are normally eligible as commercial imports financed with AID program funds. This requires that we apply the FDA rulings in two different situations:

First, as they apply to drugs in finished dosage forms, and second, as they apply to ingredients which we finance as commercial imports for processing into finished products after their receipt by the importer in the receiving country.

With respect to the finished products purchased by or for other governments for specific projects, all "ineffective" drugs are ineligible for AID financing including any new drugs added to the "ineffective" list by FDA.

The application of FDA rulings to the eligibility of ingredients is complicated by the fact that FDA reviews finished products only. This means that the lists of finished products must be examined to determine how they affect the ingredients which AID finances. Since a great many finished products consist of more than one active ingredient, we reviewed the FDA lists to identify the ingredients which were found unacceptable by FDA in any finished dosage form or combination.

These ingredients have been added to our list of products which are ineligible as commercial imports. This precaution assures us that drug ingredients found ineffective in any finished product are ineligible for AID financing in either finished or unfinished form.

Because manufacturers of drugs classified as "possibly effective" are given a 6-month period in which to make them acceptable to FDA as "effective" or have them classified "ineffective" by the FDA, we do not make them ineligible until FDA has reached a final decision on them. We provide current lists of "possibly effective" drugs to our missions, and through them, to the importing governments for their use in selecting products best suited to their needs. In the commercial sector, AID has not financed items on the "possibly effective" list.

Mr. Chairman, this concludes my prepared statement. If you have any further questions on AID financing of pharmaceuticals, my associates and I will endeavor to answer them.

Senator NELSON. Can you explain that figure you gave earlier of saving $100,000 on page 4, "The Agency has accomplished savings of about $100,000 in these transactions," what do you mean by these transactions?

Mr. BARONDES. These are those transactions where the drug manufacturer has come in with a specific price, and we have rejected that price as being in excess of that permitted under the guidelines. They have then come in with a new application at an acceptable price. So there are these few transactions where we can actually measure the precise dollar savings. And that comes to a hundred thousand. We think more often than not the manufacturers, knowing that their prices have to be in line with the new standards, have come in with acceptable prices.

Senator NELSON. So, your savings are much greater than that.

Mr. BARONDES. Oh, yes.

Senator NELSON. Have you made any computation as to what savings have been based upon the new practices vis-a-vis previous years when much higher prices were being paid?

Mr. BARONDES. Well, we would estimate that that hundred thousand could be at least tripled to get a more realistic figure. In addition to that, of course, there are the 16 expensive drugs financed in previous