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THE WHITE HOUSE
WASHINGTON

December 21, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

JIM LYNN

FROM:

JIM CONNOR *JEC*

SUBJECT:

Budget Decisions on the International
Development Association and P. L. 480
Food Aid

Confirming telephone call to your office this morning, the President reviewed your memorandum of December 18 on the above subject and approved altering his original decisions as outlined in the above mentioned memorandum.

Please follow up with appropriate action.

cc: Dick Cheney



EXECUTIVE OFFICE OF THE PRESIDENT
 OFFICE OF MANAGEMENT AND BUDGET
 WASHINGTON, D.C. 20503

*directed to
 Cheney
 12/20/76*

DEC 18 1976

*Jim Caronough
 called 12/21
 President
 approved
 call
 Lynn
 KB*

MEMORANDUM FOR:
 FROM:
 SUBJECT:

THE PRESIDENT

James T. Lynn

Budget Decisions on the
 International Development
 Association and P.L. 480
 Food Aid

Circumstances have changed since your recent decisions on the budget authority to be requested for the World Bank's International Development Association (IDA) and on the 1977 and 1978 outlay levels for P.L. 480. All interested agencies agree that the original decisions should be altered as follows.

IDA Budget Authority

Earlier, you approved a \$2.4 billion U.S. contribution to the IDA fifth replenishment (IDA V). You also approved continuation of the recent practice of permitting IDA to commit pledged U.S. funds to specific loans before those funds are fully appropriated. Thus, while IDA would commit the \$2.4 billion in equal annual amounts over the next three years, you decided to lower the profile of this appropriation request by seeking budget authority in four installments as follows:

	<u>U.S. Contribution to IDA V</u> (in millions of dollars)			
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>
IDA Commitments of U.S. IDA V Contribution	800	800	800	--
Appropriations for IDA V	400	400	800	800

Treasury staff discussions on the Hill indicate that the House will insist that authorizing legislation for IDA V require the U.S. contribution to be made subject to appropriations in line with provisions of the Budget Reform Act. Without this qualification, a point of order can, and will almost certainly be raised on the floor. Given this proviso, Treasury and other U.S. agencies believe that IDA cannot and should not commit funds in excess of actual appropriations. Because the international replenishment negotiations have been based on the full commitment of IDA V funds during 1978-80, Treasury, State, OMB, and NSC agree that three annual \$800 million appropriations should be sought during that period to fit the planned commitment pattern of U.S. funds. Because IDA disbursements of U.S. funds are determined by the timing of commitments, the increase of \$400 million in budget authority in 1978 and 1979 will not increase outlays.

P.L. 480 Outlays

The P.L. 480 outlay levels which you approved for 1977 and 1978, \$1,459 million in both years, were based on commodity price estimates made in September. Since then, it has become clear that wheat prices for 1977 will be significantly lower than anticipated, and they are unlikely to increase in 1978. Price estimates for several other commodities have also changed slightly. Agriculture, State, AID, Treasury, OMB, and NSC staffs all agree that the P.L. 480 commodity quantity which you originally approved (approximately 6 million tons) should be repriced, lowering total P.L. 480 outlays by \$88 million in 1977 and \$55 million in 1978 as shown in the table below.

<u>Outlays</u>	<u>P.L. 480 Shipments</u>			
	<u>(in millions of dollars)</u>			
	<u>1977</u>		<u>1978</u>	
	<u>Decision</u>	<u>Revised</u>	<u>Decision</u>	<u>Revised</u>
Commodities				
Title I	838	772	790	768
Title II	421	403	449	413
Freight Costs	200	195	220	223
Subtotal	1,459	1,371	1,459	1,404
Minus Receipts	287	287	301	301
Total	1,172	1,084	1,158	1,103
<u>Tonnage</u>	<u>(in millions of metric tons)</u>			
Title I	4.6	4.6	4.6	4.8
Title II	1.3	1.3	1.3	1.5
Total	5.9	5.9	5.9	6.3

The agencies have considered raising the tonnage of commodities to maintain the program at the dollar levels you decided upon. Mainly because of very good crops in most of the poorer developing countries and legislative restrictions on assistance to the wealthier countries, the more than one million ton increase in the quantity of commodities implied was judged programmatically undesirable and probably infeasible. Some slight changes have been made in the mix of commodities for 1978, with the effect of increasing the commodity levels from 5.9 to 6.3 million tons within the lower outlay total.

Decision:

Approve _____

Disapprove _____