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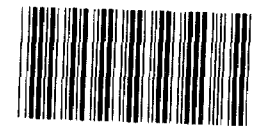
BY THE U.S. GENERAL ACCOUNTING OFFICE

**Report To The Chairman
Committee On Foreign Affairs
House Of Representatives**

**Political And Economic Factors Influencing
Economic Support Fund Programs**

The Economic Support Fund has grown rapidly, relative to other programs of U.S. economic assistance. Higher amounts of Economic Support Fund aid have been requested to fund assistance to an increasing number of countries. This growth has been in response to a weak world economy and the application of the Economic Support Fund to a widening range of U.S. foreign policy objectives. The Fund can be structured and used in ways that specifically address U.S. and recipient country strategic, economic, and development goals. As such, the economic need for the aid has been questioned for some countries.

This report discusses and analyzes factors which influence the funding levels and structuring of individual country programs.



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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

INTERNATIONAL DIVISION

B-211263

The Honorable Clement J. Zablocki
Chairman, Committee on Foreign Affairs
House of Representatives

Dear Mr. Chairman:

This report on the Economic Support Fund focuses on the allocation and structure of the Economic Support Fund. This study was initiated in response to interest expressed by your Office. At your request, written agency comments were not obtained. Data in the report was discussed with officials from the Agency for International Development and the Department of State.

Copies of the report will be forwarded to appropriate House and Senate committees; the Director, Office of Management and Budget; the Administrator, Agency for International Development; the Acting Director, International Development Cooperation Agency; and the Secretary of State.

Sincerely yours,

A handwritten signature in cursive script that reads "Frank C. Conahan".

Frank C. Conahan
Director

D I G E S T

The Economic Support Fund (ESF) finances economic aid designated to promote economic or political stability in areas where the United States has special strategic interests. Responsibility for policy direction and justification of ESF programs rests with the Department of State, a responsibility carried out in cooperation with the Agency for International Development (AID). AID is responsible for administering the program.

ESF assistance has grown rapidly, relative to other sources of bilateral aid, from \$1.2 billion and 11 countries in 1975, to \$2.8 billion and 32 countries in 1982. For fiscal year 1984, \$3.0 billion in ESF assistance is being sought to support U.S. objectives in 34 countries.

In response to interest expressed by the Chairman of the House Committee on Foreign Affairs, GAO initiated this study and obtained information on the 29 countries proposed for ESF in fiscal year 1983. Information was collected on the

- reasons for the growth of ESF;
- factors that affect the setting of ESF aid levels; and
- factors that influence the composition of ESF aid, including the development assistance impact of such aid.

This report is not designed to critically assess the performance of AID and the Department of State in allocating, designing, and administering ESF aid, but rather to present an overall description of, and data on, the program to assist the Congress in its oversight of foreign aid. (See ch. 1.)

ESF IS APPLIED TO A WIDENING RANGE
OF U.S. FOREIGN POLICY OBJECTIVES

Rapid growth in ESF corresponds to two convergent trends. First, a weak world economy has led to balance-of-payments problems in many developing countries and, therefore, an increase in the demand for aid. Second, ESF is being used to respond to a widening range of foreign policy objectives, among which are

- furthering peace in the Middle East;
- facilitating the transition to majority rule in southern Africa;
- strengthening NATO allies;
- ensuring access to the Persian Gulf; and
- restoring stability to the Caribbean Basin.

Common themes underlie U.S. interests from country to country, including U.S. interest in promoting regional and economic stability, encouraging Western values, and countering Soviet influence. Such objectives are inter-related, according to AID and Department of State officials, since deteriorating economic conditions may fuel political discontent exploitable by the Soviet Union. Thus, they believe closer ties to the West, reinforced by shared values, could help counter Soviet influence.

ESF is used to respond to these objectives in large part because of its flexibility. Relatively few restrictions govern ESF's uses or the eligibility of countries to receive the aid.

While ESF is used to respond to short-term economic need, economic need is not a precondition for the extension of ESF aid. ESF levels can be set at higher levels than economic considerations alone warrant, in order to communicate a political message. AID officials interviewed on specific country programs stated that they questioned the economic need for the aid in the case of seven countries. Moreover, these officials reported that recipient countries' ability to absorb the aid was raised as a concern in 12 countries. (See ch. 2.)

ESF CAN BE STRUCTURED TO MEET DIVERSE
ECONOMIC AND POLITICAL CONCERNS

ESF is an extremely flexible assistance tool which can be structured to meet a broad range of foreign policy and economic development objectives. The composition and use of ESF reflects the diversity of political, strategic and economic goals. The nature of ESF assistance in a given country is determined by the specific needs of the recipient and U.S. foreign policy objectives. There is no overall formula for determining ESF composition. Decisions on composition of ESF programs are made on a country specific basis. To meet a particular rationale, ESF can be provided in one of three primary forms. These are (in order of the number of countries receiving them): projects, cash, and commodity import financing. Infrequently, the aid is also provided as sector assistance. The forms of ESF can be made flexible in timing, administration, and in meeting the recipient's preferences so as to best meet U.S. objectives and host country needs. (See ch. 3.)

Economic objectives are the primary factors considered in deciding the appropriate form of ESF. Nonproject assistance, in the form of cash transfer and commodity imports, is used when balance-of-payments support is the primary economic objective.

The choice of form is influenced by the extent to which the aid needs to be disbursed rapidly, with minimum administrative requirements, and with maximum control and visibility. Cash transfer is the fastest disbursing form and the easiest to administer. Projects offer the greatest control and visibility. Commodity import financing generally can fall between the two on these issues; it is slower disbursing and more complex to administer than cash, but also offers more control and visibility than cash.

U.S. policy on determining the grant/loan terms for providing ESF aid emphasizes the per capita income of recipient countries as the key determinant. GAO found that decisions on terms are reflective of other criteria as well and not consistently based on per capita income. (See ch. 4.)

In order to meet the target date for report issuance, the Committee on Foreign Affairs requested that the report not be provided to relevant agencies for comment as is the normal practice.

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ABBREVIATIONS

AID	Agency for International Development
CIP	Commodity Import Program
DA	Development Assistance
ESF	Economic Support Fund
FAA	Foreign Assistance Act of 1961, as amended
IMF	International Monetary Fund
NATO	North Atlantic Treaty Organization

CHAPTER 1

INTRODUCTION

The Economic Support Fund (ESF) provides economic aid to promote economic or political stability in areas where the United States has special security or other interests. Responsibility for policy direction and justification of ESF programs rests with the Department of State, a responsibility carried out in cooperation with the Agency for International Development (AID). AID is responsible for administering the program. ESF is authorized by Chapter 4, Part II, of the Foreign Assistance Act (FAA) of 1961, as amended. (22 U.S.C. §2346 et seq.)

LEGISLATIVE HISTORY

Since the early 1950s, the need for a flexible assistance mechanism both to complement the longer-term orientation of development assistance and to meet U.S. strategic, political, and economic goals has been recognized. The origins of ESF can be traced to a program of economic aid in support of military assistance begun in 1951. The direct precursor to ESF, Supporting Assistance, began in 1961. The primary recipients of Supporting Assistance were those nations affected by armed conflict such as South Vietnam, Laos, and South Korea. In 1971, Supporting Assistance was renamed Security Supporting Assistance and moved to the part of the FAA authorizing military assistance. The bulk of Security Supporting Assistance went to Southeast Asia. By the mid-1970s, the emphasis of Security Supporting Assistance moved to the Middle East. Israel and Egypt replaced Vietnam as the largest recipients.

In the International Security Assistance Act of 1978, Security Supporting Assistance was renamed ESF to emphasize the economic development purposes of the aid. Current legislation authorizes the President to furnish ESF assistance to countries and organizations on such terms and conditions as he may determine in order to promote economic or political stability. Furthermore, the FAA provides that, "in planning assistance intended for economic development under this chapter, the President shall take into account, to the maximum extent feasible, the [development] policy directions of Section 102."

ESF DIFFERS FROM OTHER TYPES OF ECONOMIC AID

Bilateral economic aid is primarily funded under three programs: Development Assistance (DA), Public Law (P.L.) 480 food aid, and ESF. Important differences exist between ESF and DA in how the aid is used and allocated.

The legislation authorizing DA establishes congressional policy on the use of development assistance. This policy calls for DA to be used to address the critical problems affecting the poor majority in developing countries. Funds are appropriated

on the basis of five functional accounts covering (1) agriculture and rural development; (2) population; (3) health; (4) education and human resource development; and (5) energy and other development activities. ESF, in contrast, is appropriated on a global basis, often with specific earmarkings for selected countries. Functional uses are not specified.

DA is primarily provided in the form of projects which fund specific activities aimed at, for example, increasing agricultural production or expanding access to health services. Although ESF aid may be provided through projects, it is also extended through nonproject modes such as cash transfers, which provide untied dollars, and Commodity Import Programs (CIPs) which finance the import of specific commodities and equipment. DA is provided in nonproject form only in rare instances. Such nonproject aid is relatively fast disbursing and commonly used for balance-of-payments support. Moreover, project aid funded under ESF is not limited to the functional areas applying to DA.

Important similarities as well as differences exist in the allocation of the various types of aid. According to the 1982 annual report of the Development Cooperation Committee, an interagency group, the allocation of all U.S. assistance considers U.S. interests in particular regions or countries, including countries' potential as a source of raw materials, as a market for U.S. private investment, or as the scene of actual or potential destabilizing conflict. In allocating DA, a country's internal human rights position and its efforts to acquire a nuclear weapons capability are also considered.

AID has primary responsibility for allocating DA. Criteria for allocation of DA include, in addition to those cited above, recipients' development need, economic progress, and commitment to equitable growth. The Department of State allocates ESF aid, a responsibility carried out in cooperation with AID. Authorizing legislation defines broad criteria for allocating ESF but not specific criteria. ESF is allocated to support U.S. political, economic and security interests through promotion of economic and political stability.

Current appropriations legislation establishes a minimum percentage of DA funds that must be obligated as loans. No comparable guidelines are provided in the legislation for determining the grant/loan mix of ESF.

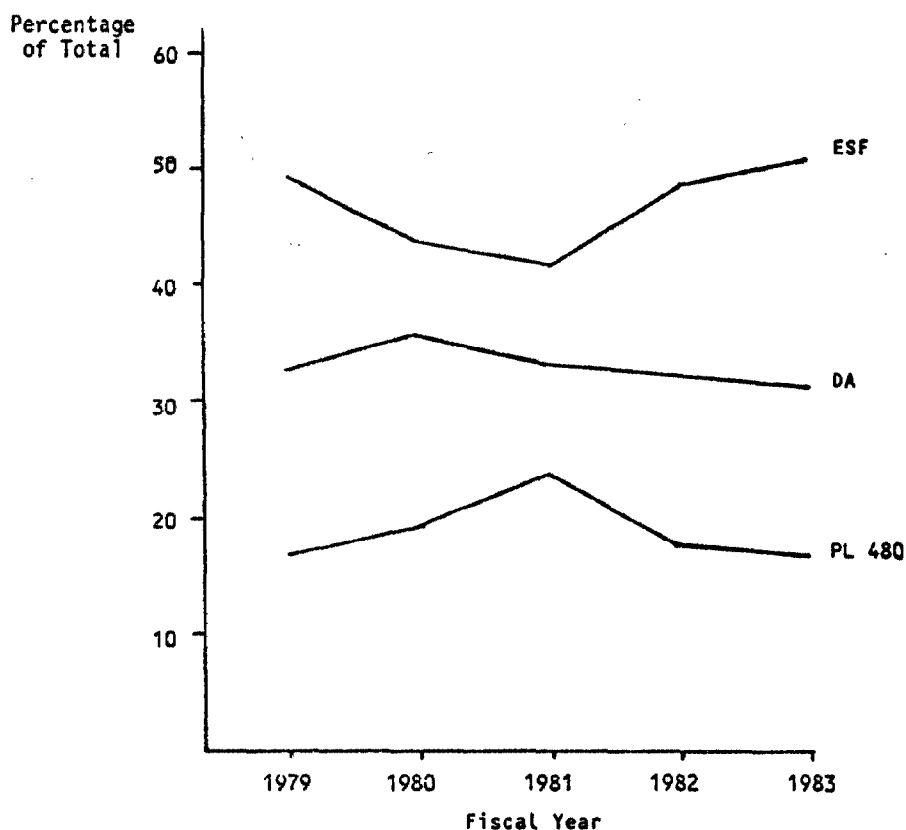
AID administers both ESF and DA primarily through its overseas missions. In most recipient countries, AID maintains missions which are responsible for carrying out the assistance programs. These missions are supported in AID headquarters by four regional bureaus--Asia, Africa, Latin America and the Caribbean, and Near East. Other AID headquarters bureaus are organized along functional lines.

The third bilateral economic assistance program, P.L. 480, finances the recipient countries' import of U.S. food commodities. P.L. 480 food aid is allocated on the basis of the need of recipient countries for imported food beyond their capacity to finance such imports on commercial terms. Like ESF, P.L. 480 provides a source of balance-of-payments support. P.L. 480 is jointly administered by AID and the Department of Agriculture.

ESF ASSISTANCE HAS INCREASED

Compared with other sources of bilateral economic aid, ESF assistance has grown rapidly, as illustrated in Chart 1. ESF aid increased from \$1.2 billion in fiscal year 1975 to \$2.8 billion in fiscal year 1982 and a proposed \$3.0 billion in 1984. The number of countries receiving ESF aid has also increased sharply, rising from 11 bilateral recipients in fiscal year 1975 to 32 countries in 1982 and a proposed 34 countries in 1984. ESF countries receiving assistance are shown in the appendix.

CHART 1
FUNDING TRENDS FOR THE THREE
PRIMARY TYPES OF BILATERAL AID
 (as a percent)



Source: International Development Cooperation Agency Congressional Presentations for Fiscal Years 1981-1983.

INTEGRATED BUDGET PROCESS PROVIDES
FRAMEWORK FOR ALLOCATING ESF

ESF is one form of assistance that is allocated through the budget process governing all types of economic and military assistance. An integrated budget process, coordinated by the Department of State, combines the results of interagency budget reviews on development and security assistance. AID and other agencies work with the Department of State in this process. Under the integrated process, ESF is viewed as one of several tools available to meet U.S. foreign policy interests.

As illustrated in Chart 2, the allocation process begins with the Secretary of State's statement of foreign policy objectives. Using this overall foreign policy framework, AID and the Department of State send guidance to the field for development and security assistance submissions, respectively.

AID provides guidance to its missions for preparing Country Development Strategy Statements which establish priorities and goals for using DA, P.L. 480, and ESF. Following interagency reviews of these strategy statements, AID sets assistance planning levels which overseas mission use to prepare and submit annual budget submissions, detailing proposed uses of this economic assistance. Annual budget submissions also go through an interagency review process, which leads to AID's budget request.

The Department of State provides guidance on preparing integrated security assistance requests covering ESF and military assistance. When submitted from overseas posts, these statements of assistance requirements are used by the Department of State regional bureaus for the preparation of security assistance country papers. These papers, which may include references to Development Assistance, set forth the relationship between proposed country security assistance programs and the foreign policy objectives outlined in the Secretary's statement.

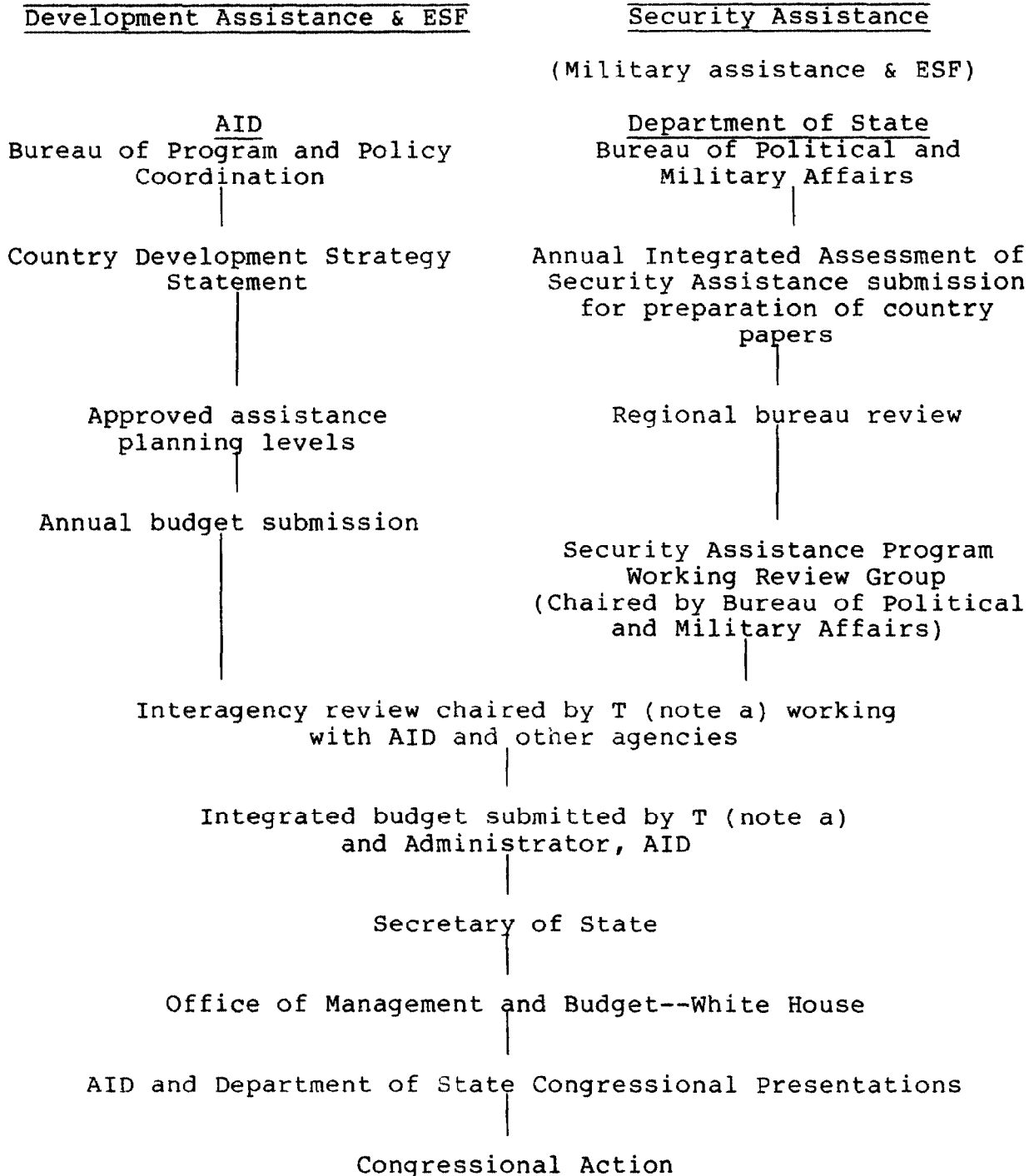
These papers provide a basis for interagency reviews chaired by each Department of State regional bureau. After these reviews, the Bureau of Political and Military Affairs prepares a global security assistance budget proposal which ranks country programs according to importance in meeting foreign policy objectives. The overall security assistance budget is presented to the Security Assistance Program Review Working Group, also an interagency group. That group establishes a proposed overall security assistance budget, encompassing ESF and the several types of military assistance.

AID and the Bureau of Political and Military Affairs transmit their respective proposed budgets to an interagency review group, coordinated by the Office of the Under Secretary for Security Assistance, Science and Technology. AID and other agencies work with the Under Secretary's office in formulating

CHART 2

BUDGET PROCESS FOR SECURITY AND
DEVELOPMENT ASSISTANCE

Secretary of State's Foreign Policy Guidance



^a/T stands for Under Secretary for Security Assistance, Science and Technology.

an overall integrated budget, which includes both development and security assistance. That integrated foreign assistance budget is submitted under the signature of the Under Secretary and the AID Administrator to the Secretary of State for review and, if necessary, further discussion among principals of the agencies involved. The Secretary of State transmits the integrated budget to the Office of Management and Budget for review. Finally, the budget is submitted to the Congress for its review and approval.

OBJECTIVES, SCOPE, AND METHODOLOGY

In response to interest expressed by the Chairman, House Committee on Foreign Affairs, we initiated a review of Economic Support Fund assistance. Our objectives were to identify (1) the reasons for growth of the program, (2) the factors affecting the allocation of the aid, and (3) how ESF programs are structured including the advantages and disadvantages of the different forms and the development assistance impact.

Data on each ESF recipient was obtained through interviews with AID and Department of State officials. The universe of ESF countries was defined as the 29 countries proposed for ESF assistance in the Department of State's fiscal year 1983 Congressional Presentation.¹ Regional programs were not included. Except where otherwise noted, data presented in the report apply to this universe of countries.

Structured interviews were held with designated AID and Department of State officials for each of the 29 countries except Spain. In the case of Spain, AID officials declined to be interviewed because they were not involved in administering that program. Knowledgeable officials on each country were designated by AID and Department of State regional bureau officials. In the case of AID, these were generally office directors responsible for several countries. In the case of the Department of State, these were usually country desk officers except in the case of Latin American countries, where designated officials were from the bureau's Office of Regional Economic Policy. Information obtained through interviews was selectively verified through a review of program documentation.

Information on program composition was obtained for fiscal years 1981, 1982, and 1983. In addition to the structured interview, designated officials were also asked to complete a two-page questionnaire on factors influencing the determination of ESF funding levels and the composition of ESF programs.

¹ The countries are: Botswana, Costa Rica, Djibouti, Egypt, El Salvador, Honduras, Israel, Jamaica, Jordan, Kenya, Lebanon, Liberia, Mauritius, Niger, Oman, Pakistan, the Philippines, Portugal, Senegal, Seychelles, Somalia, Spain, Sudan, Suriname, Thailand, Turkey, Zaire, Zambia, and Zimbabwe.

The discussion of the developmental impact of nonproject assistance is based, except in the case of Spain, on a review of fiscal year 1982 Program Assistance Approval Documents, the document on which approval of the aid is based.

In addition to interviews on country programs, discussions were also held with AID officials in the Bureau of Program and Policy Coordination and the regional bureaus; with Department of State officials in the Office of the Under Secretary for Security Assistance, Science and Technology, the Bureau of Political and Military Affairs, and the regional bureaus; and with the officials of the Office of Management and Budget and the Departments of Treasury and Defense. Through these discussions, information was obtained on the reasons for growth of the program, the process for allocating ESF aid, and factors affecting the structure and impact of ESF programs. This information was supplemented with a limited review of relevant program documents.

This report is not designed to critically assess the performance of AID and the Department of State in allocating, designing, and administering ESF aid. Rather, the report presents an overall description of, and data on the program, to assist the Congress in its oversight of foreign aid.

In order to expedite report issuance, the Committee on Foreign Affairs requested that the report not be provided to relevant agencies for formal comment, as is our normal practice. However, the data included in this report was discussed with Department of State and AID officials and their comments were considered in preparing this report.

Our work was done in accordance with the Comptroller General's "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions."

CHAPTER 2

ESF APPLIED TO A WIDENING RANGE OF

U.S. FOREIGN POLICY OBJECTIVES

The growth in ESF corresponds to two converging trends. ESF is being used to support an increasing number of foreign policy objectives. At the same time, the deterioration in the world economy has increased the demand for economic aid.

ESF USED TO SUPPORT VARYING OBJECTIVES

Over the past few years, ESF has responded to a wide range of foreign policy objectives, among which are

- furthering peace in the Middle East;
- facilitating peaceful change in southern Africa;
- strengthening the NATO alliance;
- ensuring access to Southwest Asia/Indian Ocean; and
- restoring economic and political stability in the Caribbean Basin.

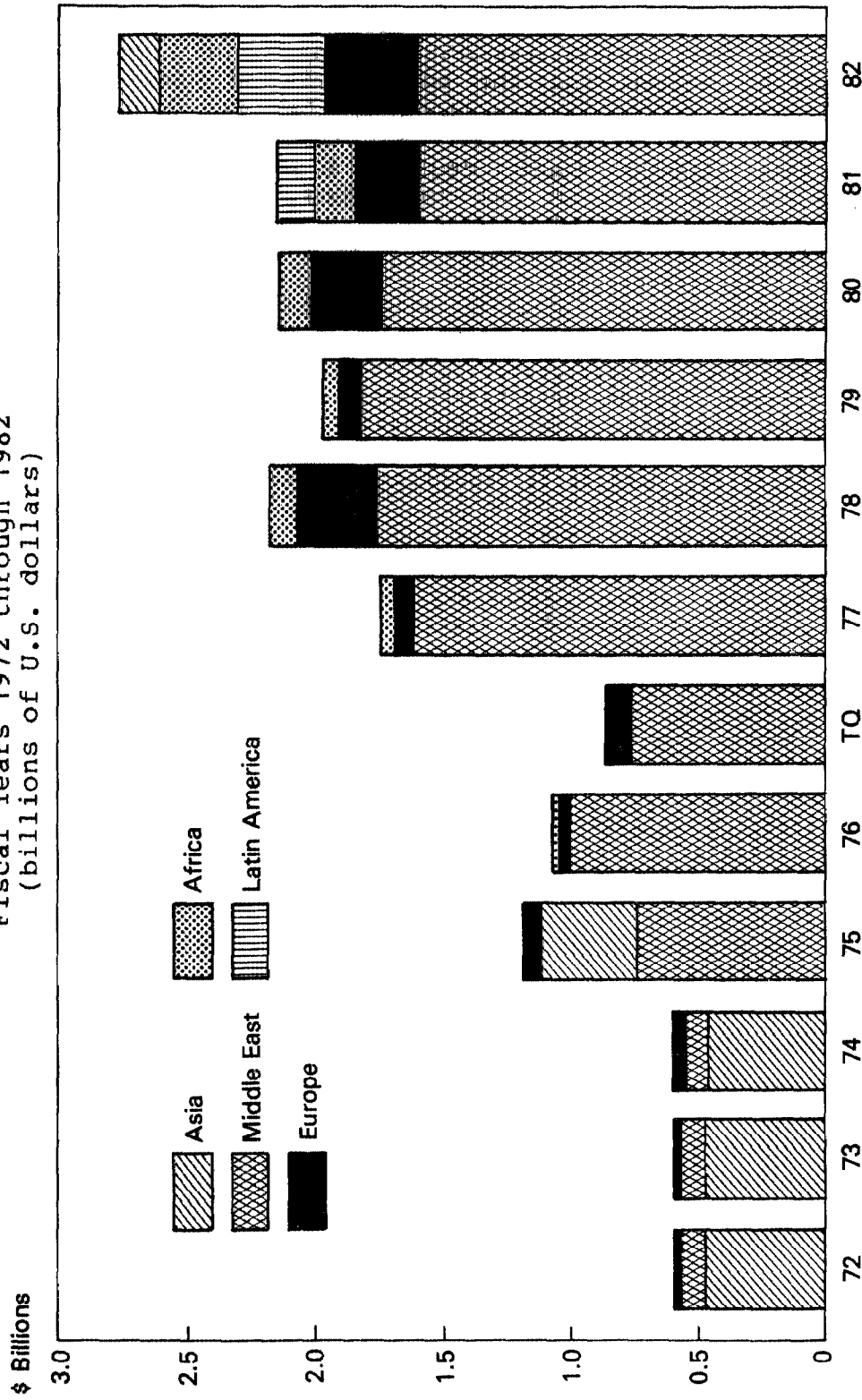
The growth of ESF can be directly traced to changing world events. In the mid-1970s, when the conflict in Indochina wound down, the greater portion of the program shifted to the Middle East to improve peace prospects in the region. ESF was also used to support the transition to majority rule in southern Africa. In the late 1970s, not only was the use of ESF continued in the Middle East and southern Africa, but it was used to assist NATO and other countries which provide access to bases and other strategically-valued facilities, as illustrated in Chart 3. The most recent expansion of ESF, beginning in 1980, has been to support political stability in the Caribbean Basin and to support the Southwest Asia strategy focused on assuring access to the Indian Ocean and Persian Gulf region.

While ESF has been applied to an increasing number of foreign policy objectives, the process does not provide a time frame for terminating the assistance. In fact, Department of State officials cited only four cases where phasing out the ESF program is planned. Assistance programs tend to become institutionalized: Since 1978 few countries receiving ESF assistance have been dropped (Syria, Lesotho, Swaziland, Malta, and Yugoslavia being the exceptions) while numerous countries have been added. According to the Department of State, few programs are designated for termination because of the difficulty in predicting the economic adjustment process and thus, the appropriate time frame for phasing out the assistance.

CHART 3

ECONOMIC SUPPORT FUND
REGIONAL TRENDS IN
ALLOCATION OF ESF

Fiscal Years 1972 through 1982
(billions of U.S. dollars)



SOURCE: Data From AID, "U.S. Overseas Loans and Grants, Obligations and Loan Authorizations, 1946-1981" and Fiscal Year 1984 AID Congressional Presentation.

Middle East Peace process

The United States' priority interest in the Middle East is to further the peace process begun at Camp David. Economic assistance to the region assists in the resolution of conflict in the area by supporting the political and economic stability of the principal countries in the Arab-Israeli dispute. For the past 8 years, from fiscal years 1975 to 1982, \$12.7 billion has gone to the Middle East region alone²; of that amount, \$11.6 billion has gone to two countries, Egypt and Israel. In fiscal year 1982, over \$1.6 billion was provided for the Middle East, 97 percent of which went to Israel and Egypt.

Jordan and Lebanon also have received ESF, but in much more modest amounts. In fiscal year 1982, Jordan received \$15 million and Lebanon, \$6 million. An estimated \$1.7 billion will be provided to the region in fiscal year 1983 while over \$1.6 billion has been proposed for fiscal year 1984.³

Promoting reconciliation in southern Africa

To encourage peaceful settlement in the region, the United States began providing ESF aid in the late 1970s to countries in southern Africa. The United States sought to promote majority rule for Zimbabwe, peaceful resolution of conflict in Namibia, and to ensure continued Western access to key strategic minerals. ESF assistance is currently extended to those countries whose cooperation is critical to gaining early independence in Namibia. This aid is also intended to check Cuban and Soviet influences in the region.

From fiscal years 1977 to 1982, ESF and security assistance totaled over \$440 million to the region. For fiscal year 1982, Zambia received \$20 million; Zimbabwe received \$75 million; Botswana received \$11 million. In 1983, an estimated \$115 million will be provided to the region while \$145 million has been proposed for 1984.

Base access and NATO support

Maintaining access to bases is a key objective of U.S. security assistance programs. ESF has been used beginning in the late 1970s to assist selected countries providing continued U.S. use of base facilities.

² Includes Bahrain, Egypt, Israel, Jordan, Lebanon, Morocco, Oman, Tunisia, Syria, and regional funds.

³ Fiscal years 1983 and 1984 figures presented in the report are from the 1984 AID Congressional Presentation. Fiscal year 1983 figures include proposed supplementals, as reflected in the Congressional Presentation.

Assistance to Spain, Portugal, as well as to Turkey, is also motivated by their contribution to NATO. Events of the past few years, such as those that occurred in Iran, Afghanistan, and Poland have only heightened the strategic importance of these NATO countries.

From fiscal years 1977 to 1982, Spain, Portugal, Turkey and the Philippines received a total of \$1.35 billion in ESF aid. In fiscal year 1982, \$22 million was provided to Spain, \$20 million to Portugal, \$300 million to Turkey and \$50 million to the Philippines. An estimated \$392 million will be provided in support of these objectives in fiscal year 1983, while \$277 million has been proposed for fiscal year 1984.

Southwest Asia/Indian Ocean strategy

Ensuring physical access to the Southwest Asian/Persian Gulf Region is a critical U.S. objective, given the region's importance as a source of energy for the West. The Soviet invasion of Afghanistan heightened concern over Soviet intentions in the region. As a result, the United States has expanded assistance to countries along the Indian Ocean, sharply increasing the number of ESF recipients. For most countries, the ESF aid is linked to agreement for U.S. military access to base, port, or airport facilities.

From fiscal years 1980 to 1982, \$373.7 million went to support this objective, among countries which had not received ESF in 1979. In 1982, Pakistan received \$100 million, Somalia \$20 million, Sudan \$100 million, Seychelles \$2 million, Djibouti \$2 million, Kenya \$10.7 million, Mauritius \$2 million, and Oman \$15 million. An estimated \$367 million will be provided to these countries in support of these objectives in fiscal year 1983, while \$444 million has been proposed for 1984.

Latin America--Caribbean Basin

Restoring political stability and improving economic conditions are U.S. objectives in the Caribbean Basin, a region close to the United States. U.S. economic assistance has been extended to address the underlying socio-political instability and to alleviate the economic and financial crises facing several countries in the region.

Substantial ESF assistance was provided to the region in fiscal year 1982, when Central American and Caribbean countries received \$328.9 million. In fiscal year 1982, El Salvador received \$115 million, Jamaica \$90.5 million, Dominican Republic \$41 million, Honduras \$36.8 million, Costa Rica \$20 million, Nicaragua \$5.1 million, Suriname \$0.5 million and Eastern Caribbean countries \$20 million. An estimated \$449.4 million will be provided to the region in support of these objectives in fiscal year 1983 while \$398 million has been proposed for 1984.

ESF RESPONDS TO WORSENING ECONOMIC PROBLEMS

Because of the weak world economy, more countries are facing balance-of-payments problems, thus increasing the demand for economic aid. ESF's flexibility allows it to be used to respond to such problems because it can address a broader range of economic problems and countries than Development Assistance.

Balance-of-payments problems plague a large number of developing countries. According to the 1982 report of the Development Coordination Committee, the oil price increases of 1979-80 continue to cause world economic problems. Recession in several industrialized countries, high inflation, high and volatile interest rates, slower growth of trade and declining prices of primary products has led to difficulties for developing countries. Recovery from these difficulties is expected to be slow.

With such severe economic dislocation facing many developing countries, their capacity to develop and maintain stable political and economic institutions is challenged. According to Department of State officials, the failure to develop and maintain their political and economic institutions makes them susceptible to political instability. Moreover, addressing the short-term constraints on development is perceived as necessary in order to have a viable long-term development strategy.

The flexibility of ESF derives from its provision in both nonproject and project form; DA is generally provided in project form. Nonproject aid is normally disbursed more rapidly than project aid, thus allowing it to be more responsive to balance-of-payments problems. Nonproject assistance can also be used without the complex programming involved in the planning, design, and implementation of projects.

ESF can also provide assistance to countries irrespective of income level. Twenty of the 32 countries receiving ESF aid in fiscal year 1982 were lower income countries, with 1980 per capita incomes of less than \$1,285. ESF also went to higher income countries. Twelve of the 1982 recipients had per capita incomes above \$1,285, including Oman at \$4,380, Israel at \$4,500 and Spain at \$5,400. For fiscal year 1984, about 39 percent of the requested funds is allocated to countries with per capita incomes above \$1,285. DA, in contrast, goes to poorer countries; 76 percent of the fiscal year 1984 DA request allocated to specific countries is for countries with per capita incomes below \$795. Unlike DA, ESF is not allocated on the basis of a country's overall development status as indicated by the income level but instead often responds to short-term financial needs. Of the 29 ESF programs reviewed, the assistance was based, in part, on a need for short-term balance-of-payments support in 19 countries.

The choice of ESF as the most appropriate source of U.S. economic aid is also influenced by the perception held by agency officials interviewed that, because ESF can be tangibly linked to short-term security interests, it is more readily authorized and appropriated by the Congress than other types of economic aid.

POLITICAL, STRATEGIC AND ECONOMIC
INTERESTS ARE CONSIDERED IN SETTING
ESF LEVELS

While ESF is used to respond to short-term economic need, economic need is not a precondition for the extension of ESF aid. Assistance provided in conjunction with base access agreements often reflects the price required to secure the desired facilities. While an economic rationale may exist for the aid, as in the case of the Philippines, there is not a similar explanation, in economic terms, for other cases such as Oman or Spain.

ESF levels can be set at a higher level than economic considerations alone warrant, in order to communicate a political message. AID officials interviewed on specific country programs stated that they questioned the economic need for the aid in the case of seven countries. Moreover, these officials reported that recipient countries' ability to effectively use the aid was raised as a concern in 12 countries. The issue of potential adverse effects of the aid (such as delaying economic policy adjustments) was cited as an issue in nine countries.

Furthermore, asked to identify the importance of various factors to determining fiscal year 1984 aid levels, "political symbolism/signal of U.S. support" was identified by Department of State officials as of "very great" or "great" importance in 90 percent of the cases, and by AID officials in 82 percent of the cases. As shown below, "difficulty of country in meeting short-term economic needs" and "response to country's support of U.S. objectives" both ranked second.

TABLE 1

FACTORS INFLUENCING ESF LEVELS (note a)

	<u>AID</u> (28 countries)	<u>State</u> (29 countries)	<u>Total</u>
	Number of times identified as of "great" or "very great" importance in determining ESF levels		
Political symbolism; signal of U.S. support	23	26	49
Difficulty of country in meeting short-term economic needs	18	18	36
Response to country's support of U.S. objectives	14	22	36
Level in prior years	14	11	25
Long-term development needs	12	11	23
Base access agreement or facilities access (such as port, airport, NASA facilities, etc.) (note a)	11	11	22
Activities of other bilateral and multilateral donors	10	8	18
Anticipation of congressional reaction to proposed funding levels	8	6	14
Limited ability of country to take on higher Foreign Military Sales debt	6	4	10
Performance of country in such areas as human rights, drug eradication, etc.	4	6	10
Amount of Development Assistance allocated to country	3	6	9
Cooperation in addressing refugee problems	5	4	9
Limited ability of country to effectively utilize aid	7	2	9
Limitations on use of DA	3	5	8
Parity/correlation between levels of countries	5	2	7
Limited availability of DA funds	2	3	5
Promote U.S. commercial interest	2	2	4
Limited availability of P.L. 480	0	2	2
Cooperation on nuclear issues	1	0	1
Country's difficulty in repaying past Foreign Military Sales loans	0	1	1

^a The 28 AID and 29 Department of State respondents were provided with a list of 21 factors and asked to identify the importance of each in determining funding levels. Responses for "base access" and "facilities access" were combined.

ESF is offered to countries where the United States has determined that economic assistance will help secure peace or avoid political or economic instability. To determine which countries should receive ESF and the levels countries should receive, a special economic, political, or security need must exist.

The AID and Department of State officials interviewed (for the 29 ESF countries) were asked to identify U.S. foreign policy objectives in the ESF country for which they were responsible. As table 2 shows, the six overall foreign policy objectives most often cited were to

- promote regional stability;
- promote economic stability;
- encourage commitment to democratic values;
- secure or maintain access to strategically valued facilities;
- counter Soviet influence; and
- encourage cooperation with the United States on international issues.

For most regions, economic and regional stability were the most frequently cited objectives. Economic stability was cited somewhat less frequently in the Middle East and Asia. Facilities access was cited frequently in Africa.

As the table indicates, the common theme underlying U.S. interests in all the regions relates to stability and security. These objectives are interrelated, according to AID and Department of State officials, since deteriorating economic conditions may fuel political discontent exploitable by the Soviet Union. Thus, they believe closer ties to the West, reinforced by promotion of shared values, help counter Soviet influence.

TABLE 2

U.S. FOREIGN POLICY OBJECTIVES

	<u>RESPONSES</u>	
	<u>State</u> (29 possible)	<u>AID</u> (28 possible)
Promote Regional Stability	18	17
Promote Economic Stability	17	13
Commitment to Democratic Values	10	6
Facilities Access	9	9
Counter Soviet Influence	7	8
Cooperation with the United States on Other International Issues	5	7
Middle East Peace	4	6
Promote Political Stability	5	5
Base Access	3	6
Maintain and Promote Western Orientation	5	3
Counter Libyan Aggression	5	2
Support Free Enterprise System	4	2
Cooperate and Support Refugee Management	3	3
Transition to Majority Rule in Namibia	2	2
Strengthen NATO Allies	3	1
Support Narcotics Control	2	2
Counter Cuban Influence	0	3

CONCLUSIONS

Growth in ESF can be traced to two important phenomena. First, over the past 4 years, ESF has been applied to a widening range of foreign policy objectives, in particular, to gain access to strategically-valued facilities in Southwest Asia and elsewhere. Secondly, a weak world economic situation threatens political stability. In responding to these objectives, ESF is viewed as the most appropriate of the different types of economic assistance because of the relatively few restrictions applying to its use or the eligibility of recipient countries.

CHAPTER 3

ESF IS PROVIDED

IN A VARIETY OF FORMS

A distinguishing feature of ESF is that the aid can be provided in a variety of forms. These forms include Commodity Import Programs, cash transfer, project, and sector assistance. Each form of ESF aid has its own set of advantages and disadvantages.

ESF CAN BE PROVIDED AS PROJECT AND NONPROJECT ASSISTANCE

While each form has particular characteristics and trends in utilization, these forms can be categorized into two broad groups--nonproject and project aid. Of the 29 countries examined, some form of nonproject aid has been provided or proposed for 22. As seen in Table 3, a country can receive both project and nonproject aid, sometimes combined with DA-funded projects.

TABLE 3

COMPOSITION OF ESF PROGRAMS (fiscal years 1981-1983) (note a)

<u>PROJECT ONLY</u>	<u>PROJECT AND NONPROJECT ASSISTANCE</u>	<u>NONPROJECT ASSISTANCE ONLY</u>
	(Form(s) of nonproject assistance shown in parentheses)	
Botswana	Costa Rica* (Cash)	Israel (Cash)
Djibouti	Egypt (CIP)	Kenya* (Cash, CIP and sector)
Jordan	El Salvador* (Cash)	Liberia* (Cash)
Lebanon	Honduras* Cash)	Mauritius (CIP)
Oman	Jamaica* (Cash)	Niger* (Sector)**
Philippines*	Pakistan (CIP)	Senegal* (CIP)**
Suriname	Portugal (Cash)	Seychelles (CIP)
	Somalia* (CIP)	Spain (Cash)
	Zambia (CIP)	Sudan* (Cash and CIP)
	Zimbabwe (Sector, Cash and CIP)	Thailand* (Cash)
		Turkey (Cash)
		Zaire* (CIP)**

a For 29 countries reviewed.

* Country also received Development Assistance in fiscal year 1982.

** Proposed for 1983. Country did not receive ESF in fiscal years 1981 or 1982.

Most nonproject aid is provided through two forms of ESF, CIP or cash transfer. According to AID's nonproject handbook, " * * * nonproject assistance is generally concerned with the transfer of resources (commodities, dollars or local currency), through loans or grants to cooperating governments, under circumstances where required resources are made available through means other than projects." Generally, nonproject assistance relieves short-term constraints on the recipient nation's economy. Project assistance, on the other hand, is designed to effect a long-range change in the conditions of a target population.

The tables below indicate an increase in the number of countries receiving nonproject assistance. The number of ESF programs with projects as well as the percentage of funds allocated for projects, have remained relatively constant.

TABLE 4
TRENDS IN USE OF FORMS
BY COUNTRY

(number of countries with form)

<u>FISCAL YEAR</u>	<u>PROJECTS*</u>	<u>NONPROJECT SECTOR GRANTS</u>	<u>CIPs</u>	<u>CASH TRANSFERS</u>
1981	13	0	5	9
1982	15	2	8	11
1983**	14	3	10	12

* Projects include project sector grants.

** Planned as of October or November 1982.

Source: Data obtained from AID country directors, desk officers, and Congressional Presentations.

TABLE 5
ESTIMATED TRENDS IN USE OF FORM
BY DOLLAR AMOUNTS

(In thousands of U.S. dollars)

	<u>PROJECT ASSISTANCE</u>		<u>CASH TRANSFERS</u>		<u>CIPs</u>	<u>TOTAL</u>	
		(percent)		(percent)	(percent)		
FY 1979	\$714,547	36.8	\$ 873,000	44.9	\$355,000	18.3	\$1,942,547
FY 1980	720,641	33.4	1,028,000	47.6	409,500	19.0	2,158,141
FY 1981	788,515	35.9	1,040,280	47.3	370,500	16.8	2,199,295
FY 1982	853,500	33.3	1,116,000	45.5	544,500	21.2	2,564,000

Source: AID data

CIP PROVIDES BOTH COMMODITIES AND LOCAL CURRENCY

CIPs were designed to provide dollar exchange for the importation of specified categories of commodities under grant or loan agreements. AID makes dollars available to developing nations for financing commodity imports in order to meet deficits in the external resources of the recipient.

A CIP can also generate local currency. For example, procured commodities may be sold by the cooperating government to importers. As a result of the sale, the government would obtain local currency. Use of these local currencies may be jointly controlled by AID and the recipient government and thus, available for programming. In Somalia, the local currency generated is to be applied to the expansion of food production, agricultural research and extension, and training. In Mauritius, local currency generation will support small-scale irrigation, water, and small enterprise development projects. The FAA requires that local currency be programmed if the CIP is grant-funded.

There are several additional variations in CIP design. CIP can be designed to procure a wide variety of commodities or it can be focused on a single commodity, such as fertilizer. In Mauritius, the CIP will finance the import of fertilizer, vegetable oil for the local refining industry and, possibly, agricultural equipment/spare parts. In the Seychelles, ESF funds will be used to procure fuel oil. In Egypt, the CIP will finance imports of raw materials, semi-finished products, industrial machinery, spare parts, and other essential commodities.

Finally, CIPs can be linked to policy reforms. Agreements may call for policy initiatives such as expanding the role of the private sector.

CIP was provided to, or proposed for, 11 of the 29 countries reviewed. It tended to be found in lower income countries such as Somalia, Egypt, and Pakistan. Of the 11 CIP countries, five have a DA program as well. In Africa, CIPs are commonly used and in Latin America and Europe, cash transfers are commonly used.

CASH TRANSFERS ARE FLEXIBLE

AID defines a cash transfer as the release of funds to a cooperating agency in the absence or advance of requirements for documentation showing actual use of the funds. Cash transfers cannot be used as a method for purchasing commodities. Cash transfers have been provided to 13 of the countries reviewed.

Several economic objectives are supported through cash transfers. They can be used to meet balance-of-payments gaps or to meet domestic budget shortages. Cash transfers may be tied to obtaining recipient country agreement on policy reform. Local currency may also be generated for joint programming.

Cash transfers go to both DA and non-DA recipients. Cash transfer tended to be found in the higher income group of ESF recipients including higher income countries such as Israel, Portugal, and Spain, and middle income countries such as El Salvador and Jamaica.

ADVANTAGES AND DISADVANTAGES OF
NONPROJECT ASSISTANCE

As vehicles for ESF assistance, cash transfer and CIP have different advantages and disadvantages. Combinations of specific foreign policy objectives and recipient country needs result in the preference of one form over another.

Although both CIP and cash transfers are fast disbursing, as compared to project assistance, CIP is slower disbursing than cash because it requires more steps than cash transfer. Cash transfer is a simple check-writing operation. With CIP, goods need to be identified, ordered and shipped; documentation must be provided for each of these steps. While CIP normally requires less staff than projects, a CIP can be staff intensive and complex to administer.

Recipient nations attempting to procure U.S. commodities must comply with extensive U.S. procurement regulations. Depending on the commodities to be procured, this can result in transaction delays. Our report⁴ on AID and the private sector in Egypt discussed problems with the CIP in Egypt. While it found no disbursement problems, the report stated that difficulties concerning borrower eligibility and differences between the mission and the Egyptian government on access to funds limited a broader distribution of the funds and raised questions about CIP objectives.

An advantage of CIP is that the end use of AID financing can be directly identified. For example, the increased number of buses financed under the Egyptian CIP are clearly visible. In Kenya, the impact of CIP-financed fertilizer imports can be traced as crop production increases. CIP can also provide a direct influence over a recipient's foreign exchange. For example, AID and Sudanese officials agree to the intended use of U.S. dollars provided. In this way, AID can influence what is given priority under the Sudanese budget.

According to an AID review of experience with CIP and cash transfer, CIP is best used when "* * * we are particularly concerned about who gets foreign exchange resources or what is procured with those resources."

⁴ "Lessons Learned From AID's Private Sector Development Efforts in Egypt" (GAO/ID-83-18, Feb. 28, 1983).

A major disadvantage of cash transfer is that AID cannot specify clearly what its dollars buy other than balance-of-payments support or local currency generation. Recently, AID has tried to address this. According to the AID review cited above, AID has been able to document what the cash goes to in Latin America to assure that cash financing goes only for priority imports. In Thailand, the cash transfer provides budget support to the government for programs in public health, water and sanitation, education, agricultural development, rural infrastructure, and community development.

Cash transfers are easier to administer than CIP. They require fewer staff than CIP to develop and implement, and require little monitoring.

According to a draft policy paper and discussions with AID officials, both CIP and cash transfers can be more effective than project aid in leveraging policy reform. CIP and cash transfers concentrate AID funds in one large unit. Decisions on nonproject aid generally are made by officials who have influence on basic economic policy in contrast with the more technical concerns of most ministers negotiating at the project level. AID officials noted, however, that nonproject assistance may not result in additional policy leverage in cases such as Egypt, where aid levels are established in advance.

Cash transfers offer additional advantages for leveraging policy reform. Disbursements on cash transfers can be more easily linked with performance on policy reform. Moreover, the faster disbursing and flexible nature of cash transfers makes it more highly valued by recipient country policymakers.

DEVELOPMENT IMPACT OF NONPROJECT AID

Nonproject assistance permits AID to influence budget and development priorities in recipient countries through participation in: (1) programming local currency, and (2) allocating foreign exchange resources. The impact of the aid is influenced by the extent it affects development priorities.

Programming local currency

Actual practices with respect to ESF-generated local currency varies. Local currency programming receives some attention in all but four of the 21 fiscal year 1982 programs of nonproject assistance.⁵ The four--Israel, Portugal, Spain, and

⁵ Of the 29 ESF countries reviewed, nonproject aid was provided to 19 in fiscal year 1982. Three additional countries were proposed for nonproject assistance in fiscal year 1983. Of the 19 receiving aid in fiscal year 1982, Kenya and Zimbabwe each received assistance under two programs of nonproject support.

Turkey--were all relatively high income countries receiving cash transfer.

In cases where local currency programming is present, the real impact on budget priorities varies. At one extreme, as in Egypt, the programming consists primarily of associating or attributing the local currency to planned expenditures in the country's budget. In other instances, the programming influences spending on the recurrent or investment budget as, for example, when the local currency is allocated to increasing credit to the private sector. Such programming can complement other AID assistance efforts in the country.

A common use of local currency is applying it to meet host government commitments on AID-financed projects. AID officials interviewed identified this as a use in nine countries. In selected countries, local currency is also applied toward AID's operating costs.

The specificity with which local currency uses were identified varied. In six cases, specific uses were described in the program documents on which approval is based. Amounts likely to be allocated to the activities were discussed in the cases of Costa Rica, Thailand,⁶ and Mauritius. For El Salvador, domestic spending targets were identified against which local currency could be applied. For Jamaica and the Zimbabwe agricultural sector program, amounts for the specified activities were not identified. In a seventh case, the Zimbabwe CIP, specific activities were not identified during program design, but the grant called for a detailed plan for local currency uses as a condition precedent to disbursement.

Local currency uses were not specified in seven programs, including Egypt, Honduras, Kenya (sector program), Liberia, Pakistan, Somalia, and Sudan. In three additional cases (Kenya cash transfer, the Seychelles, and Zambia), the use of only a part of the local currency was identified.

A range of activities was financed through local currency support. In Jamaica, local currency funds technical assistance to public agencies which have responsibility for implementing the International Monetary Fund program. In Kenya, local currency will be used to extend credit to businesses which suffered losses during the August 1982 civil disturbances. In Costa Rica, credit to private industrial and agricultural producers will be financed.

There is a lack of common understanding of how local currency is generated and how it should be programmed. For example, from our interviews and review of documents, it was unclear

⁶ For the Thailand cash transfer, local currency was considered programmed since the foreign exchange was provided to mobilize local currency for support of a specific program.

whether local currency is programmed when CIP-imported commodities are allocated to public rather than private agencies. Moreover, there were different views as to whether cash transfers generate local currency. For some countries, officials stated that local currency programming was not addressed because cash transfers did not generate local currency. Yet, local currency is programmed under several cash transfers. In some cases, the agreement simply provides for the government making available an equivalent amount of local currency. In other cases, the program is specifically structured to generate local currency by, for example, selling the foreign exchange to banks who pay for the dollars with local currency. In addition, there were varying views over the degree of specificity desired in identifying activities; one concern expressed was that specific identification may imply the application of AID procedures or imply a level of AID involvement in monitoring the activities beyond that deemed desirable or manageable given staffing constraints.

An additional issue influencing the desirability of local currency programming is the concern over trying to do too many things at once. For example, if the basic objective of the assistance is policy reform, then involvement in local currency programming may dilute AID's effectiveness in addressing that constraint. Draft AID policy guidance (on sector assistance) states that the degree to which uses of the local currency needs to be specified depends on the sectoral constraints being addressed. "If the basic objective of the program is policy reform, then presumably the programming of local currencies is unimportant to achieving that objective. If the main purpose is institutional development or increasing sector resources, then clearly programming of local currency becomes a vital component of sector assistance."

Influencing foreign exchange allocations

Nonproject assistance which involves a transfer of foreign exchange or commodities also provides an opportunity to influence host country priorities for use of foreign exchange resources. AID policy statements and papers articulate the importance of resource allocation and the priority to be attached to influencing them. An AID review of CIP and cash transfer experience states that "* * * the selection of those who will benefit from availability of CIP resources and the terms and conditions upon which those resources will be made available to the beneficiaries can have an important bearing on the development impact * * *." Involvement in reviewing the allocation of resources may also complement AID's other development initiatives, thus improving the impact of the total AID effort in the recipient country. For example, allocating resources to increasing fertilizer imports can reinforce other AID efforts to increase agricultural production.

The use of foreign exchange or commodities transferred under the 21 fiscal year 1982 programs of nonproject assistance was unspecified in about one-third of the programs--the cash transfers for Kenya, Liberia, Jamaica, Israel, Portugal, Spain, and Turkey.⁷

In some cases, uses were not specified because the foreign exchange shortage was acute or imports had already been cut back to minimal levels, as in Jamaica. In other cases, such as Israel or Spain, AID does not view itself as having a developmental role in the countries, given the institutional and technical capability of the recipients. In additional cases such as the Seychelles and Mauritius, specification was not intended to influence development priorities, but rather to simplify administration of the program. For example, the Seychelles CIP finances the import of oil from Bahrain or Kenya; the commodity, oil, was chosen so that the program would cover a single commodity which could be easily procured.

Specification on the use of foreign exchange complemented and reinforced development efforts in a number of countries. For example, the Pakistan CIP finances the import of agricultural equipment and commodities. The foreign exchange is allocated for three categories--agricultural inputs such as fertilizer; commodities and equipment for public agencies supporting agriculture such as heavy machinery for irrigation maintenance; and, in future years, machinery and commodities for on-farm use such as tractors and grain handling equipment. The assistance is an integral part of the overall AID program which has, as its major focus, agriculture and rural development. About 80 percent of the program is oriented to agricultural development through such activities as agricultural research, water management, and irrigation rehabilitation.

Costa Rica provides an additional illustration. The \$20 million in foreign exchange provided to Costa Rica under a cash transfer is being sold to the private sector through the banking system. Structuring the cash transfer reinforces AID's efforts to increase the productive capacity of Costa Rica's private sector and its contribution to overcoming the current economic crisis.

ESF PROJECTS ADDRESS LONG-TERM DEVELOPMENT NEEDS

Projects are the preferred form of assistance in AID. Projects are goal-oriented, directed at achieving an identifiable change in a specific sector or subsector. AID uses projects to increase the long-term absorptive capacity of the country through institution building and technology development or

⁷ The cash transfer for Thailand was treated as specified since the purpose of the cash transfer is to allow the Government to mobilize the local currency for a specific program.

transfer. To achieve this, projects combine materials and equipment, technical assistance, and training.

The share of projects in ESF dollars has remained relatively constant for the last 4 years, approximately 33 to 37 percent. Of the 29 countries reviewed, 17 programs included project aid. ESF is less likely to be in project form in countries which are current DA recipients. Of the 13 countries with DA and ESF funds, only one, the Philippines, receives ESF entirely in project form. For five additional DA countries, ESF includes project aid, although for most, the bulk of the assistance is in nonproject form. (See table 3.)

Projects are focused on a variety of development objectives, including activities such as increasing agricultural production or expanding family planning services which are fundable under DA. Projects also include major industrial endeavors as in Egypt, or infrastructure projects such as port rehabilitation in Somalia. These types of projects would not normally be fundable under DA, which focuses primarily on agriculture, rural development, population, health, education and energy.

Projects offer several advantages. Projects can be focused on specific sectors, development priorities, population subgroups, or geographic regions. Projects can also provide visible evidence of the benefits of U.S. aid. Visibility is frequently seen as important to achieving political benefits from the assistance.

Visibility was considered in selecting projects in, for example, the Philippines, Somalia, and Oman. Visibility can be achieved through the construction of physical infrastructure such as schools in the Philippines or through ribbon-cutting ceremonies. Visibility can also be achieved through activities with a high degree of political symbolism, such as rehabilitation of the Aswan Dam in Egypt.

Disadvantages associated with projects are that they are relatively slow disbursing. Because projects are often oriented towards institution building, which is a longer-term process than resource transfers, projects generally have time frames which are longer than other ESF forms. Furthermore, disbursements can be slowed by other diverse factors including lack of government experience in procurement and AID regulations, the lack of qualified host country personnel to staff and monitor projects, difficulty in contracting for technical assistance, remote project sites, and a decentralized host country government with an unclear division of responsibilities.

Projects require larger staffs to administer than other forms of ESF. For example, in the Sudan AID mission, a larger number of staff is assigned to administering the project portfolio, which amounted to \$24 million in fiscal year 1982,

than is involved in managing the CIP, which amounted to \$100 million in 1982.

Project assistance has been structured to meet rapid disbursements needs

Project assistance is used in the Philippines and Pakistan, despite the need for rapid disbursements. Uncommon approaches to structuring the project aid allows rapid disbursement needs to be satisfied. In both countries, project assistance was chosen because it was viewed as the most appropriate means to address specific economic and foreign policy concerns. The Pakistan program includes a CIP in addition to project aid.

Rapid disbursement needs are met in the Philippines through the transfer of the dollars in advance of project financing requirements. The Government of the Philippines obtains full use of the foreign exchange and makes available the local currency needed to finance the project. As a result of the advance transfer mechanism, the Philippines program addresses both foreign policy and economic development objectives.

In Pakistan, relatively rapid disbursements are to be achieved by incrementally funding projects, that is, by obligating funds to meet project financing needs over the following 12 to 18 months. Normally, AID policy calls for funds to be obligated at the outset to meet life-of-project costs, except in the case of technical assistance projects. Life-of-project funding is preferred because budget approval normally cannot be assured to meet funding requirements in future years.

As a result of the incremental funding of projects, most of the aid is expected to be disbursed within 18 months following the obligation of funds. Normally, project assistance is disbursed over several years. The availability of future funding to complete a project in Pakistan is not considered a problem because the United States plans to provide \$1.625 billion in economic aid over fiscal years 1982-1987.

Programs in both Pakistan and the Philippines also emphasize relatively fast disbursing projects. In Pakistan, population projects were fast disbursing because they had a high content of commodities easily procured and distributed. In the Philippines, simple infrastructure projects such as building schools were fast disbursing. Moreover, some of the aid in the Philippines is channeled through government agencies experienced in working with AID procedures and regulations.

SECTOR APPROACHES RECEIVE INCREASED ATTENTION

Sector assistance, while thus far a little used mode of assistance, is receiving increased attention in AID, since it is seen as a potential means of providing nonproject aid with substantial development impact. According to a draft AID policy

paper, there are two kinds of sector assistance, project and nonproject. The common element in all sector assistance programs is an analytical focus on the constraints inhibiting growth and increased productivity in a sector or subsector such as agriculture or health. Sector assistance has been primarily used, in recent years, in Africa and the Middle East.

Project sector assistance ties the dollar funding to specific project expenditures on both foreign exchange and local costs. Such assistance links related activities which may otherwise have been funded under separate projects. Specific activities are designed and implemented the same way as individual projects. The assistance is recorded as projects in AID financial reporting. Project sector grants are being used to fund agricultural activities in Egypt and Botswana.

Under nonproject sector assistance, AID provides a loan or grant of dollars or commodity financing. According to the draft paper cited above, these resources can be used by the recipient government or the recipient private sector. The local currency generated by the sale of dollars may be used to finance mutually agreed upon sector activities, such as establishment of training institutions. Design and implementation of such activities is primarily a host government, not AID, responsibility. However, this mode allows AID an opportunity to discuss sector policy reforms.

According to the draft policy paper, a primary advantage of the sector approach is that it may offer more scope for leveraging of policy reform. Sector assistance focuses on broader, sector-wide constraints on productivity and involves a larger amount of money than is generally the case with an individual project.

The paper also noted that project sector aid permits greater flexibility in implementation, allowing for adjustments as local conditions and policies change. Nonproject sector assistance is, like other forms of nonproject aid, relatively fast disbursing, and may require considerably fewer staff to administer than project aid.

The paper also identified disadvantages of project sector aid, including its administrative complexity. It requires the monitoring and tracking of several subproject activities. Moreover, project sector aid may result in less information and control on the part of AID headquarters over progress on individual subprojects.

Potential disadvantages associated with nonproject sector assistance are that there is less direct AID control over the use of U.S. funds and there is greater reliance on recipient countries' institutional capability to design and implement local currency activities. The reduction in AID control and involvement may also lessen AID's ability to target the assistance on the poor.

CHAPTER 4

ESF CAN BE STRUCTURED TO MEET DIVERSE ECONOMIC AND POLITICAL CONCERNS

ESF is a flexible assistance tool which can be structured to meet a broad range of foreign policy and economic development objectives. The composition and use of ESF reflects the diversity of political, strategic, and economic goals of the U.S. as well as the recipient countries. We found that economic objectives were recognized as the predominant factor affecting the selection of form of ESF. The economic status of the recipient country was not always reflected in the grant/loan terms of the aid, although such terms are generally concessional.

FOREIGN POLICY OBJECTIVES AND ECONOMIC NEED ARE KEY DETERMINANTS OF PROGRAM COMPOSITION

Decisions on program composition are made on a country-by-country basis. While many factors affect decisions on program composition, no one factor is adequate to explain composition.

Among the elements included in program composition are

- program objectives: What does the U.S. wish to accomplish in the recipient country?
- geographic focus: Is there a need to target the location of the ESF activities?, and
- form: What form of ESF would best accomplish U.S. goals in that country?

These elements are influenced by the determinants of program composition, resulting in ESF programs tailored to country-specific needs.

In response to our question on which factors were the most important determinants of ESF program composition, AID and Department of State officials responded as follows:

TABLE 6

FACTORS IN DETERMINING PROGRAM COMPOSITION

Number of times cited as of great or very great importance in determining program composition.

<u>FACTORS</u>	<u>OVERALL RANK</u>	<u>AID RESPONSES</u> (28 possible)	<u>DEPARTMENT OF STATE RESPONSES</u> (29 possible)
Host country's economic needs as perceived by U.S.	1	25	26
U.S. foreign policy objectives	2	21	22
Host country preferences	3	20	15
Need for rapid disbursements	4	18	14
State Department involvement in ESF	5	12	12
AID policy guidance	6	7	13

As shown in the above table, AID and Department of State officials most frequently cited host country needs and foreign policy objectives as important factors in determining ESF composition. Host country needs identified by AID and Department of State officials include: severe balance-of-payments problems (19 countries including Jamaica and Sudan); the adverse economic impact of an influx of refugees (Thailand); the budgetary strain of maintaining military preparedness to counter external threats (Israel), and extensive damage to the recipient nations' infrastructure due to invasion or internal strife (Lebanon and El Salvador).

Foreign policy objectives also influence program composition. For example, foreign policy objectives may influence geographic focus, as in the Philippines, where part of the aid is directed toward areas surrounding the military bases. In El Salvador, the aid is used to rebuild or repair facilities destroyed by civil war.

Foreign policy objectives are not adequate by themselves, however, to explain decisions on composition. For example, the United States has designated, as a major rationale for ESF, base and facilities access in Portugal, the Philippines, and the Seychelles. In Portugal, ESF is a cash transfer. In the Seychelles, ESF is a CIP. In the Philippines, ESF is provided as projects.

Other factors influence program composition

AID and Department of State officials cited additional factors as influencing program composition. These include host country preferences, disbursement speed, Department of State involvement in ESF, and AID policy guidance.

The recipient nation can take a strong role in determining the composition of ESF. For example, projects were selected for Oman, since Omani officials wanted to provide tangible evidence of the U.S.-Omani economic relationship.

Depending on the rationale and goals of the ESF program, ESF can be structured to meet specific time frames for disbursement. ESF can be structured to disburse immediately as in Israel; over one to two years as in Pakistan; or, over several years, as in Jordan.

The Department of State can have a strong influence in decisions on program composition. For example, the Department of State took a lead role in structuring ESF to meet the economic needs of several countries receiving ESF under the Caribbean Basin Initiative.

Lastly, AID policy guidance can influence program emphasis and composition. For example, current AID policy favors encouraging private sector growth. In Costa Rica, Honduras, Jamaica, and Kenya, ESF is structured to accomplish this. In certain cases, AID policy supports linking ESF to adherence to an International Monetary Fund (IMF) program. Moreover, AID policy also emphasizes the need to devise appropriate strategies to support policy reform. This shapes the composition of ESF programs in, for example, Costa Rica and Honduras, where ESF aid is linked to accomplishment of desired reforms in these countries.

ECONOMIC OBJECTIVES AFFECT DECISIONS ON FORM OF ESF

Economic objectives appear to be predominant in decisions on form of ESF. Appropriateness to economic objectives, especially balance-of-payment problems, significantly influences the form of ESF provided. Other factors can also influence choice of form. As Table 7 indicates, disbursement speed and administrative complexities such as control and staffing levels involved in providing ESF, are also important in decisions on form.

The rationale under which ESF is to be provided, such as to address strategic or balance-of-payments objectives, is a strong indicator of which grouping of factors will be weighed. In activities where ESF was used to provide visible evidence of U.S. aid efforts, projects were likely to be chosen. Where balance-of-payments support, ease in administration, and disbursement speed were important factors in decisions on form, CIP or cash were likely to be chosen.

In the 19 cases where there were balance-of-payments problems, all had some form of nonproject ESF. Several countries had more than one form of nonproject aid, as shown in Table 8.

TABLE 7

REASONS CITED BY AID AND DEPARTMENT OF STATE OFFICIALS

FOR SELECTION OF A PARTICULAR FORM (note a)

	<u>PROJECT</u> (note b) (14 cases)	<u>AID</u>	<u>STATE</u>
Economic Objectives	Appropriateness to other economic objectives (other than balance-of-payments)	10	11
	Appropriateness to balance-of-payments objectives	0	0
Administrative Issues	Control over resources	2	0
Other	Increased leverage or influence	2	0
	Visibility of program	4	1
	<u>CIP</u> (11 cases)		
Economic Objectives	Appropriateness to balance-of-payments objectives	6	4
	Appropriateness to other economic objectives	2	6
Disbursement Speed	Fast disbursing	5	5
Administrative Issues	Simple to administer	0	1
	Requires relatively few staff	2	1
	Control over resources	0	2
Other	Increased leverage or influence	1	0
	Visibility of program	2	0
	Political impact	1	1
	<u>CASH</u> (9 cases)		
Economic Objectives	Appropriateness to balance-of-payments objectives	5	6
	Appropriateness to other economic objectives	2	1
Disbursement Speed	Fast Disbursing	8	6
Administrative Issues	Simple to administer	4	2
	Requires relatively few staff	1	1
Other	Visibility of program	1	0
	Political impact	2	1

^a Data based on interviews with 29 State and 28 AID officials. Number of cases refer to number of countries for which responses were obtained on this question. There was not a sufficient number of responses on nonproject sector grants to include.

^b Projects include project sector grants.

According to our report⁸ on balance-of-payments problems, AID's ongoing projects are potentially jeopardized by tight operational budgets. As the countries' balance-of-payments situation deteriorated, recipient governments were unable to meet their share of project costs, thus delaying project implementation and increasing project costs. Thus, AID is likely to use fast disbursing forms of aid such as CIP or cash transfer in balance-of-payments countries.

No country with a balance-of-payments rationale for ESF had only projects. In the eight countries with a balance-of-payments rationale and no DA program, four had a form of nonproject aid in addition to projects.

Where AID wants to link policy reform to ESF assistance for balance-of-payments stabilization, AID tended to use nonproject ESF such as CIP, cash, or nonproject sector grants. According to several officials, these forms provide more leverage with recipient nations, because CIP and cash provide large sums of money quickly. When we compared balance-of-payment rationale for ESF with linkage to economic policy reform, we found a linkage in 12 of the 19 countries with a balance-of-payments ration-

TABLE 8
COUNTRIES WITH BALANCE-OF-PAYMENTS RATIONALE FOR ESF
AND FORM OF ESF

<u>COUNTRY</u>	<u>DA PROGRAM</u>	<u>FORM OF ESF</u>
Costa Rica	X	Cash and projects
Egypt		CIP and projects
El Salvador	X	Cash and projects
Honduras	X	Cash and project
Israel		Cash
Jamaica	X	Cash and projects
Kenya	X	Cash, CIP and nonproject sector grant
Liberia	X	Cash
Mauritius		CIP
Niger	X	Nonproject sector grant
Pakistan		CIP and projects
Senegal	X	CIP
Seychelles		CIP
Somalia	X	CIP and projects
Sudan	X	Cash and CIP
Turkey		Cash
Zaire	X	CIP
Zambia		CIP and projects
Zimbabwe		CIP, nonproject sector grant, cash and projects

⁸ "U.S. Development Efforts and Balance-of-Payments Problems in Developing Countries" (GAO/ID-83-13, Feb. 14, 1983).

ale in 1982. However, for the largest ESF recipient, Israel, the aid was not linked to policy reform, despite a balance-of-payments rationale.

Disbursement speed can be a major factor in decisions on form. Where an economic crisis such as a balance-of-payments shortfall is a strong factor in program rationale, AID and Department of State officials asserted that fast disbursements are an important means of successfully addressing these factors. For example, the Program Assistance Approval Documents on which approval of the Honduras cash transfer was based, stated that without immediate help at this crisis point, the Honduran economy could deteriorate further. It stated that the quick disbursement of funds possible under the cash transfer would reduce the Honduran foreign exchange backlog. This, in turn, would increase Honduran capability to purchase imports and maintain economic stability.

Similar objectives underlie the choice of cash transfer in other countries. Cash transfer was chosen to respond to Liberia's and Kenya's balance-of-payments crises because it can be extremely fast disbursing. Costa Rica's deteriorating balance-of-payments situation also necessitated a rapid disbursing mechanism, supportive of policy reform. Cash transfer was chosen for its speed and the ease in which it can be administered across sectors.

Administrative issues also affect decisions on form. They are particularly important in countries where AID does not have a mission and does not want to establish one, where staff levels are low, or where programs are physically difficult to administer. For example, AID does not have a mission in Turkey, Spain, the Seychelles, or Mauritius. Thus, forms which require relatively few staff were chosen for these countries. Cash transfer was selected for Turkey and CIP for the Seychelles and Mauritius. In the case of Spain, the Department of State and United States Information Agency administer the program.

In some countries, ESF resources may be difficult to control. In Thailand, the affected region is considered dangerous and is far from the AID mission. AID relies on the Thais to manage the program. Thus, cash transfer was chosen for Thailand as it would be the easiest for AID to administer.

The role of AID and the Department of State in decisions on composition

As shown by the tabulation of interview responses for 25 AID and 27 State officials, there was no overall consensus on whether AID or the Department of State proposed the form of ESF to be provided.

<u>Influence over ESF form</u>	<u>Officials' responses</u>	
	<u>AID</u>	<u>State</u>
AID took lead	9	4
State took lead	4	7
Mission and embassy took lead (note a)	6	8
Do not know	6	8
Total	<u>25</u> countries ^b	<u>27</u> countries ^b

a We recognize that it is not clear here which agency took lead.

b Three AID responses and two Department of State responses were not obtained for this question.

Statements of officials from both agencies noted that there is concurrence on the optimal form, regardless of which agency took the lead. It appeared, however, the Department of State was more likely to take the lead when there was a critical political or economic rationale. This can be seen in the decisions on ESF form for Caribbean Basin Initiative countries.

Also, the Department of State took the lead in proposing the form of ESF for Oman where no AID mission was located when the program was initiated and to provide cash transfers for Kenya and Sudan in 1982 and 1983.

For other countries, both AID and Department of State officials informed us that the presumption was that AID was more knowledgeable about the forms of assistance, and the Department of State would often defer to AID's recommendations. Other agencies such as the Departments of Defense and the Treasury did not take an active role in decisions on form.

ESF TERMS ARE GENERALLY CONCESSIONAL AND NOT
NECESSARILY REFLECTIVE OF ECONOMIC CRITERIA

ESF funds are provided on both a grant and loan basis. Loan terms are generally highly concessional; the degree of concessionality is dependent on the per capita income status of the recipient nation. While the stated policy on terms emphasizes per capita income as the primary criteria for determining terms, actual decisions reflect consideration of other concerns.

U.S. policy provides that terms for all types of assistance should be based on the recipient country's level of development and economic capacity to service the debts incurred. Per capita income is recognized as the best proxy measure of this criterion. Under DA, terms are based primarily on per capita income, with the poorest countries receiving the bulk of their assistance as grants.

In actual practice several higher income ESF countries receive the aid on a grant basis. Of the nine highest income recipients, those with 1980 per capita of \$1,285 and above, five receive all grant ESF. These include Israel, Portugal, Spain, Seychelles, and Suriname. Furthermore, Oman with a per capita income of \$4,380, receives a part of the assistance as grant.

Several justifications were given by State and AID officials for decisions on terms. In addition to per capita income, officials cited the security or humanitarian objectives of the aid as reasons for decisions on terms.

When the program is motivated by a security objective such as obtaining access to base and other facilities, ESF tends to be provided as grants. For example, ESF was extended on grant terms to Spain, Portugal and the Seychelles, all of which have relatively high per capita incomes. Spain's 1980 per capita income was \$5,400, Portugal's was \$2,370, and the Seychelles was \$1,770. ESF was also provided to the Philippines and Mauritius, where base and facility access is a primary objective of the aid, on a grant basis.

Humanitarian objectives underlying ESF provision influence ESF terms. For example, in Thailand, ESF is used to assist Thais affected by the influx of refugees. In Lebanon, the assistance is utilized to meet the needs of those affected by civil strife. In both countries, ESF is provided on a grant basis.

A number of middle-income countries with balance-of-payments problems receive loan-funded ESF. These include Costa Rica, Jamaica, and Turkey. A draft AID policy paper argues that despite the balance-of-payments situation confronted by these nations and the rationale for ESF, loans, rather than grants, should be given.

Harder AID terms have very little balance-of-payments impact over the short term and the assumption for most middle income countries is that the more developed economic capacity of these countries should provide the means to bring their balance-of-payments back into a manageable position over the medium term. Therefore, short term balance-of-payments difficulties are insufficient justification for extending grants or highly concessional loans to these countries.

Some ESF countries with low per capita income status receive loan-funded ESF. Despite a balance-of-payments rationale for providing ESF and low per capita income, Zambia, Pakistan, and Honduras receive ESF loan funding.

For the 19 countries in which a balance-of-payments rationale for ESF was cited, nine AID officials stated that the debt/

balance-of-payments situation was a major factor in determining the grant/loan split for ESF. Seven officials cited DA criteria as a factor in terms, five cited other economic criteria, three cited political rationale, and seven cited other criteria. Thus, the debt/balance-of-payments situation was the factor most frequently cited in deciding terms of ESF. However, terms did not always appear consistent with this criteria. Where the program rationale was base access and balance-of-payments, as in Mauritius and the Seychelles, ESF funding was all grant. Despite balance-of-payments problems, the U.S. gave loan-funded ESF to Costa Rica, Pakistan, Jamaica, Honduras, Turkey, and Zambia.

Providing loan-funded ESF to countries with balance-of-payments problems may affect the ability of recipient nations to comply with an IMF program. Three-fourths of the ESF to Costa Rica was provided through loans. There was concern that providing some ESF as grants might weaken Costa Rican resolve in enforcing economic austerity. However, the IMF imposed a limit on the public sector deficit which prevents Costa Rica from using loan funds for development objectives. The United States decided to provide some of the ESF as grants so that the program could be funded without breaching IMF credit limits.

A draft AID paper concludes that terms policy is not fully consistent with levels of development and capacity to repay. The draft policy paper states that AID will seek to increase the consistency of ESF to more closely reflect the overall policy of gearing assistance terms to development level.

CONCLUSIONS

The flexible character and diversity of ESF is reflected in the varied structure of ESF programs. The nature of ESF assistance in a given country is determined by the specific needs of the recipient and U.S. foreign policy objectives. However, there is no overall formula for determining ESF composition. Decisions are made on a country specific basis. ESF can be designed to meet economic needs, strategic interests, or political goals. The form of ESF can be made flexible in timing, administration, and in meeting the recipient nation's preferences so as to best meet U.S. objectives and host country needs.

Economic objectives are the primary factors considered in deciding the appropriate form of ESF. Disbursement speed, administrative issues, control over resources, and visibility also influence choice of form.

AID's stated terms policy on ESF is based on per capita income status. We found that decisions on terms are reflective of other criteria as well, and not consistently based on per capita income.

APPENDIX

ECONOMIC SUPPORT FUND PROGRAM
FISCAL YEARS 1978 TO 1984
(Dollars in Thousands)

	<u>FY 1978a/</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>Actual FY 1982</u>	<u>Estimated FY 1983b/</u>	<u>Proposed FY 1984b/</u>
Worldwide Total	<u>2,224,437</u>	<u>1,954,146</u>	<u>2,158,141</u>	<u>2,199,295</u>	<u>2,770,264</u>	<u>3,054,500</u>	<u>2,999,000</u>
<u>Asia and Pacific:</u>							
Pakistan	-	-	-	-	100,000	200,000	225,000
Philippines	-	-	20,000	30,000	50,000	50,000	50,000
Thailand	-	-	2,000	2,000	5,000	5,000	5,000
South Pacific Region	-	-	-	-	500	-	-
Regional Total	-	-	<u>22,000</u>	<u>32,000</u>	<u>155,500</u>	<u>255,000</u>	<u>280,000</u>
<u>Middle East:</u>							
Egypt	750,750	835,000	865,000	829,000	771,000	750,000	750,000
Israel	785,000	785,000	785,000	764,000	806,000	785,000	785,000
Jordan	93,000	93,000	69,000	10,000	15,000	20,000	20,000
Lebanon	20,000	-	500	5,000	6,000	100,000 ^{c/}	50,000 ^{c/}
Morocco	-	-	-	-	-	-	7,000
Oman	-	-	5,000	-	15,000	15,000	15,000
Syria	90,000	90,000	-	-	-	-	-
Tunisia	-	-	-	-	5,000	5,000	-
Middle East Regional Program Support and Private Voluntary Organizations	28	3,207	3,716	-	-	-	-
Middle East Special Requirements Fund	11,451	11,599	-	-	-	-	-
Sinai Support Mission	11,686	-	-	-	-	-	-
Regional Total	<u>1,761,915</u>	<u>1,817,856</u>	<u>1,728,216</u>	<u>1,614,950</u>	<u>1,629,080</u>	<u>1,690,000</u>	<u>1,642,000</u>
<u>Europe:</u>							
Cyprus	15,000	15,000	15,000	14,000	15,000	15,000 ^{d/}	3,000
Malta	9,500	-	-	-	-	-	-
Poland	-	-	-	-	5,000	-	-
Portugal	300,000	-	40,000	25,000	20,000	20,000	40,000
Spain	7,000	- ^{e/}	7,000	7,000	22,000	12,000	12,000
Turkey	-	50,000	198,000	200,000	300,000	300,000 ^{d/}	175,000
Yugoslavia	-	10,000	-	-	-	-	-
Regional Total	<u>331,500</u>	<u>75,000</u>	<u>260,000</u>	<u>246,000</u>	<u>362,000</u>	<u>347,000</u>	<u>230,000</u>
<u>Africa:</u>							
Botswana	15,070	11,100	13,000	10,860	10,984	10,000	10,000
Chad	-	-	-	-	2,822	-	-
Djibouti	-	-	-	2,000	2,000	2,000	3,000
Kenya	-	-	14,500	5,500	10,714	30,000	42,000
Lesotho	5,345	-	-	-	-	-	-

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ECONOMIC SUPPORT FUND PROGRAM
FISCAL YEARS 1978 TO 1984
(Dollars in Thousands)

	<u>FY 1978^{a/}</u>	<u>FY 1979</u>	<u>FY 1980</u>	<u>FY 1981</u>	<u>Actual FY 1982</u>	<u>Estimated FY 1983^{b/}</u>	<u>Proposed FY 1984^{b/}</u>
<u>Africa (cont.):</u>							
Liberia	-	5,000	5,200	32,000	35,000	32,000	35,000
Mauritius	-	-	-	-	2,000	2,000	2,000
Niger	-	-	-	-	-	2,000	5,000
Senegal	-	-	-	-	-	5,000	10,000
Seychelles	-	-	-	-	2,000	2,000	2,000
Somalia	-	-	5,000	-	20,000	21,000	35,000
Sudan	-	-	40,000	50,000	100,000	95,000 ^{d/}	120,000
Swaziland	12,666	-	-	-	-	-	-
Uganda	-	3,000	-	-	-	-	-
Zaire	9,999	-	-	-	-	7,000 ^{d/}	10,000
Zambia	30,000	20,000	24,000	20,576	19,999	15,000	20,000
Zimbabwe	-	-	22,900	24,996	75,000	75,000 ^{d/}	75,000
Southern African Regional Require- ments Fund	<u>37,597</u>	<u>13,900</u>	<u>8,099</u>	<u>17,039</u>	<u>14,305</u>	<u>15,000</u>	<u>40,000</u>
Regional Total	<u>110,677</u>	<u>53,000</u>	<u>132,699</u>	<u>162,971</u>	<u>294,824</u>	<u>313,000</u>	<u>409,000</u>
<u>Latin America and Caribbean:</u>							
Belize	-	-	-	-	-	10,000 ^{f/}	-
Costa Rica	-	-	-	-	20,000	125,000 ^{d/} ^{f/}	70,000
Dominican Republic	-	-	-	-	41,000 ^{g/}	10,000 ^{d/} ^{f/}	40,000
El Salvador	-	-	9,100	44,900	115,000 ^{g/}	140,000	120,000
Guatemala	-	-	-	-	-	26,350 ^{d/} ^{f/}	40,000
Haiti	-	-	1,000	-	-	10,000 ^{f/}	5,000
Honduras	-	-	-	-	36,800 ^{g/}	15,000	40,000
Jamaica	11,013	-	-	41,000	90,460 ^{g/}	53,000 ^{d/}	55,000
Nicaragua	-	8,000	1,125	56,574	5,100	-	-
Suriname	-	-	-	-	500	-	1,000
Eastern Caribbean	-	-	4,000	-	20,000	31,000 ^{d/} ^{f/}	25,000
Latin America and Caribbean Regional Central America Regional Program	-	-	-	900	-	17,500 ^{f/}	-
Regional Total	<u>11,013</u>	<u>8,000</u>	<u>15,225</u>	<u>143,374</u>	<u>328,860^{g/}</u>	<u>449,350^{f/}</u>	<u>398,000</u>
<u>Other:</u>							
Institute for Democracy	-	-	-	-	-	150	-
Inter-Regional Program Support	231	290	-	-	-	-	-
Special Requirements Fund	-	-	-	-	-	-	40,000
UN Forces in Cyprus	9,100	-	-	-	-	-	-
Non-Regional Total	<u>9,331</u>	<u>290</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>	<u>40,000</u>

^{a/}Originally funded under Security Supporting Assistance. The International Security Assistance Act of 1978 repealed the legislative authorities for Security Supporting Assistance and provided authority for the ESP and the Peacekeeping Operations Program.

^{b/}From AID fiscal year 1984 Congressional Presentation.

^{c/}Supplemental proposal of \$150 million for fiscal years 1983 and 1984.

^{d/}Includes \$144.5 million Supplemental proposal distributed as follows: Sudan \$25.0; Zaire \$7.0; Zimbabwe \$15.0; Costa Rica \$5.0; Dominican Republic \$10.0; Guatemala \$6.0; Jamaica \$3.0; Eastern Caribbean \$6.0; Cyprus \$10.0; Turkey \$55.0; and Middle East Regional \$2.5.

^{e/}Funded under Peacekeeping Operations Program.

^{f/}Includes \$149 million for the fiscal year 1982 Caribbean Basin Initiative Supplemental distributed as follows: Belize \$11 million; Costa Rica \$70 million; Guatemala \$10 million; Haiti \$10 million; Eastern Caribbean \$20 million; Latin America Regional \$11.5 million; and Central America Regional \$17.5 million.

^{g/}Includes \$201 million for the fiscal year 1982 Caribbean Basin Initiative Supplemental distributed as follows: Dominican Republic \$41 million; Honduras \$35 million; Jamaica \$50 million; and El Salvador \$75 million.

Note: Totals may not add due to rounding.

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