

THE WHITE HOUSE
WASHINGTON

June 8, 1966

DECLASSIFIED

Authority NSC 8/E00600By ing, NARA, Date 12-8-87~~CONFIDENTIAL~~

NATIONAL SECURITY ACTION MEMORANDUM NO. 350

TO: The Secretary of State
The Secretary of the Treasury
The Administrator of the Agency for
International Development
The Director, Bureau of the Budget
The Chairman, Council of Economic Advisers

The President wishes to receive coordinated advice and recommendations concerning the proper use of (1) program loans, and (2) loans to finance "local costs" in our foreign assistance programs.

The report should evaluate the economic and political merits of both kinds of loans in terms of:

- major U. S. assistance objectives, by categories of aided countries;
- the costs and consequences for other U. S. interests, particularly the balance of payments.

It should propose criteria which could be used to establish a presumption as to the appropriate mix of program and project assistance in particular country situations. It should also provide guidelines for the use of local cost financing.

It is requested that you nominate a representative for a sub-Cabinet level working group which will be responsible for carrying out this study. The Bureau of the Budget has accepted responsibility for the chairmanship of the working group.

The White House staff member responsible will be Mr. Francis Bator.

It is hoped that the report can be received at the White House by July 15.

Distribution: F. Bator
C. Johnson /
NSC Files

W W Rostow
W. W. Rostow

~~CONFIDENTIAL~~

Dispatched 6/9/66 - Outside Rcpts.

THE WHITE HOUSE
WASHINGTON

Wednesday
June 8

THE WHITE HOUSE
WASHINGTON

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6/8

Walt:

Could you sign this?

RJ
FMB

Ruth —
would you
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Cmde

asked Butts
for to prepare
in final for
WWR.
xerox of ^{memo} senior
Butts

MEMORANDUM

(52)
THE WHITE HOUSE
WASHINGTON

[Handwritten signature]
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Friday, June 3, 1966 at 6:15 PM

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Attached NSAM

As you know, we have had some problems, inside and outside the Executive Branch, about when A.I.D. program loans and loans to cover "local costs" are appropriate. The attached NSAM would set up a small inter-agency committee, chaired by the Budget Bureau (and including Treasury, State, A.I.D., CEA and the White House) to develop and recommend to you sensible ground rules. If we come up with clear cut results, it could even be of some help on the Hill. b

I have checked the text of the attached draft NSAM with all the principals concerned. Both Joe Fowler and Dave Bell are pleased, as are the rest, with this way of tackling the problem.

If you approve, Walt will sign the attached NSAM and we will get to work.

FMB
Francis M. Bator *[Handwritten mark]*

Approved *[checkmark]*

Disapproved _____

Speak to me _____

THE WHITE HOUSE
WASHINGTON

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NSAM _____

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3

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Authority NSC 81E0060

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By Wig, NARA, Date 12-8-87

~~CONFIDENTIAL~~

June 8, 1966

~~CONFIDENTIAL~~

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W. W. Rostow

~~CONFIDENTIAL~~

FMBator/vmr

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W. W. Rostow

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MEMORANDUM

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NSAM 350

7

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F.M.B.

Francis M. Bator

||

Approved _____

Disapproved _____

Speak to me _____

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WASHINGTON

NSAM _____

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W. W. Rostow



THE SECRETARY OF THE TREASURY
WASHINGTON

~~CONFIDENTIAL~~

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NSA 350

1. Rostow
2. Butler
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JUN 20 1966

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Dear Walt:

Pursuant to your request of June 8 I am pleased to designate Mr. Winthrop Knowlton as my representative on the sub-Cabinet level working group dealing with program and "local cost" loans in our foreign assistance programs.

As you may know, there is an NAC Staff Working Group studying the problem of program loans and several of the agencies participating in that exercise have studies under way in that connection. Mr. Knowlton will keep your group abreast of the work that the NAC group is doing as it progresses.

With best wishes,

Sincerely yours,

"Joe"

Henry H. Fowler

The Honorable
Walt W. Rostow
The White House
Washington, D. C.

DETERMINED TO BE AN
ADMINISTRATIVE MARKING
NOT NAT'L SECURITY
INFORMATION, E. O. 12356,
SEC. 1.1(a)

BY Delt ON 4-17-90

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~~CONFIDENTIAL~~

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DEPARTMENT OF STATE
AGENCY FOR INTERNATIONAL DEVELOPMENT
Washington 25, D. C.

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OFFICE OF
THE ADMINISTRATOR

JUN 16 1966

MEMORANDUM FOR: The Honorable Walt W. Rostow
Special Assistant to the President
The White House

SUBJECT: National Security Action Memorandum No. 350

I am nominating Mr. Gustav Ranis, Assistant Administrator for Program, to be the A.I.D. representative on the sub-Cabinet level working group responsible for carrying out the study under the subject NSAM.

William F. Rand
for David E. Bell

Copies To: The Secretary of State
The Secretary of the Treasury
The Director, Bureau of the Budget
The Chairman, Council of Economic Advisers

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ADMINISTRATIVE MARKING
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BY DUB ON 4-17-90

~~CONFIDENTIAL~~

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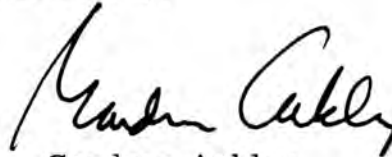
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

June 10, 1966

MEMORANDUM FOR MR. WALT W. ROSTOW

This is in response to your NSAM No. 350, of June 8.

I nominate Arthur Okun as the Council's representative in carrying on this study. He will be assisted by one or more members of the Council staff as necessary.


Gardner Ackley

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ROSTOW'S OFFICE

1966 JUN 10 PM 6 08

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON 25, D.C.

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Mr. Rostow
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MEMORANDUM FOR MR. ROSTOW
The White House

Subject: Report in response to NSAM No. 350

NSAM No. 350 asks for recommendations concerning the proper use of program loans and so-called "local costs" loans in our foreign assistance program. It also requests a statement of criteria for judging the appropriate mix of program and project assistance in a particular country.

The attached report concludes that the country program is the proper basis for evaluating alternative aid "mixes", since it affords the most convenient means of relating both budgetary and balance of payments costs to explicit U.S. objectives.

Because individual country programs must be tailored to the particular circumstances of a recipient country, the report concludes that the problem is not one of establishing simple criteria or "rules of thumb" for evaluating alternative aid "mixes"; rather, it is one of establishing procedures which ensure that balance of payments costs are given full weight in the formation and implementation of the assistance program.

A third major conclusion of the report is that there is no inherent reason why different forms of aid should have different impacts on the U.S. balance of payments.

Finally, a procedure is recommended for evaluating alternative AID program "mixes" and tying procedures within the overall budgetary process.

The Department of State, the Council of Economic Advisers and the Agency for International Development concur with the Bureau of the Budget in this report. The Treasury dissents from the major conclusions and recommendations of the report.

In the Treasury view, dollar project loans are less costly to the U.S. balance of payments than any other form of aid. Therefore, "rule of thumb" limitations should be imposed on program loans and local cost project loans.

The review process proposed in NSAM No. 350 will begin on a partial basis with this year's budget.

(signed) Charlie

Charles L. Schultze
Director

Attachment

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