

FY 1983 FMS LOAN AND GRANT FINANCING PROGRAM  
SECURITY ASSISTANCE LEGISLATION

By

Clive D. Luckenbill  
DISAM Associate Professor of Security Assistance Management

DISAM has recently received correspondence from numerous sources concerning the FMS Loan and Grant Financing Program for FY 1983 and FY 1984. As a follow up to an article published in the DISAM Journal ["Foreign Military Sales (FMS) Loan Financing," The DISAM Journal, Vol. 4, No. 4, Summer, 1982] the following update is provided.

Public Law 97-113, 29 December 1981, (International Security and Development Cooperation Act of 1981) indicated that the total amount of FMS credit extended under Section 23 [Direct Credit] of the AECA was not to exceed \$800 million in either FY 1982 or FY 1983. Congress authorized \$800 million to be appropriated each FY with the stipulation that not less than \$550 million be available to Israel, \$200 million to Egypt and \$50 million to Sudan. Congress also stated that the total principal amount of loans guaranteed under Section 24 [Guaranteed Credit] should not exceed \$3,269,525,000 for FY 1982 and the same level for FY 1983.

In mid-April 1982, the FY 1983 Congressional Presentation Document (CPD) was submitted to Congress by the Administration. The FY 1983 CPD indicates, among other things, the proposed level of FMS loan and grant financing program the Administration desires and the countries that are to participate in the program. For FY 1983, the Administration requested \$5,667,800,000 and identified 41 countries for FMS financing. Of the 41 countries listed, 12 would participate in both Guaranteed and Direct credit programs, nine would participate in a Direct Credit program only, and 20 countries would participate in the Guaranteed Credit program only. The Administration specifically requested \$1,739,000,000 for Direct Credit (\$950,000,000 for three countries with repayment "forgiven" and \$789,000,000 to be provided at "concessional" low interest rates). The remaining \$3,928,800,000 of the Administration request was for Guaranteed Credit.

Congress did not pass an appropriations bill for FY 1983. However, on 2 October 1982, Public Law 97-276 was enacted as Continuing Resolution Authority (CRA) authorizing appropriations for security assistance activities on a temporary basis for FY 1983. The CRA provided funding for all foreign assistance activities at either the FY 1982 appropriated level contained in the FY 1982 Appropriations Act (Public Law 97-121, 29 December 1981) or at the Administration's FY 1983 request levels, whichever was lower. Funding was permitted on an annual rate, prorated over the period 1 October to 17 December 1982. However, the resolution did not permit the initiation of any new projects or activities or the resumption of any former projects or activities, for which appropriations were not available during FY 1983. The CRA expired at midnight on 17 December 1982.

On 21 December 1982, Public Law 97-377 (CRA) was enacted making further continuing appropriations until 30 September 1983. This second CRA

basically funded security assistance programs at the FY 1982 Appropriations Act (P.L. 97-121) level, with earmarked levels for Israel, Egypt, Spain, Portugal, Turkey and Morocco.

According to the Congressional Record (Conference Report, dated December 20, 1982), not less than \$750 million Direct Credit (repayment forgiven) is to be allocated to Israel and not less than \$425 million Direct Credit (repayment forgiven) is to be allocated to Egypt. Also, \$3,638,000,000 of contingent liability, with specific minimum amounts for Turkey, Portugal, Morocco and Spain, is to be made available for guaranteed loans. Congress did not approve Direct "concessional" credit. However, Congress did earmark \$290 million for necessary expenses to carry out the provisions of Section 503 ["MAP Grants"] of the Foreign Assistance Act of 1961. Earmarked amounts are identified for Turkey, Portugal and Morocco.

In summary, the original FY 1983 Administration request was for \$5,667,800,000 Direct Credit and Guaranteed Credit. To date the Administration has received \$1,175,000,000 Direct Credit, \$3,638,000,000 Guaranteed Credit and \$290,000,000 "MAP Grants" for a total of \$5,103,000,000.

The funds approved by Congress fell below the Administration request. Consequently, a proposed bill has been submitted by the Administration requesting, inter alia, authorizations for FY 1983 supplemental appropriations of \$167,000,000 for the Military Assistance Program (MAP grants) and \$525,000,000 for Guaranteed Credit (including \$100,000,000 for Lebanon).

Congressional committees are presently holding hearings on the FY 1983 supplemental request and the FY 1984 proposed bill submitted by the Administration. In lieu of the \$800,000,000 Direct Credit and \$3,269,525,000 Guaranteed Credit authorized by Public Law 97-113 for FY 1982 and FY 1983, the Administration is requesting \$1,000,000,000 and \$4,436,000,000 respectively. Specifically, the request identified \$450 million for Egypt and \$550 million for Israel in "FMS Grants" (Direct Credit, repayment forgiven). In addition, \$697 million is being requested in the form of "MAP Grants." The total FY 1984 Administration request for FMS loan and grant financing is \$6,133,000,000.

It is apparent that the FMS Loan Financing Program continues to be a viable form of security assistance. Although many countries have been authorized Guaranteed Credit loans, some have not been able to accept the loans because of high interest rates. "FMS Grants" and "MAP Grants" enable the United States to respond to economic and military difficulties of important friends and allies and to further U.S. interests throughout the world.

#### ABOUT THE AUTHOR

Mr. Clive D. Luckenbill has been a member of the DISAM faculty since 1977, and specializes in the financial aspects of security assistance management. He holds a Master of Arts degree (Management and Supervision: Logistics Management) from Central Michigan University, and is a retired Air Force Lieutenant Colonel with extensive management and staff experience within the Air Force Logistics Command and with the Joint Logistics Commanders.