

NS

MEMORANDUM

NATIONAL SECURITY COUNCIL

2548

INFORMATION

May 1, 1976

MEMORANDUM FOR: BRENT SCOWCROFT
FROM: MALCOLM BUTLER *MB*
SUBJECT: Economic Assistance Commitments
in Lusaka Speech

*Thanks -
MB*

Secretary Kissinger's Lusaka speech contains a number of economic assistance proposals which are surfacing for the first time in this speech. Individually, none would seem to go beyond the normal program of flexibility of the Secretary of State as the official responsible for AID activities. Cumulatively, however, they represent a commitment which might be difficult to accomplish within current budget levels without doing significant damage to ongoing programs. For this reason, it can be legitimately argued that they create a bias toward substantially increasing the 1978-1979 AID program. State and AID have submitted a request for a 50% increase to OMB, but this request has not been put before the President and will not be until the fall budget review period.

My quick review of these purposely vague proposals indicates that they could require up to \$75 million in 1977-1978 funds, plus conceivably higher levels in following years. Considering that we will not be called upon to deliver on all of them, it is probably possible to do this through reallocation of AID funding at current levels. Actually, however, the package constitutes a strong argument to increase the AID budget, particularly taken with the Zambia-Zaire programs which have not yet been announced.

The following list is a summary of the Lusaka proposals, together with comments on their budget implications. (Items are keyed to the numbered tabs in the attached copy of the speech.)

1. Mozambique. The speech makes an explicit commitment to provide \$12.5 million in assistance, presumably by reallocating. This would presumably be a 1976 or 1977 funding problem.

2. Countries neighboring Rhodesia. The commitment to alleviate economic hardship to countries closing their frontiers to

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Rhodesia is vague. Given other proposals, this would seem to apply primarily to Botswana, and \$5 million in 1977 money would be a rough guess.

3. Rhodesian Refugees. The U.S. would probably contribute \$2-3 million toward a \$10 million total fund which the U.N. will call for. This is no problem, since \$25 million is pending appropriation in a 1976 supplemental for refugee relief.

4. Zimbabwe. This is indefinite both as to timing and to content, but \$5-\$10 million could be absorbed in 1977 or 1978.

5. Namibia. This is a similar commitment, again probably in the \$5-\$10 million category, from 1977 or 1978.

6. New AID program for Africa. This involves no explicit commitment to higher funding levels, but the implication is strong and expectations will be high.

7. Zambia and Zaire. These new programs have not been presented to the President, and completely offsetting loss of foreign exchange earnings from copper could be an expensive proposition -- on the order of \$100 million. The commitment blends bilateral and multilateral solutions, however.

8. Satellite Technology. This is a new program which will not initially be expensive and can be absorbed within existing 1977 budget levels. Follow on programs could be much more expensive.

9. Regional Transportation System. This program would be carried out through the IBRD, but as a U.S. proposal would probably require an additional contribution. The 1977-1978 requirements would probably be low, since feasibility studies will be needed before projects can be implemented. The IBRD will probably carry the bulk of the funding in following years.

10. Tripling of Development Programs. The uncertainty of the number which is to be tripled makes this commitment fairly flexible. We are probably talking about \$20 million for the region this year, implying \$60 million under the new commitment and a requirement for an additional \$40 million. This would at the expense of planned programs elsewhere unless the President agrees to the higher budget levels requested by State and AID.

As the list above indicates, we can defend each one of these proposals as being financially manageable without additional Presidential decisions.

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PA/HO Department of State

E.O. 12958, as amended

May 4, 2006

OMB can argue accurately, however, that taken together they will become a very strong argument for choosing a higher foreign aid budget level for 1978-1979. Between these Lusaka commitments, the International Resources Bank, and the implied willingness to participate in the Sahelian Fund, we could be talking about \$250-\$300 million in new programs for 1978.

The current version of the UNCTAD speech contains similar quasi-commitments. Foremost among them is a strong implication that we will contribute to the next IDA V replenishment. Although even OMB would recommend that we proceed with this commitment, it is a matter of perhaps \$500 million which will not be put to the President until the fall.