	2nd	10–1–84	11–30–85	0.1
Senegal	•	•	•	4th	1–1–85	6–30–86	0.1
Somalia	•	•	•	1st	1–1–85	12–31–85	0.7
Sudan	•	•	•	4th	1–1–84	12–31–84	.3
Uganda	•	•	•	2nd	7–1–82	6–30–83	.5
Zaire	•	•	0.4	6th	1–1–85	3–31–86	NA
Zambia	15.0	•	•	2nd	1–1–84	12–31–84	2.5
Subtotal	**$45.8**	**$38.7**	**$25.0**				
Asia:							
Bangladesh	$ •	$13.0	$ •	•	•	•	$ •
India	64.4	61.5	59.3	•	•	•	•
Indonesia	53.7	57.3	36.7	•	•	•	•
Pakistan	67.8	77.5	83.0	•	•	•	•
Philippines	27.6	23.1	20.8	1st	1–1–85	6–30–86	13.9
Sir Lanka	45.5	34.7	19.3	•	•	•	•
Thailand	7.0	20.6	12.4	•	•	•	•
Subtotal	**$266.0**	**$287.7**	**$231.5**				
Latin America:							
Antigua	$.1	$ •	$.1	•	•	•	$ •
Belize	10.6	.9	13.0	•	•	•	•
Bolivia	10.0	39.5	11.5	•	•	•	•
Brazil	•	•	•	1st	8–1–83	12–31–84	87.9
Caribb. Reg.	28.1	20.7	10.0	•	•	•	•
Costa Rica	138.2	48.3	10.7	2nd	1–1–85	3–31–86	NA
Dom. Republic	29.4	58.8	9.8	•	•	•	•
Ecuador	8.7	16.8	7.0	2nd	1–1–85	12–31–87	NA

Region/country	Authorizations FY 1983	FY 1984	FY 1985	Reschedulings No. of occurrence	Period covered From	To	Amount
El Salvador	$47.6	$32.1	$21.0	•	•	•	•
Guatemala	17.5	•	39.7	•	•	•	•
Honduras	34.9	23.3	19.8	•	•	•	•
Jamaica	73.5	76.4	74.4	2nd	4–1–85	3–31–86	NA
Panama	3.8	5.0	7.9	•	•	•	•
Peru	19.5	100.0	6.7	3rd	5–1–84	7–31–85	NA
ROCAP	11.6	8.4	12.0	•	•	•	•
Subtotal	**$433.5**	**$430.2**	**$243.6**				
Near East:							
Jordan	$10.0	$7.0	$5.0	•	•	•	$ •
Oman	12.5	10.0	15.0	•	•	•	•
Turkey	85.0	63.5	85.0	•	•	•	•
United Arab Emirates	2.5	•	•	•	•	•	•
Subtotal	**$110.0**	**$80.5**	**$105.0**				
Interregional	**$.4**	**$ •**	**$ •**	•	•	•	•
Total	**$855.7**	**$837.1**	**$605.1**				

NA - Not available at the time of our review.

Source: Agency for International Development.

Table I.8 Schedule of Principal AID Borrowers Delinquent on Repayments (As of September 30, 1985 - Over $1 Million or Subject to Sanctions)

Dollars in thousands

Country	Balance outstanding	Amount delinquent: Principal	Amount delinquent: Interest	Aid cut-off sanction: Type	Aid cut-off sanction: Effective date
Afghanistan	$74,253	$1,288	$927	Not applicable	Not applicable
Argentina	35,185	413	69	620(q)	08-10-85
Bolivia	238,712	1,489	1,552	Not applicable	Not applicable
Brazil[a]	973,094	17,911	10,979	620(q)	07-11-85
Costa Rica[a]	273,829	2,061	3,731	620(q)	04-18-85
Dom. Republic[a]	273,702	548	1,350	Not applicable	Not applicable
Ecuador[a]	70,856	623	389	Not applicable	Not applicable
Guyana	58,893	4,830	5,383	Brooke	03-05-83
India	2,403,425	1,979	1,664	Not applicable	Not applicable
Iran	46,835	46,835	5,761	Brooke	01-31-81
Laos	11	•	3	Brooke	06-24-76
Liberia[a]	90,514	370	227	620(q)	05-16-85
Madagascar[a]	5,326	•	•	620(q)	07-25-85
Morocco[a]	255,474	913	851	Not applicable	Not applicable
Nicaragua	205,734	10,223	19,574	Brooke	03-06-82
Pakistan	1,878,028	619	427	Not applicable	Not applicable
Peru[a]	268,029	1,065	1,503	620(q)	09-26-85
Poland[a]	6,991	4,036	504	Not applicable	Not applicable
Syria	192,202	779	3,956	Brooke	06-22-85
Tanzania	62,676	3,739	4,861	Brooke	02-10-83
Vietnam	58,799	15,573	16,781	Brooke	05-29-76
Zaire[a]	131,754	2,971	1,538	620(q)	07-01-85
Zambia[a]	143,872	79	1,449	620(q)	06-30-85
All others	11,530,180	1,469	1,919		
Total	**$19,278,374**	**$119,813**	**$85,398**		

[a]Debt rescheduling in process.

Source: Agency for International Development.
Department of the Treasury.

Explanatory Notes to Statistical Annex

We compiled annexes from information made available by U.S. agencies operating or keeping track of foreign assistance programs. The data are divided into economic and military assistance, comprising grants or long-term loan agreements with low interest rates, and non-concessional export credit financing provided mainly by the Export-Import Bank and the Commodity Credit Corporation. Each annex is briefly described below.

1. Summary of U.S. Foreign Loan and Grant Aid, By Program

This table, taken from AID's annual U.S. Overseas Loans and Grants report, summarizes the amounts of U.S. loans and grants provided to all countries and international organizations from July 1945 to September 1985. The report also contains data on aid provided by international organizations. Although the report gives total repayments, including interest, it does not show the amounts of principal repaid or balances outstanding on U.S. and multilateral aid.

2. U.S. Foreign Economic Aid and Export Credits Provided, By Country

This table, also taken from AID's U.S. Overseas Loans and Grants report, shows cumulative economic loans (by program) and grant aid by country provided by the United States since July 1945. Principal repayment and balance due data are not shown in the report.

3. Outstanding Long-Term U.S. Foreign Credits - By Area, Country, and Program

This data, obtained from the Treasury Department, summarizes by country and program the foreign indebtedness to the U.S. government on active long-term loans extended since July 1941.

Total outstanding credits exceed total economic loan aid provided, as shown in Tables I.1 and I.2, principally because of the inclusion of non-aid Eximbank and other export financing. "Other" foreign credits include Commodity Credit Corporation export sales, Lend-lease surplus property and World War II accounts, and miscellaneous other credits.

Treasury also publishes tables showing the balances of individual long-term loans (with original maturity of more than one year), short-term credits (with original maturity of 90 days to one year), accounts receivable (with maturity of less than 90 days), and foreign indebtedness to the United States which arose from World War I.

4. Major Arrearages of 90 Days or More on U.S. Foreign Credits, By Country and Program

This Treasury data, which corresponds to a number of the outstanding balances of principal debtors presented in Table I.3, shows amounts due and unpaid for 90 days or more. Reported arrearages exclude World War I indebtedness and amounts covered by rescheduling agreements.

Political arrearages by Poland ($1.5 billion in long- and short-term credits consisting mainly of claims assumed by the Commodity Credit Corporation in its guarantee operations) made up about half the total amount of arrearages.

5. U.S. Contingent Liabilities and Net Claims Paid, By Country

This data, also obtained from the Treasury Department, shows the consolidated contingent liabilities of the U.S. government and net claims paid on its contracts of foreign insurance and guarantees, by country. The reported liabilities originated under authority of the following legislation.

a. Foreign Assistance Act of 1966 (Public Law 89-583, as amended)—Overseas Private Investment Corporation and AID housing guaranty programs.

b. Commodity Credit Corporation Charter Act (Public Law 80-806, as amended).

c. Arms Export Control Act (Public Law 90-629, as amended) and predecessor legislation.

d. Export-Import Bank Act of 1945 (Public Law 79-173, as amended).

Treasury also breaks out this data by program and type of obligor (official or private) within each country and presents insured credits of the U.S. Federal Financing Bank.

6. Status of AID Loans, By Major Borrower

This table, prepared from several AID information reports, shows the status of AID accounts with borrowers who have been provided $100 million or more in loan aid. The amounts of loans provided, repaid, adjusted, and outstanding were derived from Status of Loan Agreements; rescheduled amounts were taken from the report on Status of Accounts and Loans Receivable Due From the Public submitted to the Treasury Department; and delinquent amounts, representing principal only, were obtained from a Treasury report showing delinquent loan installments by country and program.

7. AID Loan Authorizations and Debt Relief

This table, based on AID records, compares loan authorization and rescheduling data by country for fiscal years 1983-85. It shows that Costa Rica, Ecuador, Jamaica, Liberia, Malawi, Morocco, Peru, Philippines, Zaire, and Zambia were receiving new loans at the same time their existing loans were being rescheduled and that some countries, most notably Zaire, Sudan, Liberia, and Senegal, were undergoing repetitive reschedulings.

8. Schedule of Principal AID Borrowers Delinquent on Repayments

This schedule, also prepared from AID records, shows the amount of delinquency and outstanding balances of AID borrowers subject to aid cut-off sanctions at September 30, 1985, and other borrowers with delinquencies of $1 million or more as of this date. Countries in or nearing violation of the FAA sec. 620(q) or Brooke Amendment aid cut-off sanctions are closely monitored by AID.

United States Government Policy on Debt Rescheduling

UNITED STATES GOVERNMENT POLICY ON DEBT RESCHEDULING

U.S. policy on debt rescheduling was enunciated in a January 1978 decision of the National Advisory Council on International Monetary and Financial Policies and consists of the following basic elements:

"1. Debt-service payments on international debt should be reorganized on a case-by-case basis and only in extraordinary circumstances where reorganization is necessary to insure repayment. Debt relief should not be given as a form of development assistance.

"2. Debt-service payments on loans extended or guaranteed by the U.S. Government to foreign governments will normally only be reorganized in the framework of a multilateral creditor club agreement.

"3. When a reorganization involving government credit or government-guaranteed credits takes place, the United States will participate only if:

"(a) the reorganization agreement incorporates the principle of non-discrimination among creditor countries, including those that are not party to the agreement;

"(b) the debtor country agrees to make all reasonable efforts to reorganize unguaranteed private credits falling due in the period of the reorganization on terms comparable to those covering government or government-guaranteed credits;

"(c) the debtor country agrees to implement an economic program designed to respond to the underlying conditions and to overcome the deficiencies which led to the need for reorganizing debt-service payments.

"4. The amounts of principal and interest to be reorganized should be agreed upon after a thorough analysis of the economic situation and the balance of payments prospects of the debtor country.

"5. The payments that are reorganized normally should be limited to payments in arrears and payments falling due not more than 1 year following the reorganization negotiations."

Source: International Finance, Department of the Treasury.

Request Letter

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MEMBER:
COMMITTEE ON FINANCE
RANKING MEMBER:
SUBCOMMITTEE ON ESTATE AND GIFT TAXATION
MEMBER:
SUBCOMMITTEE ON INTERNATIONAL TRADE
SUBCOMMITTEE ON SOCIAL SECURITY AND INCOME MAINTENANCE PROGRAMS
MEMBER:
COMMITTEE ON AGRICULTURE, NUTRITION AND FORESTRY
RANKING MEMBER:
SUBCOMMITTEE ON AGRICULTURAL RESEARCH AND GENERAL LEGISLATION
MEMBER:
SUBCOMMITTEE ON AGRICULTURAL CREDIT AND RURAL ELECTRIFICATION
SUBCOMMITTEE ON FOREIGN AGRICULTURAL POLICY

March 15, 1984

Charles A. Bowsher
Comptroller General of the United States
General Accounting Office
Washington, D.C. 20548

Dear Mr. Bowsher:

I am hereby requesting a General Accounting Office study and audit of the foreign aid programs of the United States.

I am requesting that this study and audit be done on a country by country basis and include the following information:

1) The name of the country.
2) The amount and type of assistance received.
3) The repayment terms, if any.
4) The record of repayment. This should include any delinquencies or defaults, plus any rescheduling of loans or debt rollovers which may have occured.
5) The accuracy and adequacy of the billings to each country.
6) What contingent liabilities the United States would be required to pay in the event assistance were terminated or default occured.
7) Any circumstances in which assistance is provided to one country on the promise of a third country to bear the cost.

I intend such a study to include both military and economic assistance, loans or grants of both a material or financial nature. I am seeking as clear a picture as possible of U.S. aid of all types to all countries and the terms under which such aid was given and continued. I would ask that this study include all activity from 1970 until the latest available figures.

I am considering comprehensive legislation in the foreign aid field, that will include provisions to cut off or to place conditions upon the granting of further funds to any recipient country that is seriously delinquent in repayments to the United States or has a history of delinquencies, defaults or debt rollovers.

Charles A. Bowsher
March 15, 1984
Page 2

I realize that contributions to multi-nation development banks cannot be included in the country by country break down. In those cases, a simple statement of U.S. contributions and the relationship of those contributions to the contributions of other member states will be sufficient. U.S. contributions to the United Nations would not be included.

I also realize that portions of such a report and audit may require classifications for national security purposes.

I appreciate your assistance in this matter and I feel that although this will be a major undertaking by the G.A.O., the results will be of benefit to the Congress and to the country.

Sincerely,

David L. Boren
United States Senator

DLB/dhg

Comments From the Agency for International Development

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

AGENCY FOR INTERNATIONAL DEVELOPMENT
WASHINGTON D C 20523

JUL 3 1986

ASSISTANT
ADMINISTRATOR

Mr. Frank C. Conahan
Director
National Security and International
Affairs Division
United States General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

Thank you for giving us the opportunity to comment on your draft report entitled "Improvements needed in Loan Reporting and Administration" (GAO assignment code 472060) which was forwarded with your letter dated May 12, 1986.

The scope of the draft report goes beyond the responsibilities of the Agency for International Development. We have been advised that the Department of the Treasury and the Department of State will submit additional comments to you directly.

Our comments are appended and arranged by chapter numbers to coincide with the chapters of your report.

We would be pleased to meet with you or members of your staff to clarify or discuss further any questions you may have about our comments.

Yours truly,

ABHerrick

Allison Herrick
Acting Assistant Administrator
Bureau for Program and Policy
Coordination

AID Comments on Draft GAO Report

Chapter 1

Chapter 1 is an overview and description of foreign assistance programs in general, and loan programs in specific. In this context, AID agrees generally with the information indicated therein. There are a few points, however, upon which AID would like to comment.

See comment 1.

Chapter 1, page 1 indicates that loans are a growing segment of bilateral assistance. AID disagrees; with the increasing debt problems of many developing countries and the recent removal of the development assistance loan floor, the trend in loan assistance has been declining.

Changed on p. 11.

Chapter 1, page 3, sentence three and five the word "Development" should be changed to "Economic".

Changed on p. 11.

Chapter 1, page 3, sentence six indicates AID has the responsibility for "coordinating all United States development-related activities". The International Development Cooperation Agency has this responsibility.

Clarified on p. 13.

Chapter 1, page 6, reads "Most of this aid... (currently about 3 billion, or 60 percent of the total)." It is unclear what type of funding you are referring to, DA, ESF, PL 480, FMS, MAP, IO&P or Multilateral aid.

Now on p. 13.
See comment 2.

Chapter 1, page 6 last paragraph indicates there are loans in the disaster relief program. This is not the case and the reference should be removed.

Noted on p. 13.

Chapter 1, page 7 indicates that "Criteria for allocating the amount and form - grant or loan -- to a country are based on its needs, economic progress and prospects, and commitment to growth policies." AID would like to note that the type of project or activity under consideration is also an important factor as to the form of assistance. AID policy in this regard is described in the "Guidelines on Terms of Aid" (appendix 1).

-2-

Chapter 2

Chapter 2 reviews AID compliance with legislative requirements for development lending and offers three recommendations.

Recommendation 1: That the AID Administrator assure that minimum authorized interest rates are applied only on loans to the least developed countries. Only in exceptional circumstances should minimum rates be applied to middle and higher income countries.

Added on p. 25.

Agency comment: AID completed a review and revised its guidelines on terms of aid in 1985 (see appendix 1). The new guidelines became fully effective for FY 1986 aid transactions. Under those guidelines there is a presumption that government-to-government assistance will be financed by loans in most cases. However, in accordance with the intent of Section 124(b) of the FAA of 1961, as amended, assistance to countries on the UN list of Relatively Least Developed Countries (RLDCs) will normally be in the form of grants. Other low income countries with per capita income (PCI) of $790 or less in 1984 will receive loans at the most favorable permitted interest rates: 2% during a 10-year grace period and 3% during the following 30 year amortization period. For countries with 1984 PCIs of $791 to $1,274 loans will be for 25 years with a 10-year grace period. Interest for these countries will be at 2% during the first half of the grace period, 3% during the second half of the grace period and 5% during a 15 year amortization period. For countries with PCIs exceeding $1,274 in 1984, loans will be for 20 years with a 10-year grace. Interest will be at 3% for the first half of the grace period, 4% for the second half, and 6% during a 10-year amortization period.

See p. 26.

AID believes these terms fairly reflect in a general way the ability of these countries to service debt, are compatible with the GAO recommendation, and that draft recommendation number 1 therefore should be deleted.

-3-

Recommendation 2: That the AID Administrator:

-- initiate negotiations with countries which received concessional loans by predecessor agencies or which have achieved high economic development, and seek agreements on early repayments, and

-- describe in the annual report to Congress on foreign assistance the efforts made to accelerate loan repayments pursuant to requirements of FAA Section 127.

See p. 29.

Agency comment: AID believes both points of the recommendation are well taken and will review procedures to assure that they more effectively address the first aspect of the recommendation. The Agency will include, when appropriate, descriptions of its efforts to accelerate loan repayments pursuant to requirements of FAA Section 127 in AID's annual report to Congress.

Recommendation 3: That the AID Administrator revise AID's manual orders to make clear that no FAA loan, whether to a public or private borrower, may be written off.

Noted on pp. 32-34.

Agency comment: It should be noted that FAA section 108 (c)(1) makes FAA Section 620 (r) inapplicable to Private Sector Revolving Fund loans.

With this exception noted, AID accepts draft recommendation Number 3 and will take the steps that are necessary to assure that its manual orders and/or Handbooks clearly reflect the intent of FAA section 620(r).

-4-

Chapter 3 - Extent of Foreign Debt Rescheduling is not Disclosed

AID is not a direct participant in determining which countries are to have their debts rescheduled, and therefore the definitive response to Chapter 3 and the recommendation therein will be provided by Treasury and the Department of State. Nonetheless, AID offers the following comments on Chapter 3:

Added on p. 36.

As indicated in the introductory section of Chapter 3, developing countries have rescheduled a significant amount of debt. The section implies, however, that such rescheduling represented a windfall to the debtor rather than a logical response of creditors to specific debt service problems. The primary function of debt rescheduling is to enhance the probability of debt repayment when a debtor is faced with specific debt problems. AID's view on debt rescheduling and relief are indicated in the response to GAO Draft Report "Financial Status of Foreign Assistance Loan Program" dated May 10, 1977 (appendix 2).

See comment 3.
Changed on p. 38.

AID is not aware of the U.S. policy cited on page 43 "that agency implementing agreements [should] be signed at the same time as bilateral agreements...." The Implementing Agreement serves as a follow-up document to the Bilateral Agreement. While AID agrees that the drafting of Implementing Agreements has tended to lag somewhat, the Agency has issued bills in accordance with the Bilateral Agreement and, to the best of our knowledge, no country has refused to make payment even where Implementing Agreements were not yet signed.

-5-

Chapter 4

Recommendation: Chapter 4 contains two recommendations: (1) revision of the Development Issues report to include the data indicated on pages 71-72 and meet the reporting deadline; and (2) revision of the Greenbook to remove ambiguities and to assure that data reported is consistent with loan records and reports submitted to Congress by other agencies.

Now on p. 55.

Agency comment: In terms of including new data in the Development Issues report, the Agency's Loan Management Division is working under staffing constraints and technical limitations in the automated loan accounting system. A new system scheduled for implementation within the next year should help in providing some of the needed data. In this context, AID would be happy to review with GAO the loan information which is currently available for inclusion in the Development Issues report, and discuss further the requirements of sec. 634 (a).

Added on pp. 55-56.

On the matter of the report's timeliness, the Congressional deadline is difficult to meet for several valid reasons. It must be prepared in the same time-frame as the annual budget justification, it calls for data which is dependent on late-breaking budget decisions, it requires considerable inter-agency input and coordination, and it is a staff-intensive product which competes with other demands on increasingly scarce staff time resulting from cut-backs in Agency personnel. Having said that, the Agency will nevertheless seek to improve the timeliness of the Development Issues report, to the extent possible within existing staffing and workload constraints.

Added on p. 56.

The following specific comments are noted concerning findings in the draft audit report with respect to the Greenbook. The Agency does not agree with the need to change either the scope or direction of the Greenbook as currently published. The Greenbook is an AID funds flow report which meets the requirements for FAA Sec. 634(a)(5)(c) and provides country specific information on assistance from all U.S. assistance "spigots;" it is not intended to be primarily a loan report. The Agency believes the Greenbook should remain principally a report on foreign assistance flows, of which loans are but one aspect. Moreover, the form and content of the Greenbook were developed in consultation with Congressional committees and the Agency would agree to revise it only with expressed Congressional interest and participation.

Added on p. 55.

See comment 4.

-6-

Added on pp. 55-56.

The Agency is willing to discuss with GAO the reconciliation of Greenbook data to other AID loan reports, and to loan reports prepared by Treasury. AID does not agree with either the importance or the the feasibility of tying Greenbook data to the publications of other agencies; the benefit is not demonstrated, the workload required to do so would create an unmanageable burden, and the report could not be published in a timely manner. AID would also be interested in discussing how loan reporting requirements could be better coordinated to reduce duplication of effort. However, any changes will have to take into account the availability of data and the required level of effort; AID does not have the resources to undertake changes which entail a signficant increase in workload.

See p. 55.

Therefore, the Agency requests that both recommendations take into account the additional workload entailed revisons and agency resource contraints, and that recommendation 2 be limited to reconciliation of Greenbook data with other internal AID records.

-7-

Chapter 5

Chapter 5 reviews AID loan administration and offers one recommendation.

Recommendation: That the AID Administrator prepare and submit to the Congress an annual loan program summary, consisting of financial statements, program data, and loan information by country, which adequately discloses the condition and collectibility of loan receivables and operating results of AID lending activity.

Added on p. 64.

Agency comment: With the primary objective of the FAA loan program being to provide development assistance, the decision to make a loan is predicated on the "Guidelines on Terms of Aid" and on the country program strategy as reflected in project designs. AID procedures require that any Project Papers which includes a loan component must justify the project's financial feasibility through economic and financial analyses. In AID's view, the proposed financial statements would not provide enough additional significant information to warrant the considerable staff time required to prepare them and thus are viewed as an inappropriate use of scarce Agency resources.

The AID Loan Management Division's accounting and financial reporting system is currently set up to meet the requirements of OMB and the Treasury and Commerce Departments to maintain accountability of the AID loan portfolio. Although it is limited in its flexibility, the system does produce report that provide most of the information suggested in the GAO recommendation for loan status by country. The additional information recommended would not greatly enhance the program oversight responsibilities of the Congress and would be of marginal utility.

Added on p. 64.

See p. 61.

Over the next year, AID will be implementing a new automated financial management system which includes a loan segment. This new sub-system, although similar to the current system, will include more detail which should provide more of the flexibility recommended by GAO and in turn facilitate the preparation of additional financial statements. However, the continuing reduction in staffing and funding levels would make it difficult if not impossible to produce the additional reports and financial statements recommended.

Added on p. 64.

Given the above, it appears to AID that implementation of this recommendation would be quite costly compared to the benefits received. Therefore, the Agency requests that the draft recommendation in Chapter 5 be deleted.

The following are GAO's comments on the Agency for International Development's letter dated July 3, 1986.

GAO Comments

1. AID correctly points out that the current trend in loan assistance as a segment of U.S. bilateral assistance is declining. This decline, attributable in part to removal of the development assistance loan floor in 1985, reverses an earlier growth trend of loans. We revised page 10 to reflect this changing trend.

2. AID states that there are no loans in the disaster relief program. As of September 30, 1985, AID had outstanding loans of $125 million for disaster relief. Most of these loans were made pursuant to authority granted AID to reobligate deobligated prior-year funds for activities in the Andean region.

3. AID says that it is not aware that the United States has a particular policy on when implementing agreements should be presented to and signed by the debtor country. Although we were previously given documentation which indicated that implementing agreements should be signed at the same time as bilateral agreements, State now says it prefers to negotiate them separately. Accordingly, we revised our discussion of this matter on page 38 to reflect this view.

4. We agree with AID that the Green Book should remain principally a report on foreign assistance flows. The changes we recommend will not alter the report's basic character but will improve its usefulness by presenting data in more generally accepted form and consistency with other agencies.

Comments From the Department of State

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

United States Department of State

Washington, D.C. 20520

JUL - 8 1986

Dear Frank:

I am replying to your letter of May 12, 1986, to the Secretary which forwarded copies of the draft report entitled "Improvements Needed in Loan Reporting and Administration" under GAO assignment code 472060.

The enclosed comments on this report were prepared in the Bureau of Economic and Business Affairs.

We appreciate having had the opportunity to review and comment on the draft report.

Sincerely,

Joseph H. Linnemann
Acting
Comptroller

Enclosure:
As stated.

Mr. Frank C. Conahan
Director,
National Security and
International Affairs Division,
U.S. General Accounting Office,
Washington, D.C. 20548

1. Executive Summary - Background.

"Debt reschedulings, which have been on the rise, allow debtors to avoid loan default and receive further aid." (Page i)

Changed on p. 2.

Comment: The USG agrees to reschedule debt primarily to recover money owed to us, not to extend further aid. Rescheduling through the Paris Club, in tandem with an IMF upper credit tranche program, assists in restructuring a debtor's external payments and correcting deficiencies in a debtor's economic policies to permit repayment of foreign debt.

2. Executive Summary - GAO Analysis.

"...AID unilaterally provided new loans in 1985 to several of these countries at the same time that old loans were being rescheduled." (Page iii) "Further loans generally should not be given to countries...unable to service their debt unless...their inability to service existing debt is temporary and non-recurring." (Page 50)

Now on pp. 3, 42.

Added on p. 32.

Comment: The USG agrees to reschedule debt because we have an interest in being repaid. We may also have other economic interests in the debtor country, as well as political and strategic goals. Extending new funding during the time we are rescheduling debt often represents the confluence of these other factors with our financial interests.

3. Executive Summary - Recommendations. (Page iv)

Now on p. 4.

"The AID Administrator...together with the Secretaries of State and the Treasury, should disclose to the Congress more clearly why proposed debt reschedulings are necessary and how they and past debt relief actions affect U.S. financial interests."

Comment. As outlined in the Opinion of the Attorney General (42 Op, Att'y Gen. No. 39, December 24, 1970), the 1978 Decision of the National Advisory Council (NAC) on International Monetary and Financial Policies, and numerous Congressional testimonies, debt reschedulings are necessary to assure debt repayment. This is the reason we have participated in all multilateral reschedulings.

See p. 2.

See pp. 37-38.

From a procedural point of view, the Department of State, as lead agency in the debt rescheduling process, prepares two sets of documents to notify Congress of debt rescheduling. First, prior to the meeting of the Paris Club, the Department notifies the Chairmen of the House and Senate Appropriations Committees and the Senate Foreign Relations and House Foreign Affairs Committees. Second, after the bilateral debt rescheduling agreement has been signed, the Department again notifies the same Committee Chairmen. We enclose the bilateral agreement, which includes all terms of the rescheduling, and a budget impact statement which analyzes how the rescheduling will affect the US budget for at least two fiscal years. Congress may raise questions regarding the terms of the rescheduling within thirty days from the transmittal of the notification.

See comment 1.

- 2 -

4. Legislative Changes Urged in Loan Program of the Agency for International Development. (page 12)

Now on p. 16.

"...the Foreign Assistance Act of 1961 be amended to provide that additional AID lending to borrowers that received debt relief loans, which reached a prescribed maximum level permitted in any year, be given only upon congressional review and approval."
Comment. See #2 and #3 above.

5. Differentiating among middle-income and least developed countries to determine concessional interest rates. (Page 26)

Now on p. 24.

Comment. We agree the USG should consider a country's income level, future economic prospects, and ability to service its debt in determining if interest rates should be higher than the minimum authorized. We would add, however, that political and strategic considerations may also need to be considered.

See p. 26.

Now on p. 27.

6. Accelerated repayment. (Page 28)

Comment. We have no quarrel with the principle of accelerating repayment for loans extended both by AID and, if U.S. law permits, its predecessor agencies. However, we would again emphasize that U.S. foreign policy works best if it is a flexible one. In that regard, political and strategic interests must also be considered in such an exercise.

See p. 28.

Now on p. 38.

7. Implementing Agreements. (Page 43)

"It is U.S. policy that agency implementing agreements be signed at the same time as bilateral agreements,...AID has traditionally has been slow to draft its implementing agreements." (Page 43)
Comment. We have no particular policy on when the implementing agreements are presented to the debtor country. Generally, to ensure early signing of the bilateral agreement, we prefer to negotiate the bilateral agreement separately. Any delay in AID drafting its implementing agreements is due to the severe understaffing in the office responsible for administering the debt rescheduling process.

See comment 2.

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8. Congressional Notification of Imminent Debt Reorganization. (Page 44)

Now on p. 38.

"The notifications do not state whether the country has undergone a previous debt rescheduling or what amounts the proposed negotiations would cover."
Comment. Multiple reschedulings are sometimes necessary because some debtors have protracted economic problems that may require several years of structural adjustment and debt relief to solve. Our notifications to Congress have not specified whether the debtor country has undergone a rescheduling previously because this fact is not germane to the basic reason we reschedule debt - to be repaid. However, if the Congress would like, we would be pleased to provide this information.

Added on p. 43.

Added on p. 43.

With respect to the amount of debt to be rescheduled in an up-coming rescheduling, our notifications do not state the precise amount to be rescheduled in Paris because the meeting in Paris has not yet begun, where parameters of the rescheduling are agreed upon. For example, the consolidation period, or period covered by the rescheduling, is not defined until the Paris meeting. Even then, USG agencies, especially the export credit and guarantee agencies (eg: the Commodity Credit Corporation and the Export-Import Bank) may not know exactly how much debt will be included in the rescheduling. This is due to the fact that U.S. exporters and suppliers can file a claim for nonpayment up to nine months after payment is due. It is therefore possible that all claims may not be filed until nine months after the consolidation period (or period covered by the rescheduling) ends.

See p. 38 and comment 1.

However, in our second notification, as part of the bilateral agreement which we enclose, we provide the Congress not only with the terms of the rescheduling, but also with a best-efforts estimate of the amount of debt involved.

9. Congressional Notification of Debt Rescheduling Terms (after a rescheduling). (Page 44)

Now on p. 38.

"...the State Department should include in its debt rescheduling reporting to the Congress the terms and amount of debt..., whether...the country has undergone previous reschedulings, and...why the recheduling is necessary and in the U.S. interest."

See comment 1.

Comment. Please see #3 and #8 above.

10. Multiple Reschedulings. (Page 49)

Now on p. 41.

"There is no limitation on the number of times that a country's official debt can be rescheduled. For some countries which have had

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multiple reschedulings..., the process appeared to be circular." See p. 37.
Comment. The USG and other official creditors agree to reschedule a debtor's external debt only if there is an IMF, or comparable stabilization, program in place. We reschedule to improve payments prospects. Nonetheless, some debtors' financial problems are severe ones, and further debt relief may be required. This is never granted, however, without a follow-on stabilization program to help insure repayment.

11. Prior Congressional Approval of Debt Rescheduling. (Page 49)

Now on p. 41.

"Debt relief may be granted...without express congressional approval of the amounts rescheduled."

Added on p. 43.

As we have stated above, the practical reasons for our inability to specify in advance the amount to be rescheduled is that several of the parameters, eg: the time period covered, the category of debt included, etc., are not known until we begin negotiations in Paris.

12. Appendix VII.

See pp. 81-82.

The amount of debt rescheduled is available in the annexes to each bilateral agreement.

The following are GAO's comments on the Department of State's letter dated July 8, 1986.

GAO Comments

1. We revised the report on page 38 to give recognition to State's assertion that it already notifies the Congress of the terms and provides a best-efforts estimate of the amount of each rescheduling, including a budget impact statement, upon its completion. However, State's notification does not address whether previous reschedulings have occurred and their frequency and amount or the prospects for collectibility of rescheduled debt. The revision stresses the need for Congress to be better informed regarding previous reschedulings and the ultimate collectibility of rescheduled debt.

2. State says that it has no particular policy on when the implementing agreements should be presented to the debtor country. Although we were previously given documentation which indicated that implementing agreements should be signed at the same time as bilateral agreements, we revised the report on page 38 to reflect State's comment.

Comments From the Department of the Treasury

Note: GAO comments supplementing those in the report text appear at the end of this appendix.

DEPARTMENT OF THE TREASURY
WASHINGTON

June 26, 1986

Dear Mr. Conahan:

Enclosed are the Treasury Department's comments on your agency's draft report, "Improvements Needed in Loan Reporting and Administration" (GAO assignment code 472060), per your request in your letter of May 12, 1986.

Our comments focus on the issues in the draft report that fall within this department's jurisdiction. These are found primarily in chapter 3, "Extent of Foreign Debt Rescheduling Not Fully Disclosed," and chapter 4, "Improvements Needed in Loan Program Reporting."

We hope that you will find our comments useful in revising your report.

Sincerely,

Allen E. Clapp
Acting Director
Office of Development Policy

Mr. Frank C. Conahan
Director
National Security and International
Affairs Division
General Accounting Office
Washington, D.C. 20548

Enclosure

Comments on GAO Report
"Improvements Needed in Loan Reporting and Administration"

General Comments

We have reviewed the entire report but our the comments are largely focussed on the sections dealing with debt rescheduling, notably Chapter 3. Our policy on debt rescheduling is defined by the 1978 decision of the National Advisory Council on International Monetary and Financial Policy. This policy specifies that rescheduling is to occur in extraordinary circumstances where debt reorganization is necessary to ensure repayment. As part of this, the debtor country is expected to implement an economic program designed to respond to the underlying conditions and overcome the deficiencies which led to the need for reorganizing debt service payments. In so doing, the country thereby enhances the prospects for eventual repayment of the debt. In this context, it is by no means inconsistent that additional finance be provided to a country undergoing a rescheduling. Such finance can serve to support the policy measures designed to improve the country's repayment prospects. Thus, the provision of new loans to a country undergoing a rescheduling can be a necessary element in its return to creditworthiness and failure to provide such loans on the grounds that the country has rescheduled could reduce the prospects that the rescheduled debt will be serviced.

Added on p. 43.

In addition to this general point, we have a number of specific comments. They are set out below.

Specific Points

Added on p. 2.

Page i, third paragraph. We engage in debt reschedulings out of a need to preserve the value of our assets and under specified conditions (see above). The intent is not to allow the debtor to avoid default or to receive further aid.

Now on p. 3.

Page iii, first paragraph. As noted above, it is not inconsistent with our rescheduling policy that we provide new loans to a country undergoing a rescheduling and such new lending can serve to enhance repayment prospects.

Noted on p. 13.

Page 6, first paragraph. We would note that multilateral aid comprises not just capital subscriptions to the development banks' hard loan windows but also concessional contributions to their soft loan windows.

See p. 36.

Page 40, footnote 1. The Paris Club is an informal forum which meets to negotiate rescheduling terms for official debts to specific debtor countries. All creditors, be they developed or developing countries, are invited to attend and,

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in fact, some developing country creditors have participated in specific reschedulings.

Changed on p. 36.

Page 41, line 8. We are not aware of the Treasury source cited in this sentence. However, the IMF has estimated that developing country export earnings increased $41 billion in 1984, as compared with an $8 billion increase in interest payments on foreign debt.

Changed on p. 37.

Page 41, lines 12 through 18: While there were 23 official debt rescheduling between January 1983 and June 1984, the U.S. was a significant participant in only 21 of the reschedulings. For one (Cuba, 1983) we had no debt that was affected and for another, (Togo, 1984) we were below the de minimus threshold level. We calculate that $11.5 billion as opposed to $14 billion was affected by these reschedulings. Regarding developing country debt, the World Bank, in its debt tables, estimated total developing country debt as of end-1984 at $810 billion, with government creditors accounting for $280 billion or one-third of the total.

Added on p. 37.

Page 42, line 16. While the State Department heads the U.S. Delegation to a multilateral rescheduling, the Treasury Department is responsible for preparing the position papers for each rescheduling.

See comment 1.

Page 46, line 18. The Treasury Department, in International Finance, does report in detail the specific terms of each rescheduling. These terms effectively define this relationship between the part of the debt rescheduled and the amount still owed.

Added on p. 40.

Page 47, line 7. Differences between DCC and Treasury figures reflect in part differences in methodology. In particular, the Treasury calculations include the effects of any stretchout in payment of non-consolidated payments. More generally, calculations of the effect of reschedulings are based on official creditor data which vary as more information becomes available. Specifically, Treasury has revised its estimates for Brazil to $3170 million and Zaire to $1120 million.

Added on p. 43.

Page 50, line 8. We question the advisability of any linkages between rescheduling and new lendings. As noted above, new lending can be integral to reestablishing the country's creditworthiness, a process which may take several years, in some cases.

Memorandum

☐ ACTION ☐ BRIEFING ☐ INFORMATION

FOR: Mr. Hennessy

DATE: June 9, 1986

FROM: William Griever WG

SUBJECT: ICD Comments on GAO Draft Proposed Report FOREIGN AID

In response to your request for comments on the GAO draft of a proposed report FOREIGN AID: Improvement Needed In Loan Reporting and Administration, my staff has reviewed the GAO draft and underlined specific text in the quoted material which was found inaccurate or misleading.

Balance Due Still Outstanding

Regarding the following statements in the paragraph on pages 54-55 of the GAO draft concerning the DCC Chairman's report:

Now on p. 45.

.... We found that the report and its annexes did not adequately disclose and assess loan program results, nor were they submitted on a timely basis. .... Nor was the balance due on foreign assistance loans still outstanding clearly shown in any of the annexes. ....

See comment 2.

The Treasury publication Active Foreign Credits of the United States Government, which is submitted to Congress separately as one of the annexes to the DCC Chairman's report, does fully and clearly show outstanding balances. Outstanding balances are shown for each loan individually as well as for the summation of each country, program, and program within country. The outstanding balances are defined as the amount of principal disbursed less principal amounts repaid, rescheduled, written-off, or sold on each active loan. An active loan is defined as a loan with amounts disbursed and still outstanding or undisbursed amounts which have not been cancelled.

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See comment 3.

Comparability

Now on p. 47.

With regard to Table 4.1 on page 57 of the GAO draft, the comparison of the "Green book" (AID) "Net Loans"* of $48.7 billion to Active Foreign Credits (Treasury) "Outstanding"** of $68.3 billion is misleading. As noted in the GAO draft on page 58, "[the 'Green book'] combines principal repayments and interest [payments] as a deduction from loans made [i.e., committed] during the period". The Active Foreign Credits tables follow the standard accounting practice for showing indebtedness, and do not subtract interest payments to determine the amount of principal outstanding. As noted on page 62 of the GAO draft, Active Foreign Credits "excludes fully repaid loans and credits, and thus does not tie to the historical data of the AID 'Green book'". Moreover, the Active Foreign Credits table chosen includes short-term credits and accounts recievable.

Now on p. 47.

Now on p. 48.

Comparisons to the Active Foreign Credits amounts are further complicated because the cumulative loan commitment amounts in the "Total Loans and Grants" column of the "Green book" do not show what portion has been disbursed. The principal outstanding amounts in the Active Foreign Credits are derived from principal disbursements on credits which are still active. Undisbursed amounts are shown separately, since they do not create indebtedness until they are disbursed.

In order to check the comparability of the two reports, it was necessary to find a country in which all loans and credits were still active. Comparing the country page for Belize in the "Green book" to the Belize page of Active Foreign Credits,

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* taken from U.S. Overseas Loans and Grants (the AID "Green book"), "Summary for all Countries" table, "Total Less Repayments and Interest, 1946-84" column.

** taken from the Active Foreign Credits of the United States Government, "Foreign Loans and Credits of United States Government Agencies Due From Official Government Obligors: Summarized by Program and Type of Obligor..." table, "Credit Utilized and Still Outstanding" column.

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both as of September 30, 1984, shows the "Total Loans and Credits" of $11.5 million for the "Economic Assist.- Total: loans" in the "Green book" equal to the rounded sum of "Undisbursed" ($4,654,455) and "Disbursed" ($6,845,545) amounts for "Country loans" "Under Foreign Assistance and Related Acts" in the Active Foreign Credits. The amount of interest (unpublished) reported as of that date to Treasury also rounds to the $0.1 million used in the "Green book".

Arrears

Now on p. 55.

The second recommendation on page 71 of the GAO Draft implies that the amounts in arrears are not being reported under FAA Section 634:

> We recommend that the AID Administrator, as DCC Chairman, pursuant to the requirements of FAA Section 634, revise the annual congressional report and accompanying annexes as may be necessary to:
>
> * * *
>
> --identify the amount of loans in arrears, by country,....

See comment 4.

Section VI of the Active Foreign Credits of the United States Government contains two tables which list by program and by program within country the amounts due and unpaid 90 days or more on long-term foreign loans and credits. Since Active Foreign Credits is one of the annexes to the DCC Chairman's report, the requirement is already covered. If more detail is required, a companion publication Amounts Due and Unpaid 90 Days or More on Active Credits of the United States Government lists each loan or credit on which there are outstanding amounts due and unpaid 90 days or more.

Other Credits

Now on p. 84.

The discussion of Appendix III on page 85 of the GAO draft creates a false impression that the amounts in the category

See p. 84.

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"Other Credits" include accounts receivable and short-term credits.

The figures for the appendix come from Active Foreign Credits, Section VII, the table entitled "Outstanding Long-term Principal Indebtedness of Foreign Countries on U.S. Government Credits (Exclusive of Indebtedness Arising from World War I)". Only Long-term principal amounts outstanding are shown in this table.

It is suggested that the reference read as follows:

III. Outstanding Long-term U.S. Foreign Credits - By Area, Country, and Program, 9/30/84. This data, obtained from the Treasury Department, summarizes by country and program the foreign indebtedness to the United States Government on active long-term loans and credits extended since July 1941. Total outstanding credits exceed total economic loan aid as shown in Appendix I and II principally because of the inclusion of non-aid Eximbank and other financing. "Other" foreign credits include Commodity Credit Corporation export sales, Lend-Lease surplus property and World War II accounts, and miscellaneous other credits.

Treasury also publishes tables showing the individual balances on long-term loans and credits (with an original maturity of more than one year), short-term credits (with an original maturity of 90 days to and including one year), accounts receivable (with an original maturity of less than 90 days), and foreign indebtedness to the U.S. which arose from World War I.

Presentation Format

Please note that we are always receptive to any changes in publication format which the Congress feels will increase the usefulness of the data presented by the Treasury Department.

The following are GAO's comments on the Department of the Treasury's letter dated June 26, 1986.

GAO Comments

1. Although Treasury reports specific rescheduling terms such as dates, interest rates, and portions of debt deferred, it does not provide the total amount or U.S. share of payments extended, the rationale for each rescheduling, whether previous reschedulings have occurred and their frequency and amount, or the prospects for collectibility of rescheduled debt.

2. We have deleted the statement that the balance due on foreign assistance was not shown in the DCC report since it is included as an annex in the cited Treasury publication. However, we believe that this data would be more useful if it were included in the Green Book or presented in context with total loan authorizations and repayments.

3. This section attempts to check the comparability of loan data between the Green Book and the Active Foreign Credits report for one country (Belize) in which the necessary conditions permitting comparisons to be made are present. It is precisely the inability to compare loan data because of conditions or variables in reporting that we are seeking to correct, so that amounts can be reconciled and thus become more meaningful.

4. We deleted the reference to identifying the amounts of loans in arrears since this data is shown in the Active Foreign Credits report annexed to the DCC Chairman's report.

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