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DEPARTMENT OF STATE

BRIEFING MEMORANDUM 7611149

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May 29, 1976

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TO: The Secretary
FROM: ARA - William D. Rogers *W*

New Aid Initiative for Africa

I have had initial meetings with interested bureaus on a new African aid initiative stemming from the Giscard proposal. The following are some preliminary thoughts on options for organizing such an effort. I have assembled a working group to put together a more comprehensive analysis on an urgent basis.

Giscard Fund Proposal

Giscard's call for a new African aid fund appears to have been a highly personal initiative, with the Quai and even most of the Elysees staff left totally in the dark. We have obtained little elaboration beyond the announced elements:

- A. A new aid fund of unspecified amount, contributed by a council of donors made up of the traditional European donors, the U.S., and perhaps Japan and Canada.
- B. A corresponding council of African states that would decide how the money would be utilized -- with analogy to the Marshall Plan. Although ostensibly targeted at the moderates, it is unclear how this would be done in fact.
- C. Illustrative objectives requiring urgent attention would be mineral resources development, drought control in the Sahel, transportation problems of land-locked countries and agriculture.

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D. A proposed conference of donor countries convened by France.

In following up on this initiative we should first decide how we would like to end up before pursuing it in detail with the French and other countries. There are both potential problems and opportunities in the French initiative.

On the negative side:

-- Signing onto a new fund could undercut or over-shadow existing or proposed U.S. programs, both bilateral and multilateral (i.e. IFAD, IRB, IDA V, Sahel). Congressional support for new funding would be extremely difficult in any event.

-- Leaving the decisions on spending to African recipients would make us particularly vulnerable to domestic and Congressional criticism and would weaken our ability to assure that the use of available resources supported our own objectives.

-- The recipient side may well broaden beyond the moderates and include all 46 members of the OAU.

On the positive side:

-- a highly visible and flexible group of major industrialized donors could enhance political leverage in support of moderate elements within Africa.

-- The vagueness of the Giscard proposal makes it amenable to developing in a way which will meet our objectives.

-- The fund might secure development resources from other nations in support of these objectives.

-- The U.S. could thus become a more central player in Africa, which until now has been largely European turf.

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As to form, we are considering three basic options:

1. A minimum result, consisting of one additional modest aid fund, keeping all other bilateral and multilateral efforts intact and unaffected.
2. A major new fund that would add considerable additional resources and perhaps fold in some existing programs, such as the Club des Amis du Sahel.
3. A relatively modest new fund combined with a flexible, informal coordination mechanism for targeting all available bilateral and multilateral resources toward agreed objectives.

The first option -- a minimum package -- is unlikely to meet Giscard's political requirements for a presidential initiative, and would have very little impact on African relations.

The second option -- a large consolidated fund -- appears least desirable from a U.S. point of view, since a number of useful ongoing programs would be jeopardized in the interest of a vague French initiative that might never make it through Congress.

This leaves option three - a combination of a modest new fund and a flexible coordination mechanism -- as the most promising. If we pursue this route, we would want to develop it in a way that would preserve as far as possible the basic elements of the Giscard proposal, but not so as to jeopardize other U.S. ongoing interests in Africa.

The particular aspects that we are considering more fully under each option are:

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A. The Donor Grouping. This should be relatively straight forward, depending on who is willing to contribute in a significant way. It could include the U.S., France, Germany, the UK, Belgium, Japan, Canada and Sweden. There will likely be a problem of EC participation, but this should be left to the Europeans.

B. The Recipient Grouping. This is far more complicated. It appears extremely difficult to target only the moderates, although we could select projects that would give them a preponderant role. The best approach might be to vary the composition of the recipient groupings, depending on the project. The projects would likely have to be defined in programmatic rather than geographic terms. We could start with the Giscard suggestions but perhaps seek greater specificity (e.g. a transportation grid for southern Africa, rather than all land-locked countries). Additional projects could be undertaken as the mechanism gains experience. The result would thus be a form of pre-selection of recipients based on project description.

C. Disbursement of Funds. We will likely need to finesse the Giscard proposal on this point. Not only is there a Congressional problem with giving disbursement power to the recipients, but there is limited African capability to do it in a prompt, efficient manner. We could, however, develop these specific elements of a project in consultation with the African recipients after we, the donors, had agreed on the broad outline.

D. Relationship to Existing Institutions. This could get us into difficulty, since we are poaching on the Development Assistance Committee (DAC) of the OECD, the IBRD/IDA and the European Development Fund on the donor side, and on the OAU and the African Development Bank on the recipient side. If we stress the highly

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flexible, coordination function of the new mechanism as under option 3, as well as the objective of concentrating on major subregional problems that cut across many existing aid channels, we could minimize jurisdictional hassles.

As for next steps, I plan to take soundings with key European and perhaps African countries over the next couple of weeks to see what their initial reactions are. We have already queried the French at the official level, but have not yet had any response. At the OECD Ministerial, we may want to make some reference in your speech to the need to do something special for Africa. However, we would not want to get out in front of the French, and we will want to consult in advance with them, particularly as to what Sauvagnargues will say at the Ministerial. I'll be back to you as things develop.

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Concurrence:

AF - Mr. Blake
EB - Mr. Winder
Mr. Harrell
AID/AF - Mr. Scott
Mr. Brown