Mr. JONES. No, sir.

Senator NELSON. Thank you very much. We appreciate your coming.

(The complete prepared statement and supplemental information submitted by Mr. Dwinell follows:)

STATEMENT BY LANE DWINELL, ASSISTANT ADMINISTRATOR FOR ADMINISTRATION, AGENCY FOR INTERNATIONAL DEVELOPMENT, DEPARTMENT OF STATE

I appreciate this opportunity to discuss the AID programs which involve the procurement of pharmaceutical products. But before delving into details of such procurement, I would like to describe, in general terms and without specific regard to pharmaceuticals, why we have different types of programs and how they are conducted.

We conduct three basic programs under which commodities are financed with AID funds. Pharmaceutical products may be purchased in two of these programs—technical assistance programs and commercial import programs. The third activity, capital project assistance, is not of concern in our discussion today.

The first type of program mentioned, Technical Assistance, encompasses educational and training activities. Included are projects in various fields such as health, disease prevention and family planning. Possible programs are developed in the field by our Mission specialists working in close collaboration with cooperating country officials and possibly with UN or other international agency experts. Gradually, their ideas gain substance, scope, and specificity and a definite program takes form—goals to be achieved, facilities to be established, technical services to be recruited, material to be assembled, supplies to be procured.

Feasibility studies are made and time frames for performance prepared. Analyses of resource availabilities and needs are of course essential and figure significantly both in regard to project initiation and continuation. Ultimately, the proposed program is presented by the Mission to Washington for consideration. We appraise each proposal in the context of its suitability for AID participation, of its essentiality to the development of the aid-receiving country, and of its priority relative to other project options. The Agency seeks to confine approvals to carefully formulated, high priority proposals that promise meaningful achievements. Funds authorized in approved projects thus are earmarked for prescribed technical services and for specific commodities. In other words, when a Technical Assistance project is authorized, we have considerable knowledge regarding the commodities to be financed, including knowledge as to what will be bought and what procurement procedures will be employed.

The second type of program is the AID commercial import program. This has two major complementary objectives:

First, it provides foreign exchange to finance private sector imports of commodities needed by industry and agriculture as well as to finance imports of essential consumer goods.

Second, it supplements the revenue of the aid-receiving country and thus enables that government to meet the local currency costs of its development activities.

Development projects involve substantial local currency expenditures to defray costs such as land purchase, rentals, labor, indigenous materials and services. For many developing countries, these items cost a great deal more money than their financial resources can provide. The commercial import program offers a partial solution. It creates a channel through which imported commodities, purchased with American dollars, can be converted into local currency accruals to the government of the importing country. This local currency is then available to support joint economic and, where necessary, defense programs. The mechanics of the system explain how this is done:

The commercial import program works through commercial banking channels and is dependent upon the activities of private businessmen. A firm which sees an opportunity for profit in the importation and resale of particular goods eligible for AID financing obtains an import license if it is required, consummates an "exchange contract" with the local bank, arranges for the procurement and transportation of the goods, pays to his local bank the total cost of the goods in local currency, pays customs duty to his government on arrival of the goods, warehouses, and then processes or sells the goods on the open